

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission file number: 000-51948



JLL Income Property Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

20-1432284
(I.R.S. Employer Identification Number)

333 West Wacker Drive, Chicago IL, 60606
(Address of principal executive offices, including Zip Code)
(312) 897-4000

(Registrant's telephone number, including area code)
N/A

(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock, \$.01 par value, outstanding on November 9, 2023 were 108,682,225 shares of Class A common stock, 26,620,082 shares of Class M common stock, 4,456,553 shares of Class A-I common stock, 93,639,455 shares of Class M-I common stock and 2,794,367 shares of Class D common stock.

JLL Income Property Trust, Inc.
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Item 1. Financial Statements.

JLL Income Property Trust, Inc. CONSOLIDATED BALANCE SHEETS \$ in thousands, except per share and share amounts

	September 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Investments in real estate:		
Land (including from VIEs of \$76,725 and \$70,527, respectively)	\$ 732,211	\$ 725,078
Buildings and equipment (including from VIEs of \$261,528 and \$236,265, respectively)	3,785,124	3,728,507
Less accumulated depreciation (including from VIEs of \$(33,906) and \$(28,622), respectively)	(399,862)	(335,216)
Net property and equipment	4,117,473	4,118,369
Investment in unconsolidated real estate affiliates	182,115	202,203
Real estate fund investments	341,330	346,171
Investments in real estate and other assets held for sale	51,020	—
Net investments in real estate	4,691,938	4,666,743
Investment in marketable securities	42,013	44,182
Mortgage notes receivable	43,364	—
Cash and cash equivalents (including from VIEs of \$12,378 and \$10,720, respectively)	65,460	70,940
Restricted cash (including from VIEs of \$2,445 and \$1,082, respectively)	27,729	32,628
Tenant accounts receivable, net (including from VIEs of \$1,091 and \$1,724, respectively)	6,090	8,656
Deferred expenses, net (including from VIEs of \$1,505 and \$1,234, respectively)	15,756	15,867
Acquired intangible assets, net (including from VIEs of \$4,831 and \$8,372, respectively)	234,613	256,515
Deferred rent receivable, net (including from VIEs of \$1,615 and \$1,539, respectively)	37,554	33,567
Prepaid expenses and other assets (including from VIEs of \$5,035 and \$6,383, respectively)	42,816	25,120
TOTAL ASSETS	\$ 5,207,333	\$ 5,154,218
LIABILITIES AND EQUITY		
Mortgage notes and other debt payable, net (including from VIEs of \$116,170 and \$116,852, respectively)	\$ 1,886,563	\$ 1,924,527
Liabilities held for sale	30,479	—
Accounts payable and other liabilities (including from VIEs of \$4,168 and \$3,806, respectively)	46,607	49,747
Financing obligation	816,865	726,375
Accrued offering costs	186,623	187,742
Accrued interest (including from VIEs of \$499 and \$526, respectively)	2,522	6,057
Accrued real estate taxes (including from VIEs of \$2,493 and \$591, respectively)	26,455	10,396
Advisor fees payable	3,653	10,820
Acquired intangible liabilities, net (including from VIEs of \$324 and \$417, respectively)	42,933	43,407
TOTAL LIABILITIES	3,042,700	2,959,071
Commitments and contingencies	—	—
Redeemable noncontrolling interests	14,571	12,387
Equity:		
Class A common stock: \$0.01 par value; 200,000,000 shares authorized; 110,667,176 and 113,645,166 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	1,107	1,136
Class M common stock: \$0.01 par value; 200,000,000 shares authorized; 26,709,746 and 26,170,260 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	267	262
Class A-I common stock: \$0.01 par value; 200,000,000 shares authorized; 4,619,452 and 4,950,208 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	46	50
Class M-I common stock: \$0.01 par value; 200,000,000 shares authorized; 95,469,042 and 95,803,409 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	955	958
Class D common stock: \$0.01 par value; 200,000,000 shares authorized; 2,794,367 and 3,023,025 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	28	30
Additional paid-in capital (net of offering costs of \$354,092 and \$337,559 as of September 30, 2023 and December 31, 2022, respectively)	2,831,883	2,799,539
Distributions to stockholders	(786,565)	(691,090)
Accumulated deficit	(125,276)	(14,788)
Total JLL Income Property Trust, Inc. stockholders' equity	1,922,445	2,096,097
Noncontrolling interests	227,617	86,663
Total equity	2,150,062	2,182,760
TOTAL LIABILITIES AND EQUITY	\$ 5,207,333	\$ 5,154,218

The abbreviation "VIEs" above means consolidated Variable Interest Entities.
See notes to consolidated financial statements.

JLL Income Property Trust, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
\$ in thousands, except share and per share amounts
(Unaudited)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues:				
Rental revenue	\$ 96,295	\$ 84,298	\$ 283,100	\$ 236,555
Other revenue	3,255	2,485	10,923	7,190
Interest on mortgage notes receivable	593	—	809	—
Total revenues	100,143	86,783	294,832	243,745
Operating expenses:				
Real estate taxes	14,181	11,500	41,536	34,124
Property operating expenses	19,150	16,066	53,933	44,066
Property general and administrative	737	558	2,193	2,052
Advisor fees	11,245	16,405	33,413	51,443
Company level expenses	1,582	2,742	4,805	6,813
Depreciation and amortization	37,236	34,608	111,134	100,905
Total operating expenses	84,131	81,879	247,014	239,403
Other income (expenses):				
Interest expense	(27,979)	(18,436)	(153,644)	(70,343)
Income (loss) from unconsolidated real estate affiliates and fund investments	2,627	(9,145)	(9,249)	32,650
Investment income from marketable securities	575	513	1,617	1,110
Net realized (loss) gain upon sale of marketable securities	(250)	26	(780)	(78)
Net unrealized change in fair value of investment in marketable securities	(4,259)	(4,249)	(2,776)	(11,047)
(Loss) gain on disposition of property and extinguishment of debt, net	—	(120)	—	31,372
Total other income and (expenses)	(29,286)	(31,411)	(164,832)	(16,336)
Net loss	(13,274)	(26,507)	(117,014)	(11,994)
Less: Net loss attributable to the noncontrolling interests	1,403	965	6,526	315
Net loss attributable to JLL Income Property Trust, Inc.	\$ (11,871)	\$ (25,542)	\$ (110,488)	\$ (11,679)
Net loss attributable to JLL Income Property Trust, Inc. per share- basic and diluted:				
Class A	(0.05)	(0.11)	(0.46)	(0.05)
Class M	(0.05)	(0.11)	(0.46)	(0.06)
Class A-I	(0.05)	(0.11)	(0.46)	(0.06)
Class M-I	(0.05)	(0.11)	(0.46)	(0.05)
Class D	(0.05)	(0.11)	(0.46)	(0.05)
Weighted average common stock outstanding-basic and diluted	241,282,587	236,605,250	242,191,379	225,002,017

See notes to consolidated financial statements.

JLL Income Property Trust, Inc.
CONSOLIDATED STATEMENTS OF EQUITY
\$ in thousands, except share and per share amounts (Unaudited)

	Common Stock		Additional Paid In Capital	Distributions to Stockholders	Retained Earnings / (Accumulated Deficit)	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance, July 1, 2022	231,471,024	\$ 2,314	\$ 2,633,749	\$ (630,207)	\$ 43,590	\$ 69,544	\$ 2,118,990
Issuance and conversion of common stock	16,640,707	167	248,940	—	—	—	249,107
Repurchase of shares	(5,236,843)	(51)	(78,027)	—	—	—	(78,078)
Offering costs	—	—	(22,960)	—	—	—	(22,960)
Stock based compensation	4,424	—	66	—	—	—	66
Net loss (\$22 income allocated to redeemable noncontrolling interests)	—	—	—	—	(25,542)	(943)	(26,485)
Adjustments to noncontrolling interests	—	—	13,137	—	—	(13,137)	—
Cash contributions from noncontrolling interests	—	—	—	—	—	—	—
Issuance of OP units	—	—	—	—	—	38,200	38,200
Repurchase of OP Units	—	—	—	—	—	—	—
Cash distributed to noncontrolling interests	—	—	—	—	—	(1,335)	(1,335)
Allocation to redeemable noncontrolling interests	—	—	—	—	(1,189)	—	(1,189)
Distributions declared per share (\$0.140)	—	—	—	(30,365)	—	—	(30,365)
Balance, September 30, 2022	242,879,312	\$ 2,430	\$ 2,794,905	\$ (660,572)	\$ 16,859	\$ 92,329	\$ 2,245,951
Balance, January 1, 2022	206,042,836	\$ 2,061	\$ 2,313,815	\$ (573,963)	\$ 34,398	\$ 67,805	\$ 1,844,116
Issuance and conversion of common stock	46,832,153	468	683,313	—	—	—	683,781
Repurchase of shares	(10,022,459)	(99)	(145,714)	—	—	—	(145,813)
Offering costs	—	—	(62,955)	—	—	—	(62,955)
Stock based compensation	26,782	—	396	—	—	—	396
Net loss (\$12 income allocated to redeemable noncontrolling interests)	—	—	—	—	(11,679)	(303)	(11,982)
Adjustment of noncontrolling interests	—	—	6,050	—	—	(6,050)	—
Issuance of OP units	—	—	—	—	—	38,200	38,200
Cash distributed to noncontrolling interests	—	—	—	—	—	(3,401)	(3,401)
Allocation to redeemable noncontrolling interests	—	—	—	—	(5,860)	(3,922)	(9,782)
Distributions declared per share (\$0.420)	—	—	—	(86,609)	—	—	(86,609)
Balance, September 30, 2022	242,879,312	\$ 2,430	\$ 2,794,905	\$ (660,572)	\$ 16,859	\$ 92,329	\$ 2,245,951
Balance, July 1, 2023	242,146,765	\$ 2,421	\$ 2,845,473	\$ (754,914)	\$ (113,405)	\$ 205,547	\$ 2,185,122
Issuance of common stock	4,343,709	42	57,557	—	—	—	57,599
Repurchase of shares	(6,230,691)	(60)	(82,644)	—	—	—	(82,704)
Offering costs	—	—	(4,997)	—	—	—	(4,997)
Net loss (\$2 loss allocated to redeemable noncontrolling interests)	—	—	—	—	(11,871)	(1,401)	(13,272)
Issuance of OP units	—	—	—	—	—	46,079	46,079
Repurchase of OP units	—	—	—	—	—	(2,362)	(2,362)
Adjustments of noncontrolling interests	—	—	16,548	—	—	(16,548)	—
Cash distributed to noncontrolling interests	—	—	—	—	—	(3,698)	(3,698)
Allocation to redeemable noncontrolling interests	—	—	(54)	—	—	—	(54)
Distributions declared per share (\$0.145)	—	—	—	(31,651)	—	—	(31,651)
Balance, September 30, 2023	240,259,783	\$ 2,403	\$ 2,831,883	\$ (786,565)	\$ (125,276)	\$ 227,617	\$ 2,150,062
Balance, January 1, 2023	243,592,068	\$ 2,436	\$ 2,799,539	\$ (691,090)	\$ (14,788)	\$ 86,663	\$ 2,182,760
Issuance of common stock	14,815,677	148	203,212	—	—	—	203,360
Repurchase of shares	(18,173,307)	(181)	(248,658)	—	—	—	(248,839)
Offering costs	—	—	(16,533)	—	—	—	(16,533)
Stock based compensation	25,345	—	350	—	—	—	350
Net loss (\$46 loss allocated to redeemable noncontrolling interests)	—	—	—	—	(110,488)	(6,480)	(116,968)
Issuance of OP units	—	—	—	—	—	253,600	253,600
Repurchase of OP units	—	—	—	—	—	(2,362)	(2,362)
Adjustments of noncontrolling interests	—	—	94,921	—	—	(94,921)	—
Cash distributed to noncontrolling interests	—	—	—	—	—	(8,883)	(8,883)
Allocation to redeemable noncontrolling interests	—	—	(948)	—	—	—	(948)
Distributions declared per share (\$0.435)	—	—	—	(95,475)	—	—	(95,475)
Balance, September 30, 2023	240,259,783	\$ 2,403	\$ 2,831,883	\$ (786,565)	\$ (125,276)	\$ 227,617	\$ 2,150,062

See notes to consolidated financial statements.

JLL Income Property Trust, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
\$ in thousands (Unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (117,014)	\$ (11,994)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	110,238	100,030
Gain on disposition of property and extinguishment of debt	—	(31,372)
Net realized loss upon sale of marketable securities	780	78
Net unrealized (gain) loss in fair value of marketable securities	2,776	11,047
Straight line rent	(3,987)	(5,199)
Loss (income) from unconsolidated real estate affiliates and fund investments	9,249	(32,650)
Distributions from unconsolidated real estate affiliates and fund investments	16,004	16,002
Non-cash interest expense related to the DST Program	73,077	35,095
Performance fee	(6,969)	(36,711)
Net changes in assets, liabilities and other	3,313	(2,943)
Net cash provided by operating activities	87,467	41,383
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of real estate investments	(110,002)	(761,015)
Proceeds from sale of real estate investments and fixed assets	—	74,602
Capital improvements and lease commissions	(26,519)	(18,661)
Investment in unconsolidated real estate affiliates	(324)	(138)
Deposits for investments under contract	—	(2,000)
Investment in marketable securities	(19,892)	(25,637)
Proceeds from sale of marketable securities	18,505	14,403
Investment in mortgage notes receivable	(43,178)	—
Net cash used in investing activities	(181,410)	(718,446)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	405,739	811,273
Repurchase of shares	(248,839)	(145,813)
Offering costs	(17,576)	(14,321)
Distributions to stockholders	(34,557)	(30,767)
Distributions paid to noncontrolling interests and redeemable noncontrolling interests	(10,951)	(3,556)
Contributions received from noncontrolling interests	41	38,200
Draws on credit facility	250,000	325,000
Payment on credit facility	(155,000)	(375,000)
Proceeds from mortgage notes and other debt payable	23,900	95,800
Debt issuance costs	(563)	(6,111)
Payment on early extinguishment of debt	—	(91)
Principal payments on mortgage notes and other debt payable	(128,558)	(14,553)
Net cash provided by financing activities	83,636	680,061
Net (decrease) increase in cash, cash equivalents and restricted cash	(10,307)	2,998
Cash, cash equivalents and restricted cash at the beginning of the period	103,568	121,482
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 93,261</u>	<u>\$ 124,480</u>
Reconciliation of cash, cash equivalents and restricted cash shown per Consolidated Balance Sheets to cash, cash equivalents and restricted cash per Consolidated Statements of Cash Flows		
Cash and cash equivalents	\$ 65,460	\$ 79,144
Restricted cash	27,729	45,336
Restricted cash included in assets held for sale	72	—
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 93,261</u>	<u>\$ 124,480</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 94,128	\$ 40,616
Non-cash activities:		
Write-offs of receivables	\$ 317	\$ 107
Write-offs of retired assets and liabilities	17,346	21,053
Change in liability for capital expenditures	1,819	(100)
Net liabilities transferred at disposition of real estate investment	—	396
Net liabilities assumed at acquisition	189	2,390
Change in issuance of common stock receivable and redemption of common stock payable	(546)	769
Change in accrued offering costs	(1,043)	48,634
Assumption of mortgage notes payables	—	(54,910)
Investments in real estate exchanged for beneficial interests in DST Properties	253,443	—

See notes to consolidated financial statements.

JLL Income Property Trust, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
\$ in thousands, except share, unit, per share and per unit amounts

NOTE 1—ORGANIZATION

General

Except where the context suggests otherwise, the terms “we,” “us,” “our” and the “Company” refer to JLL Income Property Trust, Inc. The terms “Advisor” and “LaSalle” refer to LaSalle Investment Management, Inc.

JLL Income Property Trust, Inc., is an externally advised, daily valued perpetual-life real estate investment trust (“REIT”) that owns and manages a diversified portfolio of industrial, office, residential, retail and other properties located in the United States. Over time, our real estate portfolio may be further diversified on a global basis through the acquisition of properties outside of the United States and may be complemented by investments in real estate-related debt and equity securities. We were incorporated on May 28, 2004 under the laws of the State of Maryland. We believe that we have operated in such a manner to qualify to be taxed as a REIT for federal income tax purposes commencing with the taxable year ended December 31, 2004, when we first elected REIT status. As of September 30, 2023, we owned interests in a total of 137 properties and over 4,400 single-family rental houses located in 27 states.

We own all or substantially all of our assets through JLLIPT Holdings, LP, a Delaware limited partnership (our “operating partnership”), of which we are a limited partner and JLLIPT Holdings GP, LLC, our wholly owned subsidiary, is the sole general partner. The use of our operating partnership to hold all or substantially all of our assets is referred to as an Umbrella Partnership Real Estate Investment Trust (“UPREIT”). By using an UPREIT structure, a property owner who desires to defer taxable gain on the disposition of his property may transfer the property to our operating partnership in exchange for limited partnership interests in our operating partnership (“OP Units”) and defer taxation of gain until the limited partnership interests are disposed of in a taxable transaction. As of September 30, 2023, we have raised aggregate proceeds from the issuance of OP Units in our operating partnership of \$335,892, and owned directly or indirectly 89.3% of the OP Units of our operating partnership. The remaining 10.7% of the OP Units are held by third parties.

From our inception to September 30, 2023, we have received approximately \$5,683,080 in gross offering proceeds from various public and private offerings of shares of our common stock. On October 1, 2012, we commenced our initial public offering of common stock and since that time we have offered shares of our common stock in various public offerings registered with the Securities and Exchange Commission (the “SEC”).

On December 21, 2021, our most recent public offering (the “Current Public Offering”) of up to \$3,000,000 in any combination of shares of our Class A, Class M, Class A-I and Class M-I common stock, was declared effective by the SEC. As of September 30, 2023, we have raised aggregate gross proceeds from the sale of shares of our common stock in our Current Public Offering of \$1,028,500. We intend to continue to offer shares of our common stock on a continuous basis for an indefinite period of time by filing a new registration statement before the end of each offering.

In addition to our public offerings, on March 3, 2015, we commenced a private offering exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”) of up to \$350,000 in shares of our Class D common stock with an indefinite duration (the “Private Offering”). As of September 30, 2023, we have raised aggregate gross proceeds of \$98,188 from our Private Offering. In addition, on October 16, 2019, we, through our operating partnership, initiated a program (the “DST Program”) and on November 8, 2022, our board of directors approved an increase to raise up to a total of \$2,000,000 in private placements exempt from registration under the Securities Act of 1933, as amended, through the sale of beneficial interests to accredited investors in specific Delaware statutory trusts (“DSTs”) holding real properties (“DST Properties”), which may be sourced from our real properties or from third parties. As of September 30, 2023, we have raised approximately \$1,067,000 from our DST Program.

As of September 30, 2023, 110,667,176 shares of Class A common stock, 26,709,746 shares of Class M common stock, 4,619,452 shares of Class A-I common stock, 95,469,042 shares of Class M-I common stock, and 2,794,367 shares of Class D common stock were outstanding and held in aggregate by a total of 24,469 stockholders.

LaSalle acts as our advisor pursuant to the advisory agreement among us, our operating partnership and LaSalle (the “Advisory Agreement”). The term of our Advisory Agreement expires June 5, 2024, subject to an unlimited number of successive one-year renewals. Our Advisor, a registered investment advisor with the SEC, has broad discretion with respect to our investment decisions and is responsible for selecting our investments and for managing our investment portfolio pursuant to

the terms of the Advisory Agreement. Our executive officers are employees of and compensated by our Advisor. We have no employees, as all operations are managed by our Advisor.

LaSalle is a wholly owned, but operationally independent subsidiary of Jones Lang LaSalle Incorporated ("JLL" or our "Sponsor"), a New York Stock Exchange-listed leading professional services firm that specializes in real estate and investment management. As of September 30, 2023, JLL and its affiliates owned an aggregate of 2,521,801 Class M shares, which were issued for cash at a price equal to the most recently reported net asset value ("NAV") per share as of the purchase date and have a current value of \$33,036.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and include the accounts of our wholly owned subsidiaries, consolidated variable interest entities ("VIE") and the unconsolidated investment in real estate affiliates accounted for under the equity method of accounting. We consider the authoritative guidance of accounting for investments in common stock, investments in real estate ventures, investors accounting for an investee when the investor has the majority of the voting interest but the minority partners have certain approval or veto rights, determining whether a general partner or general partners as a group controls a limited partnership or similar entity when the limited partners have certain rights and the consolidation of VIEs in which we own less than a 100% interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Parenthetical disclosures are shown on our Consolidated Balance Sheets regarding the amounts of VIE assets and liabilities that are consolidated. As of September 30, 2023, our VIEs included The District at Howell Mill, Grand Lakes Marketplace, 237 Via Vera Cruz, 4211 Starboard Drive, 13500 Danielson Drive, 2840 Loker Ave, 15890 Bernardo Center Drive and Single-Family Rental Portfolio II due to the joint venture structures and our partners having limited participation rights and no kick-out rights. The creditors of our VIEs do not have general recourse to us.

Noncontrolling interests represent the minority members' proportionate share of equity in our VIEs and our operating partnership. At acquisition, the assets, liabilities and noncontrolling interests were measured and recorded at the estimated fair value. Noncontrolling interests will increase for the minority members' share of net income of these entities and contributions and decrease for the minority members' share of net loss and distributions. As of September 30, 2023, noncontrolling interests represented the minority members' proportionate share of the equity of The District at Howell Mill, a consolidated joint venture, and our operating partnership.

Redeemable noncontrolling interests represent noncontrolling interests that are redeemable at the option of the holder or in circumstances out of our control and therefore are accounted for as temporary equity. The carrying amount of the redeemable noncontrolling interests is adjusted over time on an accretive basis to reflect the fair value at the time the noncontrolling interest becomes redeemable by the holder. Changes in the redemption value of redeemable noncontrolling interest are recorded as an allocation of retained earnings or additional paid in capital on our Consolidated Statements of Equity. During the six months ended June 30, 2022, we recorded an allocation from noncontrolling interests to redeemable noncontrolling interests in the amount of \$3,922. We have redeemable noncontrolling interest that relate to Grand Lakes Marketplace, 237 Via Vera Cruz, 4211 Starboard Drive, 13500 Danielson Drive, 2840 Loker Ave, 15890 Bernardo Center Drive and Single-Family Rental Portfolio II as of September 30, 2023. As of September 30, 2023, \$14,571 related to these third party joint ventures was included in Redeemable noncontrolling interests on our Consolidated Balance Sheet of which \$3,040 is immediately puttable by the holder of the noncontrolling interest.

Certain of our joint venture agreements include provisions whereby, at certain specified times, each party has the right to initiate a purchase or sale of its interest in the joint ventures at an agreed upon fair value. Under these provisions, we are not obligated to purchase the interest of its joint venture partners.

The carrying amount of our noncontrolling interests reflected in equity are as follows:

	September 30, 2023	December 31, 2022
Interests in the partnership equity of the operating partnership	\$ 223,797	\$ 82,635
Noncontrolling interest in consolidated joint ventures	3,820	4,028
Total noncontrolling interests reflected in equity	<u>\$ 227,617</u>	<u>\$ 86,663</u>

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the accounting policies described in the consolidated financial statements and related notes included in our Annual Report on Form 10-K filed with the SEC on March 27, 2023 (our “2022 Form 10-K”) and should be read in conjunction with such consolidated financial statements and related notes. The following notes to these interim consolidated financial statements highlight changes to the notes included in the December 31, 2022 audited consolidated financial statements included in our 2022 Form 10-K and present interim disclosures as required by the SEC.

The interim financial data as of September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 is unaudited. In our opinion, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods.

Restricted Cash

Restricted cash includes amounts established pursuant to various agreements for loan escrow accounts, loan commitments and property sale proceeds. At September 30, 2023, our restricted cash balance on our Consolidated Balance Sheets was primarily related to common stock subscriptions received in advance of the issuance of the common stock and loan escrow amounts.

Deferred Expenses

Deferred expenses consist of lease commissions. Lease commissions are capitalized and amortized over the term of the related lease as a component of depreciation and amortization expense. Accumulated amortization of deferred expenses at September 30, 2023 and December 31, 2022 was \$12,062 and \$10,113, respectively.

Rental Revenue Recognition

We recognize rental revenue from tenants under operating leases on a straight-line basis over the non-cancelable term of the lease when collectibility of substantially all rents is reasonably assured. Recognition of rental revenue on a straight-line basis includes the effects of rental abatements, lease incentives and fixed and determinable increases in lease payments over the lease term. For leases where collection of substantially all rents is not deemed to be probable, revenue is recorded equal to cash that has been received from the tenant. We evaluate the collectibility of rents and other receivables at each reporting period based on factors including, among others, tenant's payment history, the financial condition of the tenant, business conditions and trends in the industry in which the tenant operates and economic conditions in the geographic area where the property is located. If evaluation of these factors or others indicates it is not probable we will collect substantially all rent we recognize an adjustment to rental revenue. If our judgment or estimation regarding probability of collection changes we may adjust or record additional rental revenue in the period such conclusion is reached.

Acquisitions

We have allocated a portion of the purchase price of our acquisitions to acquired intangible assets, which include acquired in-place lease intangibles, acquired above-market in-place lease intangibles and acquired ground lease intangibles, which are reported net of accumulated amortization of \$148,025 and \$123,725 at September 30, 2023 and December 31, 2022, respectively, on the accompanying Consolidated Balance Sheets. The acquired intangible liabilities represent acquired below-market in-place leases, which are reported net of accumulated amortization of \$19,767 and \$15,566 at September 30, 2023 and December 31, 2022, respectively, on the accompanying Consolidated Balance Sheets.

Assets and Liabilities Measured at Fair Value

The Financial Accounting Standards Board’s (“FASB”) guidance for fair value measurement and disclosure states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- *Level 1*—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have access to at the measurement date.
- *Level 2*—Observable inputs, other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs are those in markets for which there are few transactions, the prices are not

current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

- *Level 3*—Unobservable inputs for the asset or liability. Unobservable inputs are those inputs that reflect our own assumptions that market participants would use to price the asset or liability based on the best available information.

The authoritative guidance requires the disclosure of the fair value of our financial instruments for which it is practicable to estimate that value. The guidance does not apply to all balance sheet items. Market information as available or present value techniques have been utilized to estimate the amounts required to be disclosed. Since such amounts are estimates, there can be no assurance that the disclosed value of any financial instrument could be realized by immediate settlement of the instrument.

Our investments in marketable securities are valued using Level 1 inputs as the securities are publicly traded on major stock exchanges.

Real estate fund investments accounted for under the fair value option fall within Level 3 of the hierarchy. The fair value is recorded based upon changes in the NAV of the limited partnership as determined from the financial statements of the real estate fund. During the nine months ending September 30, 2023, we recorded a net decrease in fair value classified within the Level 3 category of \$4,841 and during the nine months ended September 30, 2022 we recorded a net increase in fair value classified within the Level 3 category of \$17,350, which related to our investments in the NYC Retail Portfolio (as defined below) and the Single-Family Rental Portfolio I (as defined below) (see [Note 4-Unconsolidated Real Estate Affiliates and Fund Investments](#)). During the nine months ending September 30, 2023, we recorded impairment charges in our unconsolidated investment in Pioneer Tower within the Level 3 category totaling \$14,476 utilizing a capitalization rate of 6.75% and a discount rate of 8.0% to reflect our investment at its estimated fair value.

We have estimated the fair value of our mortgage notes and other debt payable reflected on our Consolidated Balance Sheets at amounts that are based upon an interpretation of available market information and valuation methodologies (including discounted cash flow analysis with regard to fixed rate debt) for similar loans made to borrowers with similar credit ratings and for the same maturities. The fair value of our mortgage notes and other debt payable using Level 2 inputs was \$183,278 and \$139,690 lower than the aggregate carrying amounts at September 30, 2023 and December 31, 2022, respectively. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of our mortgage notes payable.

Derivative Financial Instruments

We record all derivatives on our Consolidated Balance Sheets at fair value in prepaid expenses and other assets or accounts payable and other accrued expenses. Changes in the fair value of our derivatives are recorded as a component of interest expense on our Consolidated Statements of Operations as we have not designated our derivative instruments as hedges. Our objective in using interest rate derivatives is to manage our exposure to interest rate movements. To accomplish this objective, we use interest rate swaps and collars.

As of September 30, 2023, we had the following outstanding interest rate derivatives related to managing our interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional Amount
Interest Rate Swaps	5	300,000
Interest Rate Collars	2	300,000

The fair value of our interest rate derivatives represent assets of \$16,347 and \$5,106 at September 30, 2023 and December 31, 2022, respectively.

Investment in Marketable Securities

In accordance with our investment guidelines, investments in marketable securities consist of stock of publicly traded REITs. The net unrealized change in the fair value of our investments in marketable securities is recorded in earnings as part of net income in accordance with Accounting Standard Update ("ASU") 2016-1, Financial Statements - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities.

Mortgage Notes Receivable

Mortgage notes receivable, including related accrued interest receivable, consists of mortgage loans originated by us and the related accrued and unpaid interest income as of the balance sheet date. In accordance with ASC Topic 326, Measurement

of Credit Losses on Financial Instruments, we may record an allowance for credit loss to reflect that mortgage note receivables have risk of loss. While Topic 326 does not require any particular method for determining any reserves, it does specify that it should be based on relevant information about past events, including historical loss experience, current portfolio and market conditions, as well as reasonable forecasts for the term of each mortgage note receivable.

Ground Lease

As of September 30, 2023, we have a single ground lease arrangement for which we are the lessee and recorded a right-of-use asset within prepaid expenses and other assets on our Consolidated Balance Sheets in the amount of \$2,034 and a lease liability within accounts payable and other liabilities on our Consolidated Balance Sheets in the amount of \$2,241.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions. These estimates and assumptions impact the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. For example, significant estimates and assumptions have been made with respect to useful lives of assets, recoverable amounts of receivables, fair value of derivatives and real estate assets, initial valuations and related amortization periods of deferred costs and intangibles, particularly with respect to property acquisitions. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848) ("ASU 2020-04"), which provides guidance containing practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. We are evaluating the impact of this guidance. The FASB extended the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848.

In August, 2023, the FASB issued ASU No. 2023-05, Business Combinations-Joint Venture Formations (Subtopic 805-60), which contains new accounting guidance for a joint venture formation. The guidance addresses current diversity in practice by specifying how to account for net assets contributed to a joint venture. Specifically, in the formation of a joint venture, the partners will be required to measure the contributed identifiable net assets at fair value on the formation date. The effective date will be for joint ventures formed on or after January 1, 2025. We do not anticipate this guidance having a material impact to our operations.

Correction of Immaterial Overstatement of Noncontrolling Interest

During the year ended December 31, 2022, we identified an immaterial overstatement of the net equity balance related to the noncontrolling interests in partnership equity of our operating partnership. We previously recorded these noncontrolling interests based upon the fair value of the OP Units issued as consideration, increased for the noncontrolling interests' share of net income of the operating partnership and decreased for the noncontrolling interests' share of net loss and distributions. We have subsequently determined that transactions that change our ownership interest in the operating partnership are accounted for as equity transactions if we retain our controlling financial interest in the operating partnership and no gain or loss was recognized in net income. Accordingly, the net equity balance related to the noncontrolling interests in partnership equity of the operating partnership was adjusted to reflect these changes in ownership of the operating partnership as an equity transaction to reflect the change in ownership percentage of the operating partnership. These adjustments are reflected as an allocation between Additional Paid in Capital and Noncontrolling Interest within our equity section on our Consolidated Balance Sheets and Consolidated Statements of Equity. Our ownership percentage of the operating partnership will increase as we issue common stock and will decrease as we issue OP Units to noncontrolling interests in the future. This correction has no impact on our net income, cash flows or the value of the OP Units. The following table summarizes the effects of this correction:

	As of September 30, 2022		
	Previously Reported	Adjustment	Corrected
Noncontrolling interests	\$ 127,355	\$ (35,026)	\$ 92,329
Additional paid in capital	2,759,879	35,026	2,794,905

NOTE 3—PROPERTY

The primary reason we make acquisitions of real estate investments in the industrial, office, residential, retail and other property sectors is to invest capital contributed by stockholders in a diversified portfolio of real estate assets. All references to square footage and units are unaudited.

Acquisitions

Through the nine months ending September 30, 2023, we acquired 86 single family homes in the Single-Family Rental Portfolio II for approximately \$30,040. The acquisitions were funded with cash on hand.

On April 20, 2023, we acquired Louisville Logistics Center, a 1,043,000 square foot industrial property located in Shepherdsville, Kentucky for approximately \$81,500. The acquisition was funded with cash on hand and a draw on our Revolving Credit Facility (as defined below).

We allocated the purchase price for our 2023 acquisitions in accordance with authoritative guidance as follows:

	2023 Acquisitions
Land	\$ 14,093
Building and equipment	84,870
In-place lease intangible (acquired intangible assets)	15,394
Below-market lease intangible (acquired intangible liabilities)	(4,053)
	<u>\$ 110,304</u>
Amortization period for intangible assets and liabilities	0 - 113 months

Dispositions

There have been no dispositions during the nine months ended September 30, 2023.

Held for Sale

On September 27, 2023, Presley Uptown was classified as held for sale. We expect the sale to occur in the fourth quarter resulting in an approximate gain of \$14,000. As of September 30, 2023, our investment in real estate and other assets and liabilities held for sale was comprised of:

	September 30, 2023
Land	\$ 7,402
Building and equipment, net	43,480
Other assets, net	138
Total assets	<u>\$ 51,020</u>
Mortgage notes and other debt payable, net	\$ 29,859
Other liabilities	620
Total liabilities	<u>\$ 30,479</u>

NOTE 4—UNCONSOLIDATED REAL ESTATE AFFILIATES AND FUND INVESTMENTS

In addition to investments in consolidated properties, we may make investments in real estate, which are classified as unconsolidated real estate affiliates under GAAP. The residential sector includes apartment properties and single-family rental homes.

Unconsolidated Real Estate Affiliates

The following represent our unconsolidated real estate affiliates as of September 30, 2023 and December 31, 2022.

Property	Property Type	Location	Acquisition Date	Carrying Amount of Investment	
				September 30, 2023	December 31, 2022
Chicago Parking Garage	Other	Chicago, IL	December 23, 2014	\$ 13,159	\$ 13,449
Pioneer Tower	Office	Portland, OR	June 28, 2016	70,000	88,000
The Tremont	Residential	Burlington, MA	July 19, 2018	21,233	21,211
The Huntington	Residential	Burlington, MA	July 19, 2018	9,531	10,019
Siena Suwanee Town Center	Residential	Suwanee, GA	December 15, 2020	30,585	30,449
Kingston at McLean Crossing	Residential	McLean, VA	December 3, 2021	37,607	39,075
Total				<u>\$ 182,115</u>	<u>\$ 202,203</u>

Summarized Combined Balance Sheets—Unconsolidated Real Estate Affiliates—Equity Method Investments

	September 30, 2023	December 31, 2022
Net investments in real estate	\$ 392,707	\$ 399,107
Acquired intangible assets, net	8,191	8,334
Other assets	14,002	14,661
Total assets	<u>\$ 414,900</u>	<u>\$ 422,102</u>
Mortgage notes and other debt payable	\$ 178,697	\$ 180,278
Acquired intangible liabilities, net	1,412	1,733
Other liabilities	4,352	3,518
Total liabilities	<u>184,461</u>	<u>185,529</u>
Members' equity	230,439	236,573
Total liabilities and members' equity	<u>\$ 414,900</u>	<u>\$ 422,102</u>

Summarized Combined Statements of Operations—Unconsolidated Real Estate Affiliates—Equity Method Investments

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Total revenues	\$ 9,235	\$ 9,302	\$ 27,895	\$ 27,128
Total operating expenses	6,358	6,271	18,916	20,328
Operating income	\$ 2,877	\$ 3,031	\$ 8,979	\$ 6,800
Total other expenses (income)	1,620	(895)	4,538	(2,223)
Net income	<u>\$ 1,257</u>	<u>\$ 3,926</u>	<u>\$ 4,441</u>	<u>\$ 9,023</u>

Company Equity in Income of Unconsolidated Real Estate Affiliates - Equity Method Investments

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net income of unconsolidated real estate affiliates	\$ 1,257	\$ 3,926	\$ 4,441	\$ 9,023
Other members' share of net income	(226)	(709)	(754)	(1,618)
Impairment of investments in unconsolidated real estate affiliates	(3,062)	—	(14,476)	—
Company equity in (loss) income of unconsolidated real estate affiliates	<u>\$ (2,031)</u>	<u>\$ 3,217</u>	<u>\$ (10,789)</u>	<u>\$ 7,405</u>

Real Estate Fund Investments

NYC Retail Portfolio

On December 8, 2015, a wholly owned subsidiary of ours acquired an approximate 28% interest in a newly formed limited partnership, Madison NYC Core Retail Partners, L.P., which acquired an approximate 49% interest in entities that initially owned 15 retail properties located in the greater New York City area (the “NYC Retail Portfolio”), the result of which is that we own an approximate 14% interest in the NYC Retail Portfolio. The purchase price for such portion was approximately \$85,600 including closing costs. As of September 30, 2023, the NYC Retail Portfolio owned eight retail properties totaling approximately 1,940,000 square feet across urban infill locations in Manhattan, Brooklyn, Queens and New Jersey.

At acquisition we made the election to account for our interest in the NYC Retail Portfolio under the fair value option. We have no unfunded commitments. Our investment in the NYC Retail Portfolio is presented on our Consolidated Balance Sheets within real estate fund investments. Changes in the fair value of our investment as well as cash distributions received are recorded on our Consolidated Statements of Operations within income from unconsolidated real estate affiliates and fund investments. As of September 30, 2023 and December 31, 2022, the carrying amount of our investment in the NYC Retail Portfolio was \$74,376 and \$75,417, respectively. During the three and nine months ended September 30, 2023, we recorded a decrease in fair value of our investment in the NYC Retail Portfolio of \$1,171 and \$1,041, respectively, and received no cash distributions. During the three and nine months ended September 30, 2022, we recorded a decrease in fair value of our investment in the NYC Retail Portfolio of \$7,944 and decrease of \$8,088 respectively, and received no cash distributions.

Single-Family Rental Portfolio I

On August 5, 2021, we acquired a 47% interest in a portfolio of approximately 4,000 stabilized single-family rental homes located in various markets across the United States, including Atlanta, Dallas, Phoenix, Nashville and Charlotte, among others (the “Single-Family Rental Portfolio I”). The portfolio is encumbered by securitized mortgages in a net amount of approximately \$760,000 maturing in the fourth quarter of 2025 at a weighted average interest rate of 2.1%. The equity purchase price of our 47% interest was approximately \$205,000. We funded the transaction using cash on hand and a draw on our Revolving Credit Facility.

At acquisition we made the election to account for our interest in the Single-Family Rental Portfolio I under the fair value option. As of September 30, 2023 and December 31, 2022, the carrying amount of our investment in the Single-Family Rental Portfolio I was \$266,954 and \$270,754, respectively. During the three and nine months ended September 30, 2023, we recorded an increase in fair value of of \$3,500 and a decrease of \$3,800. During the three and nine months ended September 30, 2023, we received distributions of income totaling \$2,329 and \$6,381. During the three and nine months ended September 30, 2022, we recorded a decrease in fair value of \$7,117 and an increase of \$25,438, respectively. During the three and nine months ended September 30, 2022, we received distributions of income totaling \$2,700 and \$7,895, respectively. These cash distributions of income increased income from unconsolidated real estate affiliates and fund investments.

Summarized Combined Balance Sheets—NYC Retail Portfolio Investment and Single-Family Rental Portfolio I—Fair Value Option Investment

	September 30, 2023	December 31, 2022
Investment in real estate	\$ 1,621,460	\$ 1,646,374
Cash	26,692	21,703
Other assets	57,576	52,190
Total assets	<u>\$ 1,705,728</u>	<u>\$ 1,720,267</u>
Total liabilities	843,488	834,237
Partners' capital	862,240	886,030
Total liabilities and partners' capital	<u>\$ 1,705,728</u>	<u>\$ 1,720,267</u>

Summarized Statement of Operations—NYC Retail Portfolio Investment and Single-Family Rental Portfolio I—Fair Value Option Investment

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Total revenue	\$ 23,090	\$ 20,583	\$ 67,919	\$ 61,859
Net investment income	9,254	7,123	27,248	23,443
Net change in unrealized (loss) gain on real estate fund investments	(72,987)	(51,125)	(37,288)	39,676
Net (loss) income	<u>\$ (63,733)</u>	<u>\$ (44,002)</u>	<u>\$ (10,040)</u>	<u>\$ 63,119</u>

NOTE 5—MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable, including related accrued interest receivable, consists of mortgage loans originated by us and the related accrued and unpaid interest income as of the balance sheet date. Mortgage notes receivable are initially recorded at the amount advanced to the borrower less allowance for credit loss, if applicable. As of September 30, 2023, no allowance for credit loss has been recorded. Interest income is recognized monthly and includes the stated interest less the amortization of any financing costs. Mortgage note receivables that we enter into may include commitments to fund incremental amounts to our borrowers after the initial closing.

On May 26, 2023, we originated a \$27,000, interest only mortgage note receivable with a three year term at an interest rate of one month term Secured Overnight Financing Rate ("SOFR") plus 2.95%. As of September 30, 2023, \$400 of the mortgage note remains unfunded and will be funded once requested by the borrower. The mortgage note receivable is secured by an 60+ active adult multifamily apartment property located near Austin, Texas.

On September 22, 2023, we originated a \$27,000, interest only mortgage note receivable with a three year term at an interest rate of one month term SOFR plus 3.25%. As of September 30, 2023, \$10,422 of the mortgage note remains unfunded and will be funded once requested by the borrower. The mortgage note receivable is secured by a neighborhood of 104 townhomes located near Charlotte, North Carolina.

NOTE 6—MORTGAGE NOTES AND OTHER DEBT PAYABLE

Mortgage notes and other debt payable have various maturities through 2042 and consist of the following:

Mortgage notes and other debt payable	Maturity Date	Interest Rate	Amount payable as of	
			September 30, 2023	December 31, 2022
Mortgage notes payable ^{(1) (2) (3) (4)}	September 1, 2024 - August 1, 2042	1.76% - 6.87%	\$ 1,183,956	\$ 1,318,614
Credit facility				
Revolving Credit Facility	April 28, 2025	6.77%	320,000	225,000
Term loan	April 28, 2027	4.88%	400,000	400,000
TOTAL			<u>\$ 1,903,956</u>	<u>\$ 1,943,614</u>
Net debt discount on assumed debt and debt issuance costs			(17,393)	(19,087)
Mortgage notes and other debt payable, net			<u>\$ 1,886,563</u>	<u>\$ 1,924,527</u>
Presley Uptown ⁽⁵⁾			\$ 29,859	\$ —
Mortgage notes and other debt payable of held for sale property			<u>\$ 29,859</u>	<u>\$ —</u>

(1) On June 1, 2023, we repaid the mortgage note payable related to Aurora Distribution Center in the amount of \$13,034.

(2) On June 28, 2023, we repaid the mortgage note payable related to Friendship Distribution Center in the amount of \$40,000.

(3) On June 30, 2023, we repaid the mortgage note payable related to 180 North Jefferson in the amount of \$45,000.

(4) On September 22, 2023, we refinanced the mortgage note payable related to Grand Lakes Marketplace in the amount of \$23,900.

(5) The property associated with this mortgage note payable was classified as held for sale as of September 30, 2023.

Aggregate future principal payments of mortgage notes and other debt payable as of September 30, 2023 are as follows:

Year	Amount
2023	\$ 2,205
2024	17,653
2025	513,473
2026	309,240
2027	447,860
Thereafter	613,525
Total	\$ 1,903,956

Credit Facility

On April 28, 2022, we entered into a credit agreement providing for a \$1,000,000 revolving line of credit and unsecured term loan (collectively, the “Credit Facility”) with a syndicate of nine lenders led by JPMorgan Chase Bank, N.A., Bank of America, N.A., PNC Capital Markets LLC, Wells Fargo Securities, LLC and Capital One, National Association. The Credit Facility provides us with the ability, from time to time, to increase the size of the Credit Facility up to a total of \$1,300,000, subject to receipt of lender commitments and other conditions. The \$1,000,000 Credit Facility consists of a \$600,000 revolving credit facility (the “Revolving Credit Facility”) and a \$400,000 term loan (the “Term Loan”). The primary interest rate for the Revolving Credit Facility is based on one-month term SOFR plus 0.10% (“Adjusted Term SOFR”), plus a margin ranging from 1.30% to 2.00%, depending on our total leverage ratio. The primary interest rate for the Term Loan is based on Adjusted Term SOFR, plus a margin ranging from 1.25% to 1.95%, depending on our total leverage ratio. The maturity date of the Revolving Credit Facility is April 28, 2025 and the Term Loan is April 28, 2027. The Credit Facility contains two, twelve-month extension options at our election. Based on our current total leverage ratio, we can elect to borrow at Adjusted Term SOFR plus 1.35% and Adjusted Term SOFR plus 1.30% for the Revolving Credit Facility and Term Loan, respectively, or alternatively, we can choose to borrow at a “base rate” equal to (i) the highest of (a) the Federal Funds Rate plus 0.5%, (b) the prime rate announced by JPMorgan Chase Bank, N.A., and (c) Adjusted Term SOFR plus 1.0%, plus (ii) a margin ranging from 0.30% to 1.00% for base rate loans under the Revolving Credit Facility or a margin ranging from 0.25% to 0.95% for base rate loans under the Term Loan. If the “base rate” is less than 1.0%, it will be deemed to be 1.0% for purposes of the Credit Facility. We intend to use the Revolving Credit Facility to cover short-term capital needs, for new property acquisitions and working capital. We may not draw funds on our Credit Facility if we (i) experience a material adverse effect, which is defined to include, among other things, (a) a material adverse effect on the business, assets, operations or financial condition of the Company taken as a whole; (b) the inability of any loan party to perform any of its obligations under any loan document; or (c) a material adverse effect upon the validity or enforceability of any loan document or (ii) are in default, as that term is defined in the agreement, including a default under certain other loan agreements and/or guarantees entered into by us or our subsidiaries. As of September 30, 2023, we believe no material adverse effects had occurred.

Borrowings under the Credit Facility are guaranteed by us and certain of our subsidiaries. The Credit Facility requires the maintenance of certain financial covenants, including: (i) unencumbered property pool leverage ratio; (ii) debt service coverage ratio; (iii) maximum total leverage ratio; (iv) fixed charges coverage ratio; (v) minimum NAV; (vi) maximum secured debt ratio; (vii) maximum secured recourse debt ratio; (viii) maximum permitted investments; and (ix) unencumbered property pool criteria. The Credit Facility provides the flexibility to move assets in and out of the unencumbered property pool during the term of the Credit Facility.

At September 30, 2023, we had \$320,000 outstanding under the Revolving Credit Facility at Adjusted Term SOFR plus 1.35% and \$400,000 outstanding under the Term Loan at Adjusted Term SOFR plus 1.30%. We entered into swap and collar agreements for \$600,000 of the Credit Facility to fix the floating rate SOFR at 3.82% (all in rate of 5.22% to 5.27% at September 30, 2023). The interest rate swap and collar agreements mature on April 28, 2027.

Covenants

At September 30, 2023, we were in compliance with all debt covenants.

Debt Issuance Costs

Debt issuance costs are capitalized, and presented net of mortgage notes and other debt payable, and amortized over the terms of the respective agreements as a component of interest expense. Accumulated amortization of debt issuance costs at September 30, 2023 and December 31, 2022 was \$13,212 and \$11,032, respectively.

NOTE 7—COMMON STOCK AND OP UNITS

We have five classes of common stock: Class A, Class M, Class A-I, Class M-I, and Class D. The fees payable to LaSalle Investment Management Distributors, LLC, an affiliate of our Advisor and the dealer manager for our offerings (the "Dealer Manager"), with respect to each outstanding share of each class, as a percentage of NAV, are as follows:

	Selling Commission ⁽¹⁾	Dealer Manager Fee ⁽²⁾
Class A Shares	up to 3.0%	0.85%
Class M Shares	—	0.30%
Class A-I Shares	up to 1.5%	0.30%
Class M-I Shares	—	None
Class D Shares ⁽³⁾	up to 1.0%	None

(1) Selling commissions are paid on the date of sale of our common stock.

(2) We accrue all future dealer manager fees up to the ten percent regulatory limitation as accrued offering costs on our Consolidated Balance Sheets on the date of sale of our common stock. For NAV calculation purposes, dealer manager fees are accrued daily, on a continuous basis equal to 1/365th of the stated fee. Each Class A, Class M and Class A-I share sold in a public offering will automatically convert into the number of Class M-I shares based on the then-current applicable NAV of each class on the date following the termination of the primary portion of such public offering in which we, with the assistance of the Dealer Manager, determine that total underwriting compensation paid with respect to such public offering equals 10% of the gross proceeds from the primary portion of such public offering.

(3) Shares of Class D common stock are only being offered pursuant to a private offering.

The selling commissions and dealer manager fees are offering costs and are recorded as a reduction of additional paid in capital.

Stock Transactions

The stock transactions for each of our classes of common stock for the nine months ended September 30, 2023 were as follows:

	Shares of Class A Common Stock	Shares of Class M Common Stock	Shares of Class A-I Common Stock	Shares of Class M-I Common Stock	Shares of Class D Common Stock	Total
Balance, December 31, 2022	113,645,166	26,170,260	4,950,208	95,803,409	3,023,025	243,592,068
Issuance of common stock	5,337,850	1,522,941	102,548	7,878,140	—	14,841,479
Repurchase of common stock	(8,089,133)	(891,258)	(433,334)	(8,530,924)	(228,658)	(18,173,307)
Share conversions	(226,707)	(92,197)	30	318,417	—	(457)
Balance, September 30, 2023	110,667,176	26,709,746	4,619,452	95,469,042	2,794,367	240,259,783

Stock Issuances

The stock issuances for our classes of common stock, including those issued through our distribution reinvestment plan, for the nine months ended September 30, 2023 were as follows:

Nine Months Ended September 30, 2023		
	# of shares	Amount
Class A Shares	5,337,850	\$ 73,514
Class M Shares	1,522,941	20,844
Class A-I Shares	102,548	1,377
Class M-I Shares	7,878,140	107,975
Total		<u>\$ 203,710</u>

Share Repurchase Plan

Our share repurchase plan allows stockholders, subject to a one-year holding period, with certain exceptions, to request that we repurchase all or a portion of their shares of common stock on a daily basis at that day's NAV per share, limited to 5% of aggregate Company NAV per quarter. For the nine months ended September 30, 2023, we satisfied 100% of repurchase requests we received and repurchased 18,173,307 shares of common stock in the amount of \$248,839. During the nine months ended September 30, 2022, we satisfied 100% of repurchase requests we received and repurchased 10,022,459 shares of common stock in the amount of \$145,813.

Distribution Reinvestment Plan

Pursuant to our distribution reinvestment plan, holders of shares of any class of our common stock and OP Unit holders of any class of OP Units may elect to have their cash distributions reinvested in additional shares of our common stock at the NAV per share applicable to the class of shares being purchased on the distribution date. For the nine months ended September 30, 2023, we issued 4,545,315 shares of common stock for \$60,918 under the distribution reinvestment plan. For the nine months ended September 30, 2022, we issued 3,787,076 shares of common stock for \$55,842 under the distribution reinvestment plan.

Operating Partnership Units

Our operating partnership will issue OP Units to DST investors upon exercising its fair market value purchase option in exchange for their beneficial interests in such DST Properties, which are recorded as financing obligations (see [Note 8-DST Program](#)). Our operating partnership may also issue OP Units in connection with certain acquisitions from third parties. After a one-year holding period, holders of OP Units generally have the right to cause our operating partnership to redeem all or a portion of their OP Units for, at our sole discretion, shares of our common stock, cash, or a combination of both. During the three and nine months ended September 30, 2023, we issued a total of 3,484,286 and 18,748,709 OP Units with a value of \$46,079 and \$253,600, respectively. During the three and nine months ended September 30, 2022, we issued a total of 2,575,832 OP Units with a value of \$38,200.

Earnings Per Share

We compute net income per share for Class A, Class M, Class A-I, Class M-I and Class D common stock using the two-class method. Our Advisor may earn a performance fee (see [Note 10-Related Party Transactions](#)), which may impact the net income of each class of common stock differently. In periods where no performance fee is recognized in our Consolidated Statements of Operations and Comprehensive Income, the net income per share will be the same for each class of common stock.

Basic and diluted net income per share for each class of common stock is computed using the weighted-average number of common shares outstanding during the period for each class of common stock. We have not issued any dilutive or potentially dilutive securities, and thus the basic and diluted net income per share for a given class of common stock is the same for each period presented.

The following table sets forth the computation of basic and diluted net income per share for each of our Class A, Class M, Class A-I, Class M-I and Class D common stock:

Three Months Ended September 30, 2023					
	Class A	Class M	Class A-I	Class M-I	Class D
Basic and diluted net income per share:					
Allocation of net loss per share before performance fee	\$ (5,474)	\$ (1,308)	\$ (231)	\$ (4,710)	\$ (148)
Allocation of performance fee	—	—	—	—	—
Total	\$ (5,474)	\$ (1,308)	\$ (231)	\$ (4,710)	\$ (148)
Weighted average number of common shares outstanding	111,250,306	26,587,227	4,695,051	95,741,890	3,008,113
Basic and diluted net loss per share:	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>
Nine Months Ended September 30, 2023					
	Class A	Class M	Class A-I	Class M-I	Class D
Basic and diluted net income per share:					
Allocation of net income per share before performance fee	\$ (51,230)	\$ (12,083)	\$ (2,196)	\$ (43,602)	\$ (1,377)
Allocation of performance fee	—	—	—	—	—
Total	\$ (51,230)	\$ (12,083)	\$ (2,196)	\$ (43,602)	\$ (1,377)
Weighted average number of common shares outstanding	112,295,684	26,485,862	4,814,579	95,577,254	3,018,000
Basic and diluted net loss per share:	<u>\$ (0.46)</u>	<u>\$ (0.46)</u>	<u>\$ (0.46)</u>	<u>\$ (0.46)</u>	<u>\$ (0.46)</u>
Three Months Ended September 30, 2022					
	Class A	Class M	Class A-I	Class M-I	Class D
Basic and diluted net loss per share:					
Allocation of net loss per share before performance fee	\$ (9,669)	\$ (2,170)	\$ (515)	\$ (7,964)	\$ (370)
Allocation of performance fee	2,017	501	117	1,946	85
Total	\$ (11,686)	\$ (2,671)	\$ (632)	\$ (9,910)	\$ (455)
Weighted average number of common shares outstanding	110,582,768	24,823,195	5,891,345	91,080,115	4,227,827
Basic and diluted net gain per share:	<u>\$ (0.11)</u>	<u>\$ (0.11)</u>	<u>\$ (0.11)</u>	<u>\$ (0.11)</u>	<u>\$ (0.11)</u>
Nine Months ended September 30, 2022					
	Class A	Class M	Class A-I	Class M-I	Class D
Basic and diluted net income per share:					
Allocation of net income per share before performance fee	\$ 3,834	\$ 1,032	\$ 256	\$ 2,788	\$ 200
Allocation of performance fee	8,620	2,652	645	6,714	493
Total	\$ (4,786)	\$ (1,620)	\$ (389)	\$ (3,926)	\$ (293)
Weighted average number of common shares outstanding	106,347,069	28,640,272	7,112,283	77,348,035	5,554,359
Basic and diluted net income per share:	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>

Organization and Offering Costs

Organization and offering costs include, but are not limited to, legal, accounting, printing fees and personnel costs of our Advisor attributable to our organization, preparation of the registration statement, registration and qualification of our common stock for sale with the SEC, or in a private placement, and in the various states and filing fees incurred by our Advisor. LaSalle agreed to fund our organization and offering expenses for the Current Public Offering until December 21, 2021, the day the registration statement was declared effective by the SEC, following which time we commenced reimbursing LaSalle over 36 months. Following the Current Public Offering commencement date, we began paying directly or reimbursing LaSalle if it pays on our behalf any organization and offering costs incurred during the Current Public Offering period (other than selling commissions and dealer manager fees) as and when incurred. After the termination of the Current Public Offering, LaSalle has agreed to reimburse us to the extent that the organization and offering costs that we incur exceed 15% of our gross proceeds from the Current Public Offering. Organization costs are expensed, whereas offering costs are recorded as a reduction of capital

in excess of par value. As of September 30, 2023 and December 31, 2022, LaSalle had paid \$2,264 and \$2,185, respectively, of organization and offering costs on our behalf which we had not yet reimbursed. These costs are included in accrued offering costs on our Consolidated Balance Sheets.

NOTE 8—DST PROGRAM

On October 16, 2019, we, through our operating partnership, initiated the DST Program, and on November 8, 2022, our board of directors approved an increase to raise up to a total of \$2,000,000 in private placements through the sale of beneficial interests in specific DSTs holding DST Properties, which may be sourced from our existing portfolio or from newly acquired properties sourced from third parties. Each DST Property will be leased back by a wholly owned subsidiary of our operating partnership on a long-term basis of up to ten years pursuant to a master lease agreement. The master lease agreements are expected to be guaranteed by our operating partnership. As compensation for the master lease guarantee, our operating partnership will retain a fair market value purchase option giving it the right, but not the obligation, to acquire the beneficial interests in the DST from the investors at any time after two years from the closing of the applicable DST offering in exchange for OP Units or cash, at our discretion.

The sale of beneficial interests in the DST Property will be accounted for as a failed sale-leaseback transaction due to the fair market value purchase option retained by our operating partnership and as such, the property will remain on our books and records. The proceeds received from each DST offering will be accounted for as a financing obligation on our Consolidated Balance Sheets. Upfront costs for legal work and debt placement costs for the DST totaling \$288 are accounted for as deferred loan costs and are netted against the financing obligation as of September 30, 2023.

Under the master lease, we are responsible for subleasing the DST Property to tenants, for covering all costs associated with operating the underlying DST Property, and for paying base rent to the DST that owns such property. For financial reporting purposes (and not for income tax purposes), the DST Properties are included in our consolidated financial statements, with the master lease rent payments accounted for as interest expense. For the three and nine months ended September 30, 2023, we recorded interest expense related to the master lease in the amounts of \$8,962 and \$27,761, respectively. For the three and nine months ended September 30, 2022, we recorded interest expense related to the master lease in the amounts of \$5,492 and \$13,885, respectively. We will record non-cash interest expense over the expected period until exercising of the fair market value purchase option for properties that have increased in fair value. We will recognize non-cash interest income at exercise of the fair market value purchase option for properties that have decreased in fair value. We incurred non-cash interest expense of \$6,501 and \$100,456 for the three and nine months ended September 30, 2023, respectively, and non-cash interest income of \$1,348 and \$6,169 for the three and nine months ended September 30, 2023, respectively. We incurred non-cash interest expense of \$69 and \$15,283 for the three and nine months ended September 30, 2022, respectively.

For financial reporting purposes, the rental revenues and rental expenses associated with the underlying property of each master lease are included in the respective line items on our Consolidated Statements of Operations and Comprehensive Income. The net amount we receive from the underlying DST Properties may be more or less than the amount we pay to the investors in the specific DST and are considered operating cash flows and could fluctuate over time.

As of September 30, 2023, we have sold \$1,067,000 in interests related to the DST Program. As of September 30, 2023, the following properties are included in our DST Program:

The Penfield	9101 Stony Point Drive	Suwanee Distribution Center
Montecito Marketplace	Reserve at Venice	West Phoenix Distribution Center
Whitestown Distribution Center	Duke Medical Center	6300 Dumbarton Circle
Louisville Airport Distribution Center	Silverstone Marketplace	6500 Kaiser Drive
The Preserve at the Meadows	South Reno Medical Center	Louisville Logistics Center
The Rockwell	Sugar Land Medical Plaza	

NOTE 9—OPERATING LEASES

We receive rental income from operating leases. The minimum future rentals from consolidated properties based on operating leases in place at September 30, 2023 are as follows:

Year	Amount
2023	\$ 89,859
2024	246,961
2025	189,104
2026	154,973
2027	128,120
Thereafter	509,273
Total	<u>\$ 1,318,290</u>

Minimum future rentals do not include amounts payable by certain tenants based upon a percentage of their gross sales or as reimbursement of property operating expenses. During the three and nine months ended September 30, 2023, no tenants accounted for greater than 10% of minimum base rents.

NOTE 10—RELATED PARTY TRANSACTIONS

Pursuant to our Advisory Agreement with LaSalle, we pay a fixed advisory fee of 1.25% of our NAV calculated daily. The Advisory Agreement allows for a performance fee to be earned for each share class based on the total return of that share class or OP Unit during the calendar year. The performance fee is calculated as 10% of the return in excess of 7% per annum. The term of our Advisory Agreement expires June 5, 2024, subject to an unlimited number of successive one year renewals.

Fixed advisory fees for the three and nine months ended September 30, 2023 was \$11,245 and \$33,413, respectively. The fixed advisory fees for the three and nine months ended September 30, 2022 was \$11,551 and \$31,654, respectively. There were no performance fees for the three and nine months ended September 30, 2023. Performance fees for the three and nine months ended September 30, 2022 were \$4,854 and \$19,789, respectively. Included in Advisor fees payable at September 30, 2023 was \$3,653 of fixed advisory fee expense. Included in Advisor fees payable for the year ended December 31, 2022 was \$3,851 of fixed advisory fee expense and \$6,969 of performance fee expenses.

We pay Jones Lang LaSalle Americas, Inc. (“JLL Americas”), an affiliate of our Advisor, for property management, construction management, leasing, mortgage brokerage and sales brokerage services performed at various properties we own. For the three and nine months ended September 30, 2023, we paid JLL Americas \$711 and \$1,528, respectively, for property management and leasing services. For the three and nine months ended September 30, 2022, we paid JLL Americas \$435 and \$1,422, respectively, for property management and leasing services. During the three and nine months ended September 30, 2023, there were \$108 mortgage brokerage fees paid to JLL Americas. During the three and nine months ended September 30, 2022, there were no mortgage brokerage fees paid to JLL Americas.

We pay the Dealer Manager selling commissions and dealer manager fees in connection with our offerings. For the three and nine months ended September 30, 2023, we paid the Dealer Manager selling commissions and dealer manager fees totaling \$3,519 and \$10,540, respectively. For the three and nine months ended September 30, 2022, we paid Dealer Manager selling commissions and dealer manager fees totaling \$4,244 and \$12,106, respectively. A majority of the selling commissions and dealer manager fees are reallocated to participating broker-dealers. Included in accrued offering costs, at September 30, 2023 and December 31, 2022, were \$184,359 and \$185,557 of future dealer manager fees payable, respectively.

As of September 30, 2023 and December 31, 2022, we owed \$2,264 and \$2,185, respectively, for organization and offering costs paid by LaSalle (see [Note 7-Common Stock and OP Units](#)). These costs are included in accrued offering costs.

LaSalle Investment Management Distributors, LLC also serves as the dealer manager for the DST Program on a “best efforts” basis. Our taxable REIT subsidiary, which is a wholly owned subsidiary of our operating partnership, will pay the Dealer Manager upfront selling commissions, upfront dealer manager fees and placement fees of up to 5.0%, 1.0% and 1.0%, respectively, of the gross purchase price per unit of beneficial interest sold in the DST Program. All upfront selling commissions and upfront dealer manager fees are reallocated to participating broker-dealers. For the three and nine months ended September 30, 2023, the taxable REIT subsidiary paid \$2,154 and \$7,200, respectively, to the Dealer Manager. For the three and nine months ended September 30, 2022, the taxable REIT subsidiary paid \$2,680 and \$5,033, respectively, to the Dealer Manager. In addition, the Dealer Manager may receive an ongoing investor servicing fee that is calculated daily on a continuous basis from year to year equal to 1/365th of (a) 0.25% of the total equity of each outstanding unit of beneficial

interest for such day, payable by the DSTs; (b) 0.85% of the NAV of each outstanding Class A OP Unit, 0.30% of the NAV of each outstanding Class M OP Unit or 0.30% of the NAV of each outstanding Class A-I OP Unit for such day issued in connection with our operating partnership's fair market value purchase option, payable by our operating partnership; and (c) 0.85% of the NAV of each outstanding Class A share, 0.30% of the NAV of each outstanding Class M share or 0.30% of the NAV of each outstanding Class A-I share for such day issued in connection with the investors' redemption right, payable by us. The investor servicing fee may continue for so long as the investor in the DST Program holds beneficial interests, Class A, Class M and Class A-I OP Units or Class A, Class M and Class A-I shares that were issued in connection with the DST Program. No investor servicing fee will be paid on Class M-I OP Units or Class M-I shares. For the three and nine months ended September 30, 2023, the DSTs paid \$511 and \$1,545, respectively, in investor servicing fees to the Dealer Manager in connection with the DST Program. For the three and nine months ended September 30, 2022, the DSTs paid \$402 and \$1,031, respectively, in investor servicing fees to the Dealer Manager in connection with the DST Program.

LaSalle also serves as the manager for the DST Program. Each DST pays the manager a management fee equal to a to-be-agreed upon percentage of the total equity of such DST. For the three and nine months ended September 30, 2023, the DSTs paid \$317 and \$963, respectively, in management fees to our Advisor in connection with the DST Program. For the three and nine months ended September 30, 2022, the DSTs paid \$254 and \$656, respectively, in management fees to our Advisor in connection with the DST Program.

NOTE 11—COMMITMENTS AND CONTINGENCIES

From time to time, we have entered into contingent agreements for the acquisition and financing of properties. Such acquisitions and financings are subject to satisfactory completion of due diligence or meeting certain leasing or occupancy thresholds.

We are subject to fixed ground lease payments on South Beach Parking Garage of \$112 per year until September 30, 2024, which will increase every five years thereafter by the lesser of 12% or the cumulative Consumer Price Index ("CPI") over the previous five year period. We are also subject to a variable ground lease payment calculated as 2.5% of revenue. The lease expires September 30, 2041 and has a ten-year renewal option.

The operating agreement for Grand Lakes Marketplace allows the unrelated third party joint venture partner, owning a 10% interest, to currently put its interest to us at a market determined value.

The operating agreement for 237 Via Vera Cruz, 13500 Danielson Street, 4211 Starboard, 2840 Loaker Avenue and 15890 Bernardo Center Drive allows the unrelated third party joint venture partner, owning a 5% interest, to put its interest to us at a market determined value starting July 31, 2024.

The operating agreement for our investment in Single-Family Rental Portfolio II allows the unrelated third party joint venture partner, owning a 5% interest, to put its interest to us at a market determined value starting November 9, 2030.

NOTE 12—SEGMENT REPORTING

We have five reportable operating segments: industrial, office, residential, retail and other properties. Consistent with how our chief operating decision makers evaluate performance and manage our properties, the financial information summarized below is presented by operating segment and reconciled to net income for the three and nine months ended September 30, 2023 and 2022.

	Industrial	Office	Residential	Retail	Other	Total
Assets as of September 30, 2023	\$ 1,641,691	\$ 623,707	\$ 1,576,708	\$ 595,613	\$ 64,238	\$ 4,501,957
Assets as of December 31, 2022	1,586,416	640,066	1,623,069	612,640	20,543	4,482,734

Three Months Ended September 30, 2023

Capital expenditures by segment	\$ 2,595	\$ 1,122	\$ 4,589	\$ 1,528	\$ —	\$ 9,834
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Revenues:

Rental revenue	\$ 32,146	\$ 15,722	\$ 34,874	\$ 13,386	\$ 167	\$ 96,295
Other revenue	30	477	2,015	201	532	3,255
Interest on mortgage note receivable	—	—	—	—	593	593
Total revenues	\$ 32,176	\$ 16,199	\$ 36,889	\$ 13,587	\$ 1,292	\$ 100,143

Operating expenses:

Real estate taxes	\$ 5,503	\$ 1,438	\$ 5,458	\$ 1,676	\$ 106	\$ 14,181
Property operating expenses	2,869	3,525	10,137	2,429	190	19,150
Total segment operating expenses	\$ 8,372	\$ 4,963	\$ 15,595	\$ 4,105	\$ 296	\$ 33,331

Reconciliation to net income

Property general and administrative	737
Advisor fees	11,245
Company level expenses	1,582
Depreciation and amortization	37,236
Total operating expenses	\$ 84,131
Other income and (expenses):	
Interest expense	\$ (27,979)
Income from unconsolidated real estate affiliates and fund investments	2,627
Investment income from marketable securities	575
Net realized loss upon sale of marketable securities	(250)
Net unrealized change in fair value of investment in marketable securities	(4,259)
Total other income and (expenses)	\$ (29,286)
Net loss	<u>\$ (13,274)</u>

Reconciliation to total consolidated assets as of September 30, 2023

Assets per reportable segments	\$ 4,501,957
Investment in unconsolidated real estate affiliates, real estate fund investments and corporate level assets	705,376
Total consolidated assets	<u>\$ 5,207,333</u>

Reconciliation to total consolidated assets as of December 31, 2022

Assets per reportable segments	\$ 4,482,734
Investment in unconsolidated real estate affiliates, real estate fund investments and corporate level assets	671,484
Total consolidated assets	<u>\$ 5,154,218</u>

	Industrial	Office	Residential	Retail	Other	Total
Three Months Ended September 30, 2022						
Capital expenditures by segment	\$ 3,568	\$ 781	\$ 2,341	\$ 1,424	\$ —	\$ 8,114
Revenues:						
Rental revenue	\$ 26,213	\$ 12,998	\$ 29,825	\$ 15,151	\$ 111	\$ 84,298
Other revenue	19	315	1,535	111	505	2,485
Total revenues	\$ 26,232	\$ 13,313	\$ 31,360	\$ 15,262	\$ 616	\$ 86,783
Operating expenses:						
Real estate taxes	\$ 3,859	\$ 1,242	\$ 4,615	\$ 1,677	\$ 107	\$ 11,500
Property operating expenses	2,133	2,800	8,595	2,340	198	16,066
Total segment operating expenses	\$ 5,992	\$ 4,042	\$ 13,210	\$ 4,017	\$ 305	\$ 27,566
Reconciliation to net income						
Property general and administrative						558
Advisor fees						16,405
Company level expenses						2,742
Depreciation and amortization						34,608
Total operating expenses						\$ 81,879
Other income and (expenses):						
Interest expense						\$ (18,436)
Income from unconsolidated real estate affiliates and fund investment						(9,145)
Investment income from marketable securities						513
Net realized gain upon sale of marketable securities						26
Net unrealized change in fair value of investment in marketable securities						(4,249)
Loss from disposition of property and extinguishment of debt, net						(120)
Total other income and (expenses)						\$ (31,411)
Net loss						<u>\$ (26,507)</u>

	Industrial	Office	Residential	Retail	Other	Total
Nine Months Ended September 30, 2023						
Capital expenditures by segment	\$ 5,485	\$ 2,446	\$ 11,432	\$ 5,338	\$ —	\$ 24,701
Revenues:						
Rental revenue	\$ 93,321	\$ 47,320	\$ 102,934	\$ 39,210	\$ 315	\$ 283,100
Other revenue	1,873	1,191	5,375	885	1,599	10,923
Interest on mortgage note receivable	—	—	—	—	809	809
Total revenues	<u>\$ 95,194</u>	<u>\$ 48,511</u>	<u>\$ 108,309</u>	<u>\$ 40,095</u>	<u>\$ 2,723</u>	<u>\$ 294,832</u>
Operating expenses:						
Real estate taxes	\$ 16,324	\$ 4,494	\$ 15,441	\$ 4,981	\$ 296	\$ 41,536
Property operating expenses	7,334	10,217	28,912	6,875	595	53,933
Total segment operating expenses	<u>\$ 23,658</u>	<u>\$ 14,711</u>	<u>\$ 44,353</u>	<u>\$ 11,856</u>	<u>\$ 891</u>	<u>\$ 95,469</u>
Reconciliation to net income						
Property general and administrative						2,193
Advisor fees						33,413
Company level expenses						4,805
Depreciation and amortization						111,134
Total operating expenses						\$ 247,014
Other income and (expenses):						
Interest expense						\$(153,644)
Income from unconsolidated real estate affiliates and fund investments						(9,249)
Investment income on marketable securities						1,617
Net realized loss upon sale of marketable securities						(780)
Net unrealized change in fair value of investment in marketable securities						(2,776)
Total other income and (expenses)						<u>\$(164,832)</u>
Net loss						<u><u>\$(117,014)</u></u>

	Industrial	Office	Residential	Retail	Other	Total
Nine Months Ended September 30, 2022						
Capital expenditures by segment	\$ 6,719	\$ 3,758	\$ 5,169	\$ 3,105	\$ 11	\$ 18,762
Revenues:						
Rental revenue	\$ 76,561	\$ 35,542	\$ 82,759	\$ 41,456	\$ 237	\$ 236,555
Other revenue	87	1,077	3,956	374	1,696	7,190
Total revenues	\$ 76,648	\$ 36,619	\$ 86,715	\$ 41,830	\$ 1,933	\$ 243,745
Operating expenses:						
Real estate taxes	\$ 12,212	\$ 3,567	\$ 13,018	\$ 5,038	\$ 289	\$ 34,124
Property operating expenses	6,330	7,252	23,549	6,345	590	44,066
Total segment operating expenses	\$ 18,542	\$ 10,819	\$ 36,567	\$ 11,383	\$ 879	\$ 78,190
Reconciliation to net income						
Property general and administrative						2,052
Advisor fees						51,443
Company level expenses						6,813
Depreciation and amortization						100,905
Total operating expenses						\$ 239,403
Other income and (expenses):						
Interest expense						\$ (70,343)
Loss from unconsolidated real estate affiliates and fund investments						32,650
Investment income on marketable securities						1,110
Net realized loss upon sale of marketable securities						(78)
Net unrealized change in fair value of investment in marketable securities						(11,047)
Gain on disposition of property and extinguishment of debt, net						31,372
Total other income and (expenses)						\$ (16,336)
Net loss						<u>\$ (11,994)</u>

NOTE 13—INVESTMENT IN MARKETABLE SECURITIES

The following is a summary of our investment in marketable securities held as of September 30, 2023 and December 31, 2022, which consisted entirely of stock of publicly traded REITs.

	September 30, 2023	December 31, 2022
Investment in marketable securities - cost	\$ 51,422	\$ 50,815
Unrealized gains	127	716
Unrealized losses	(9,536)	(7,349)
Net unrealized loss	(9,409)	(6,633)
Investment in marketable securities - fair value	<u>\$ 42,013</u>	<u>\$ 44,182</u>

Upon the sale of a particular security, the realized net gain or loss is computed assuming the shares purchased first are sold first. During the nine months ended September 30, 2023, marketable securities sold generated proceeds of \$18,505, resulting in realized gains of \$663, and realized losses of \$1,443. During the nine months ended September 30, 2022, marketable securities sold generated proceeds of \$14,403, resulting in realized gains of \$492, and realized losses of \$570.

NOTE 14—SUBSEQUENT EVENTS

On October 6, 2023, our operating partnership exercised its fair market value purchase option to acquire Montecito Marketplace and issued 5,159,663 OP Units to the DST investors for approximately \$67,000 in exchange for their beneficial interest in such DST property.

On November 7, 2023, our board of directors approved a gross dividend for the third quarter of 2023 of \$0.145 per share and OP unit to stockholders and OP Unit holders of record as of December 22, 2023. The dividend will be paid on or around December 28, 2023. Class A, Class M, Class A-I, Class M-I and Class D stockholders and OP Unit holders will receive \$0.145 per share, less applicable class-specific fees, if any.

* * * * *

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

\$ in thousands, except per share amounts

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), regarding, among other things, our plans, strategies and prospects, both business and financial. Forward-looking statements include, but are not limited to, statements that represent our beliefs concerning future operations, strategies, financial results or other developments. Forward-looking statements can be identified by the use of forward-looking terminology such as, but not limited to, "may," "should," "expect," "anticipate," "estimate," "would be," "believe," or "continue" or the negative or other variations of comparable terminology. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this Form 10-Q is filed with the SEC. Except as required by law, we do not undertake to update or revise any forward-looking statements contained in this Form 10-Q. Important factors that could cause actual results to differ materially from the forward-looking statements are disclosed in "Item 1A. Risk Factors," "Item 1. Business" and "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations" contained in our 2022 Form 10-K and our periodic reports filed with the SEC.

Management Overview

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand our results of operations and financial condition. This MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes to the consolidated financial statements appearing elsewhere in this Form 10-Q. All references to numbered Notes are to specific notes to our consolidated financial statements beginning on page 7 of this Form 10-Q, and the descriptions referred to are incorporated into the applicable portion of this section by reference. References to "base rent" in this Form 10-Q refer to cash payments made under the relevant lease(s), excluding real estate taxes and certain property operating expenses that are paid by us and are recoverable under the relevant lease(s) and exclude adjustments for straight-line rent revenue and above- and below-market lease amortization.

The discussions surrounding our portfolio of properties refer to our Consolidated Properties, including our DST Properties, and our Unconsolidated Properties, which can be found below (see - Properties).

Our primary business is the ownership and management of a diversified portfolio of industrial, office, residential, retail and other properties primarily located in the United States. The residential sector includes apartment properties and single-family rental homes. It is expected that over time our real estate portfolio will be further diversified on a global basis and will be further complemented by investments in real estate-related assets.

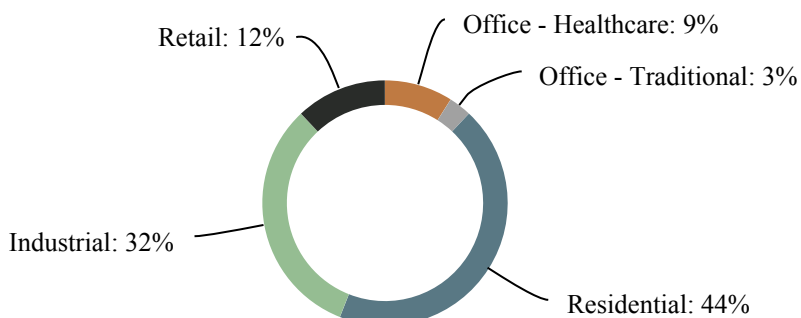
We are managed by our Advisor, LaSalle Investment Management, Inc., a subsidiary of our Sponsor, Jones Lang LaSalle Incorporated (NYSE: JLL), a leading global financial and professional services firm that specializes in commercial real estate and investment management. We hire property management and leasing companies to provide the on-site, day-to-day management and leasing services for our properties. When selecting a property management or leasing company for one of our properties, we look for service providers that have a strong local market or industry presence, create portfolio efficiencies, have the ability to develop new business for us and will provide a strong internal control environment that will comply with our Sarbanes-Oxley Act of 2002 internal control requirements. We currently use a mix of property management and leasing service providers that include large national real estate service firms, including an affiliate of our Advisor and smaller local firms.

We seek to minimize risk and maintain stability of income and principal value through broad diversification across property sectors and geographic markets and by balancing tenant lease expirations and debt maturities across the real estate portfolio. Our diversification goals also take into account investing in sectors or regions we believe will create returns consistent with our investment objectives. Under normal conditions, we intend to pursue investments principally in well-located, well-leased properties within the industrial, office, residential, retail and other sectors. We expect to actively manage the mix of properties and markets over time in response to changing operating fundamentals within each property sector and to changing economies and real estate markets in the geographic areas considered for investment. When consistent with our investment objectives, we also seek to maximize the tax efficiency of our investments through like-kind exchanges and other tax planning strategies.

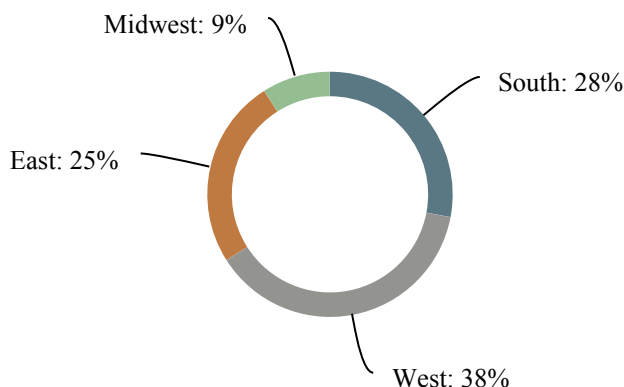
The following charts summarize our portfolio diversification by property sector and geographic region based upon the fair value of our properties. These tables provide examples of how our Advisor evaluates our real estate portfolio when making investment decisions.

Estimated Percent of Fair Value as of September 30, 2023:

Property Sector Diversification



Geographic Region Diversification



Our investments are not materially impacted by seasonality, despite certain of our retail tenants being impacted by seasonality. Percentage rents (rents computed as a percentage of tenant sales) that we earn from investments in retail properties may, in the future, be impacted by seasonality.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions. These estimates and assumptions impact the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, significant estimates and assumptions have been made with respect to the useful lives of assets, recoverable amounts of receivables, fair value of derivatives and real estate assets, initial valuations and related amortization periods of deferred costs and intangibles, particularly with respect to property acquisitions. Actual results could differ from those estimates.

Critical Accounting Policies

This MD&A is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe there have been no significant changes during the nine months ended September 30, 2023 to the items that we disclosed as our critical accounting policies and estimates under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2022 Form 10-K.

Properties

Properties owned at September 30, 2023, including DST Properties, are as follows:

Property Name	Location	Acquisition Date	Ownership %	Net Rentable Square Feet	Percentage Leased as of September 30, 2023
<i>Consolidated Properties:</i>					
Industrial Segment:					
Kendall Distribution Center	Atlanta, GA	June 30, 2005	100%	409,000	100%
Suwanee Distribution Center	Suwanee, GA	June 28, 2013	100	559,000	100
Grand Prairie Distribution Center					
3325 West Trinity Boulevard	Grand Prairie, TX	January 22, 2014	100	277,000	100
3324 West Trinity Boulevard	Grand Prairie, TX	May 31, 2019	100	145,000	100
Charlotte Distribution Center	Charlotte, NC	June 27, 2014	100	347,000	100
DFW Distribution Center					
4050 Corporate Drive	Grapevine, TX	April 15, 2015	100	441,000	100
4055 Corporate Drive	Grapevine, TX	April 15, 2015	100	202,000	100
O'Hare Industrial Portfolio					
200 Lewis	Wood Dale, IL	September 30, 2015	100	31,000	100
1225 Michael Drive	Wood Dale, IL	September 30, 2015	100	109,000	100
1300 Michael Drive	Wood Dale, IL	September 30, 2015	100	71,000	100
1301 Mittel Drive	Wood Dale, IL	September 30, 2015	100	53,000	100
1350 Michael Drive	Wood Dale, IL	September 30, 2015	100	56,000	100
2501 Allan Drive	Elk Grove, IL	September 30, 2015	100	198,000	100
2601 Allan Drive	Elk Grove, IL	September 30, 2015	100	124,000	100
Tampa Distribution Center	Tampa, FL	April 11, 2016	100	386,000	100
Aurora Distribution Center	Aurora, IL	May 19, 2016	100	305,000	100
Valencia Industrial Portfolio:					
28150 West Harrison Parkway	Valencia, CA	June 29, 2016	100	87,000	100
28145 West Harrison Parkway	Valencia, CA	June 29, 2016	100	114,000	100
28904 Paine Avenue	Valencia, CA	June 29, 2016	100	117,000	100
25045 Tibbitts Avenue	Santa Clarita, CA	June 29, 2016	100	142,000	100
Pinole Point Distribution Center:					
6000 Giant Road	Richmond, CA	September 8, 2016	100	225,000	100
6015 Giant Road	Richmond, CA	September 8, 2016	100	252,000	—
6025 Giant Road	Richmond, CA	December 29, 2016	100	41,000	100
Mason Mill Distribution Center	Buford, GA	December 20, 2017	100	340,000	100
Fremont Distribution Center					
45275 Northport Court	Fremont, CA	March 29, 2019	100	117,000	100
45630 Northport Loop East	Fremont, CA	March 29, 2019	100	120,000	100
Taunton Distribution Center	Taunton, MA	August 23, 2019	100	200,000	100
Chandler Distribution Center					
1725 East Germann Road	Chandler, AZ	December 5, 2019	100	122,000	100
1825 East Germann Road	Chandler, AZ	December 5, 2019	100	89,000	100
Fort Worth Distribution Center	Fort Worth, TX	October 23, 2020	100	351,000	100
Whitestown Distribution Center					
4993 Anson Boulevard	Whitestown, IN	December 11, 2020	100	280,000	100
5102 E 500 South	Whitestown, IN	December 11, 2020	100	440,000	100
Louisville Distribution Center	Shepherdsville, KY	January 21, 2021	100	1,040,000	100
Southeast Phoenix Distribution Center					
6511 West Frye Road	Chandler, AZ	February 23, 2021	100	102,000	100

Property Name	Location	Acquisition Date	Ownership %	Net Rentable Square Feet	Percentage Leased as of September 30, 2023
6565 West Frye Road	Chandler, AZ	February 23, 2021	100	118,000	100
6615 West Frey Road	Chandler, AZ	February 23, 2021	100	136,000	100
6677 West Frye Road	Chandler, AZ	February 23, 2021	100	118,000	100
6635 West Frye Road	Chandler, AZ	June 8, 2022	100	105,000	100
6575 West Frye Road	Chandler, AZ	June 8, 2022	100	140,000	100
Louisville Airport Distribution Center	Louisville, KY	June 24, 2021	100	284,000	100
237 Via Vera Cruz (1)	San Marcos, CA	July 2, 2021	95	66,000	100
13500 Danielson Street (1)	Poway, CA	July 2, 2021	95	73,000	100
4211 Starboard Drive (1)	Fremont, CA	July 9, 2021	95	130,000	100
5 National Way	Durham, NC	September 28, 2021	100	188,000	100
47 National Way	Durham, NC	September 28, 2021	100	187,000	100
Friendship Distribution Center					
4627 Distribution Pkwy	Buford, GA	October 20, 2021	100	126,000	100
4630 Distribution Pkwy	Buford, GA	October 20, 2021	100	149,000	100
4646 Distribution Pkwy	Buford, GA	October 20, 2021	100	102,000	100
4651 Distribution Pkwy	Buford, GA	October 20, 2021	100	272,000	100
South San Diego Distribution Center					
2001 Sanyo Avenue	San Diego, CA	October 28, 2021	100	320,000	100
2055 Sanyo Avenue	San Diego, CA	October 28, 2021	100	209,000	91
2065 Sanyo Avenue	San Diego, CA	October 28, 2021	100	136,000	100
1755 Britannia Drive	Elgin, IL	November 16, 2021	100	80,000	100
2451 Bath Road	Elgin, IL	November 16, 2021	100	327,000	100
687 Conestoga Parkway	Shepardsville, KY	November 17, 2021	100	327,000	100
2840 Loker Avenue (1)	Carlsbad, CA	November 30, 2021	95	104,000	100
15890 Bernardo Center Drive (1)	San Diego, CA	November 30, 2021	95	48,000	100
Northeast Atlanta Distribution Center	Jefferson, GA	April 8, 2022	100	459,000	100
West Phoenix Distribution Center	Glendale, AZ	September 30, 2022	100	1,200,000	100
Puget Sound Distribution Center	Lacey, WA	October 6, 2022	100	142,000	100
Louisville Logistics Center	Shepherdsville, KY	April 20, 2023	100	1,043,000	100
Office Segment:					
Monument IV at Worldgate	Herndon, VA	August 27, 2004	100%	228,000	100%
140 Park Avenue	Florham Park, NJ	December 21, 2015	100	100,000	100
San Juan Medical Center	San Juan Capistrano, CA	April 1, 2016	100	40,000	100
Genesee Plaza					
9333 Genesee Ave	San Diego, CA	July 2, 2019	100	80,000	95
9339 Genesee Ave	San Diego, CA	July 2, 2019	100	81,000	95
Fountainhead Corporate Park					
Fountainhead Corporate Park I	Tempe, AZ	February 6, 2020	100	167,000	97
Fountainhead Corporate Park II	Tempe, AZ	February 6, 2020	100	128,000	71
170 Park Avenue	Florham Park, NJ	February 2, 2021	100	147,000	100
9101 Stony Point Drive	Richmond, VA	September 15, 2021	100	87,000	100
North Tampa Surgery Center	Odessa, FL	October 8, 2021	100	13,000	100
Duke Medical Center	Durham, NC	December 23, 2021	100	60,000	98
KC Medical Office Portfolio					
8600 NE 82nd Street	Kansas City, MO	December 23, 2021	100	11,000	100
1203 SW 7 Highway	Blue Springs, MO	December 23, 2021	100	10,000	100
Roeland Park Medical Office	Roeland Park, KS	December 28, 2021	100	30,000	100
South Reno Medical Center	Reno, NV	December 28, 2021	100	32,000	100

Property Name	Location	Acquisition Date	Ownership %	Net Rentable Square Feet	Percentage Leased as of September 30, 2023
Sugar Land Medical Plaza	Sugar Land, TX	December 30, 2021	100	37,000	100
Cedar Medical Center	Flagstaff, AZ	April 29, 2022	100	26,000	100
North Boston Medical Center	Haverhill, MA	June 28, 2022	100	30,000	100
North Charlotte Medical Center	Stanley, NC	June 28, 2022	100	25,000	100
Grand Rapids Medical Center	Wyoming, MI	July 21, 2022	100	25,000	100
Glendale Medical Center	Los Angeles, CA	July 29, 2022	100	20,000	100
6300 Dumbarton Circle	Fremont, CA	September 15, 2022	100	44,000	100
6500 Kaiser Drive	Fremont, CA	September 15, 2022	100	88,000	100
Greater Sacramento Medical Center	Rancho Cordova, CA	September 16, 2022	100	18,000	100
Residential Segment:					
Townlake of Coppell	Coppell, TX	May 22, 2015	100%	351,000	97%
AQ Rittenhouse	Philadelphia, PA	July 30, 2015	100	92,000	100
Lane Parke Apartments	Mountain Brook, AL	May 26, 2016	100	263,000	97
Dylan Point Loma	San Diego, CA	August 9, 2016	100	204,000	96
The Penfield	St. Paul, MN	September 22, 2016	100	245,000	94
180 North Jefferson	Chicago, IL	December 1, 2016	100	217,000	97
Jory Trail at the Grove	Wilsonville, OR	July 14, 2017	100	315,000	97
The Reserve at Johns Creek	Johns Creek, GA	July 28, 2017	100	244,000	94
Villas at Legacy	Plano, TX	June 6, 2018	100	340,000	95
Stonemeadow Farms	Bothell, WA	May 13, 2019	100	228,000	96
Summit at San Marcos	Chandler, AZ	July 31, 2019	100	257,000	96
Presley Uptown	Charlotte, NC	September 30, 2019	100	190,000	96
Princeton North Andover	North Andover, MA	May 3, 2021	100	204,000	98
The Preserve at the Meadows	Fort Collins, CO	August 23, 2021	100	208,000	94
The Rockwell	Berlin, MA	August 31, 2021	100	233,000	95
Miramont Apartments	Fort Collins, CO	September 29, 2021	100	212,000	99
Pinecone Apartments	Fort Collins, CO	September 29, 2021	100	176,000	96
Reserve at Venice	North Venice, FL	December 17, 2021	100	268,000	89
Woodside Trumbull	Trumbull, CT	December 21, 2021	100	207,000	96
Jefferson Lake Howell	Casselberry, FL	March 30, 2022	100	374,000	96
Oak Street Lofts	Tigard, OR	July 15, 2022	100	162,000	94
Molly Brook on Belmont	North Haledon, NJ	September 27, 2022	100	177,000	96
Single-Family Rental Portfolio II (1)	Various	Various	95	633,000	93
Retail Segment:					
The District at Howell Mill (1)	Atlanta, GA	June 15, 2007	88%	306,000	96%
Grand Lakes Marketplace (1)	Katy, TX	September 17, 2013	90	131,000	98
Rancho Temecula Town Center	Temecula, CA	June 16, 2014	100	165,000	99
Skokie Commons	Skokie, IL	May 15, 2015	100	97,000	98
Whitestone Market	Austin, TX	September 30, 2015	100	145,000	100
Maui Mall	Kahului, HI	December 22, 2015	100	235,000	89
Silverstone Marketplace	Scottsdale, AZ	July 27, 2016	100	78,000	86
Kierland Village Center	Scottsdale, AZ	September 30, 2016	100	118,000	92
Timberland Town Center	Beaverton, OR	September 30, 2016	100	92,000	98
Montecito Marketplace	Las Vegas, NV	August 8, 2017	100	190,000	100
Milford Crossing	Milford, MA	January 29, 2020	100	159,000	100
Patterson Place	Durham, NC	May 31, 2022	100	25,000	82

Property Name	Location	Acquisition Date	Ownership %	Net Rentable Square Feet	Percentage Leased as of September 30, 2023
Silverado Square	Las Vegas, NV	June 1, 2022	100	48,000	98
Woodlawn Point	Marietta, GA	June 30, 2022	100	98,000	99
Other Segment: (2)					
South Beach Parking Garage (3)	Miami Beach, FL	January 28, 2014	100%	130,000	N/A
<i>Unconsolidated Properties:</i>					
Chicago Parking Garage (4)	Chicago, IL	December 23, 2014	100%	167,000	N/A
NYC Retail Portfolio (5)(6)	NY/NJ	December 8, 2015	14	1,938,000	81
Pioneer Tower (7)	Portland, OR	June 28, 2016	100	296,000	60
The Tremont (1)	Burlington, MA	July 19, 2018	75	175,000	98
The Huntington (1)	Burlington, MA	July 19, 2018	75	115,000	97
Siena Suwanee Town Center (8)	Suwanee, GA	December 15, 2020	100	226,000	95
Single-Family Rental Portfolio I (6)(9)	Various	August 5, 2021	47	7,207,000	94
Kingston at McLean Crossing (1)	McLean, VA	December 3, 2021	80	223,000	92

- (1) We own a majority interest in the joint venture that owns a fee simple interest in this property.
- (2) Other segment also includes Mortgage Notes Receivable.
- (3) The parking garage contains 343 stalls. This property is owned leasehold.
- (4) We own a condominium interest in the building that contains a 366 stall parking garage.
- (5) We own an approximate 14% interest in a portfolio of eight urban infill retail properties located in the greater New York City area.
- (6) We have elected the fair value option to account for this investment.
- (7) We own a condominium interest in the building that contains a 17 story multi-tenant office property.
- (8) We own a condominium interest in the project that contains a 240-unit residential property.
- (9) We own an approximate 47% interest in a portfolio of over 4,000 single-family rental homes located in various cities across the United States.

Operating Statistics

We generally hold investments in properties with high occupancy rates leased to quality tenants under long-term, non-cancelable leases. We believe these leases are beneficial to achieving our investment objectives. The following table shows our operating statistics by property type for our consolidated properties as of September 30, 2023:

	Number of Properties / Portfolios ⁽¹⁾	Total Area (Sq Ft)	% of Total Area	Occupancy %	Average Minimum Base Rent per Occupied Sq Ft ⁽²⁾
Industrial	61	14,481,000	61 %	98 %	\$ 6.44
Office	24	1,527,000	6	97	33.11
Residential	23	5,800,000	24	95	25.68
Retail	14	1,887,000	8	96	21.78
Other	1	130,000	1	N/A	N/A
Total	123	23,825,000	100 %	97 %	\$ 14.06

- (1) Residential includes over 300 single-family rental homes in the Single-Family Rental Portfolio II.
- (2) Amount calculated as in-place minimum base rent for all occupied space at September 30, 2023 and excludes any straight line rents, tenant recoveries and percentage rent revenues.

As of September 30, 2023, our average effective annual rent per square foot, calculated as average minimum base rent per occupied square foot less tenant concessions and allowances, was \$12.94 for our consolidated properties.

Recent Events and Outlook

Property Valuations

Property valuations across our portfolio were slightly negative being driven by capital markets due to further increasing capitalization and discount rates during the three months ending September 30, 2023.

Credit Facility

On April 28, 2022, we entered into our \$1,000,000 Credit Facility, which consists of a \$600,000 Revolving Credit Facility and a \$400,000 Term Loan. The Credit Facility provides us with the ability, from time to time, to increase the size of the Credit Facility up to a total of \$1,300,000, subject to receipt of lender commitments and other conditions. We are in compliance with our debt covenants as of September 30, 2023. We expect to maintain compliance with our debt covenants.

Liquidity

At September 30, 2023, we had in excess of \$65,000 in total cash on hand, \$42,000 in marketable securities and \$280,000 of capacity under our Credit Facility. Looking at the remainder of 2023, we expect to utilize our cash on hand and Credit Facility capacity to acquire new properties, fund repurchases of our shares and fund quarterly distributions.

Share Repurchase Plan

During the third quarter of 2023, we satisfied 100% of repurchase requests totaling \$82,704 of our common stock pursuant to our share repurchase plan, which had a quarterly limit of \$161,344. The quarterly limit on repurchases is calculated as 5% of our NAV as of the last day of the previous quarter. The limit for the fourth quarter of 2023 is \$157,302.

Fair Value of Assets and Liabilities

We account for our approximate 14% investment in the NYC Retail Portfolio and our approximate 47% investment in the Single-Family Rental Portfolio I using the fair value option. During the quarter ended September 30, 2023, we recorded an unrealized fair value loss of \$1,171 and an unrealized fair value gain of \$3,500 related to our investments in the NYC Retail Portfolio and the Single-Family Rental Portfolio I, respectively. Our interest rate swaps resulted in an unrealized fair value gain of \$6,300 during the quarter. We utilize our interest rate swaps to fix interest rates on variable rate debt we plan to hold to maturity.

General Company and Market Commentary

On December 21, 2021, the SEC declared our Current Public Offering effective registering up to \$3,000,000 in any combination of shares of our Class A, Class M, Class A-I and Class M-I common stock, consisting of up to \$2,700,000 of shares offered in our primary offering and up to \$300,000 in shares offered pursuant to our distribution reinvestment plan. We intend to offer shares of our common stock on a continuous basis for an indefinite period of time by filing a new registration statement before the end of each offering period, subject to regulatory approval. The per share purchase price varies from day to day and, on each day, equals our NAV per share for each class of common stock, plus, for Class A and Class A-I shares, applicable selling commissions. The Dealer Manager is distributing shares of our common stock in our Current Public Offering. We intend to primarily use the net proceeds from the offering, after we pay the fees and expenses attributable to the offerings and our operations, to (1) grow and further diversify our portfolio by making investments in accordance with our investment strategy and policies, (2) reduce borrowings and repay indebtedness incurred under various financing instruments and (3) fund repurchases of our shares under our share repurchase plan.

On March 3, 2015, we commenced our Private Offering of up to \$350,000 in shares of our Class D common stock with an indefinite duration. Proceeds from our Private Offering will be used for the same corporate purposes as the proceeds from our public offerings.

On October 16, 2019, we through our operating partnership, initiated the DST Program to raise up to \$2,000,000 in private placements exempt from registration under the Securities Act through the sale of beneficial interests to accredited investors in specific DSTs holding DST Properties, which may be sourced from our real properties or from third parties.

Capital Raised and Use of Proceeds

As of September 30, 2023, we have raised gross proceeds of over \$5,180,000 from our public and private offerings since 2012. We used these proceeds along with proceeds from mortgage debt to acquire approximately \$5,566,000 of real estate investments, deleverage the Company by repaying mortgage loans of approximately \$714,000 and repurchase shares of our common stock for approximately \$1,409,000.

Property Acquisitions

During the nine months ending September 30, 2023, we acquired 86 single family homes in the Single-Family Rental Portfolio II for approximately \$30,040. The acquisitions were funded with cash on hand.

On April 20, 2023, we acquired Louisville Logistics Center, a 1,043,000 square foot industrial property located in Shepherdsville, Kentucky for approximately \$81,500. The acquisition was funded with cash on hand and a draw on our Revolving Credit Facility.

Mortgage Originations

On May 26, 2023, we originated a \$27,000, interest only mortgage note receivable for three years at an interest rate of one month term SOFR plus 2.95%. The mortgage note receivable is secured by an 60+ active adult multifamily apartment property located near Austin, Texas.

On September 22, 2023, we originated a \$27,000, interest only mortgage note receivable for three years at an interest rate of one month term SOFR plus 3.25%. The mortgage note receivable is secured by a neighborhood of 104 townhomes located near Charlotte, North Carolina.

Property Dispositions

There have been no dispositions during the quarter ending September 30, 2023.

Held for Sale

On September 27, 2023, Presley Uptown was classified as held for sale.

Financing

On September 22, 2023, we refinanced the mortgage note payable related to Grand Lakes Marketplace in the amount of \$23,900. The new loan is interest only bearing interest at a fixed rate of 6.12% and a maturity date of October 5, 2028.

Investment Objectives and Strategy

Our primary investment objectives are:

- to generate an attractive level of current income for distribution to our stockholders;
- to preserve and protect our stockholders' capital investments;
- to achieve appreciation of our NAV over time; and
- to enable stockholders to utilize real estate as an asset class in diversified, long-term investment portfolios.

We cannot ensure that we will achieve our investment objectives. Our charter places numerous limitations on us with respect to the manner in which we may invest our funds. In most cases, these limitations cannot be changed unless our charter is amended, which may require the approval of our stockholders.

The cornerstone of our investment strategy is to acquire and manage income-producing commercial real estate properties and real estate-related assets around the world. We believe this strategy enables us to provide our stockholders with a portfolio that is well-diversified across property type, geographic region and industry, both in the United States and internationally. It is our belief that adding international investments to our portfolio over time will serve as an effective tool to construct a well-diversified portfolio designed to provide our stockholders with stable distributions and attractive long-term risk-adjusted returns.

We believe that our broadly diversified portfolio benefits our stockholders by providing:

- diversification of sources of income;
- access to attractive real estate opportunities currently in the United States and, over time, around the world; and
- exposure to a return profile that should have lower correlations with other investments.

Since real estate markets are often cyclical in nature, our strategy allows us to more effectively deploy capital into property types and geographic regions where the underlying investment fundamentals are relatively strong or strengthening and away from those property types and geographic regions where such fundamentals are relatively weak or weakening. We intend to meet our investment objectives by selecting investments across multiple property types and geographic regions to

achieve portfolio stability, diversification, current income and favorable risk-adjusted returns. To a lesser degree, we also intend to invest in debt and equity interests backed principally by real estate, which we refer to collectively as “real estate-related assets.”

We will leverage LaSalle's broad commercial real estate research and strategy platform and resources to employ a research-based investment philosophy focused on building a portfolio of commercial properties and real estate-related assets that we believe has the potential to provide stable income streams and outperform market averages over an extended holding period. Furthermore, we believe that having access to LaSalle and JLL's international organization and platform, with real estate professionals living and working full time throughout our global target markets, will be a valuable resource to us when considering and executing upon international investment opportunities.

Our board of directors has adopted investment guidelines for our Advisor to implement and actively monitor in order to allow us to achieve and maintain diversification in our overall investment portfolio. Our board of directors formally reviews our investment guidelines on an annual basis and our investment portfolio on a quarterly basis or, in each case, more often as they deem appropriate. Our board of directors reviews the investment guidelines to ensure that the guidelines are being followed and are in the best interests of our stockholders. Each such determination and the basis therefor shall be set forth in the minutes of the meetings of our board of directors. Changes to our investment guidelines must be approved by our board of directors but do not require notice to or the vote of stockholders.

We seek to invest:

- up to 95% of our assets in properties;
- up to 25% of our assets in real estate-related assets; and
- up to 15% of our assets in cash, cash equivalents and other short-term investments.

Notwithstanding the above, the actual percentage of our portfolio that is invested in each investment type may from time to time be outside these target levels due to numerous factors including, but not limited to, large inflows of capital over a short period of time, lack of attractive investment opportunities or increases in anticipated cash requirements for repurchase requests.

We expect to maintain a targeted company leverage ratio (calculated as our share of total liabilities divided by our share of the fair value of total assets) of between 30% and 50%. We intend to use low leverage, or in some cases possibly no leverage, to finance new acquisitions in order to maintain our targeted company leverage ratio. Our Company leverage ratio was 37% as of September 30, 2023.

2023 Key Initiatives

During 2023, we intend to use capital raised from our public and private offerings and the DST Program to acquire new investment opportunities, repurchase stock under our share repurchase plan and fund quarterly distributions. We look to make investments that fit with our investment objectives and guidelines. Likely investment candidates may include well-located, well-leased residential properties, industrial, healthcare, grocery-anchored retail properties and originating mortgage loan investments that align with our property investment strategy. We will also attempt to further our geographic diversification. We will use debt financing when attractive interest rates are available, while looking to keep the company leverage ratio in the 30% to 50% range in the near term. We also intend to use our Revolving Credit Facility to allow us to efficiently manage our cash flows.

Results of Operations

General

Our revenues are primarily received from tenants in the form of fixed minimum base rents and recoveries of operating expenses. Our expenses primarily relate to the costs of operating and financing the properties. Our share of the net income or net loss from our unconsolidated real estate affiliates is included in income from unconsolidated affiliates and fund investments. We believe the following analysis of reportable segments provides important information about the operating results of our real estate investments, such as trends in total revenues or operating expenses that may not be as apparent in a period-over-period comparison of the entire Company. We group our investments in real estate assets from continuing operations into five reportable operating segments based on the type of property, which are industrial, office, residential, retail and other. Operations from corporate level items and real estate assets sold are excluded from reportable segments.

Properties acquired or sold during any of the periods presented are presented within the recent acquisitions and sold properties line. The properties currently presented within the recent acquisitions and sold properties line include the properties listed as acquired in the current or prior year in the Properties section above in addition to Norfleet Distribution Center (sold in 2022), The Edge at Lafayette (sold in 2022) and Oak Grove Plaza (sold in 2022). Properties owned for the nine months ended September 30, 2023 and 2022 are referred to as our comparable properties.

Results of Operations for the Three Months Ended September 30, 2023 and 2022

Revenues

The following chart sets forth revenues by reportable segment for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	\$ Change	% Change
Revenues:				
Rental revenue				
Industrial	\$ 26,132	\$ 24,793	\$ 1,339	5.4 %
Office	11,739	11,386	353	3.1
Residential	27,985	26,713	1,272	4.8
Retail	12,088	13,161	(1,073)	(8.2)
Other	167	111	56	50.5
Comparable properties total	\$ 78,111	\$ 76,164	\$ 1,947	2.6 %
Recent acquisitions and sold properties	18,184	8,134	10,050	123.6
Total rental revenue	\$ 96,295	\$ 84,298	\$ 11,997	14.2 %
Other revenue				
Industrial	\$ 42	\$ 19	\$ 23	121.1 %
Office	477	315	162	51.4
Residential	1,513	1,484	29	2.0
Retail	168	103	65	63.1
Other	532	505	27	5.3
Comparable properties total	\$ 2,732	\$ 2,426	\$ 306	12.6 %
Recent acquisitions and sold properties	523	59	464	786.4
Total other revenue	\$ 3,255	\$ 2,485	\$ 770	31.0 %
Interest on mortgage notes receivable	\$ 593	\$ —	\$ 593	100.0 %
Total revenues	\$ 100,143	\$ 86,783	\$ 13,360	15.4 %

Rental revenues at comparable properties increased \$1,947 for the three months ended September 30, 2023 as compared to the same period in 2022. The increases within our residential and industrial segments was primarily related to an increase in rental rates and occupancy at various properties during the three months ended September 30, 2023 as compared to the same

period of 2022 as well as due to an increase in recovery revenue related to increases in real estate taxes and property operating expenses. Decreases in our retail segment are primarily related to the timing in collections from tenants that experienced a decrease in operations in past years as well as a decrease in recovery revenue during the three months ended September 30, 2023.

Other revenues relate mainly to parking and nonrecurring revenue such as lease termination fees. Other revenue at comparable properties increased by \$306 for the three months ended September 30, 2023 as compared to the same period in 2022 primarily related to an \$129 lease termination fee revenue received at Genesee Plaza.

Interest on mortgage note receivable relates to interest income earned on mortgage notes originated by us. On September 22, 2023, we entered into our second mortgage note payable, a \$27,000, interest only mortgage note receivable with a three year term at an interest rate of one month term SOFR plus 3.25%. We had no mortgage note receivables outstanding in 2022.

Operating Expenses

The following chart sets forth real estate taxes and property operating expenses by reportable segment, for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	\$ Change	% Change
Operating expenses:				
Real estate taxes				
Industrial	\$ 4,560	\$ 3,730	\$ 830	22.3 %
Office	1,058	1,147	(89)	(7.8)
Residential	4,099	4,103	(4)	(0.1)
Retail	1,567	1,492	75	5.0
Other	106	107	(1)	(0.9)
Comparable properties total	\$ 11,390	\$ 10,579	\$ 811	7.7 %
Recent acquisitions and sold properties	2,791	921	1,870	203
Total real estate taxes	\$ 14,181	\$ 11,500	\$ 2,681	23.3 %
Property operating expenses				
Industrial	\$ 2,445	\$ 2,132	\$ 313	14.7 %
Office	2,703	2,627	76	2.9
Residential	8,217	7,689	528	6.9
Retail	2,246	2,103	143	6.8
Other	190	198	(8)	(4.0)
Comparable properties total	\$ 15,801	\$ 14,749	\$ 1,052	7.1 %
Recent acquisitions and sold properties	3,349	1,317	2,032	154
Total property operating expenses	\$ 19,150	\$ 16,066	\$ 3,084	19.2 %
Total operating expenses	\$ 33,331	\$ 27,566	\$ 5,765	20.9 %

Real estate taxes at comparable properties increased by \$811 for the three months ended September 30, 2023 as compared to the same period in 2022. Our properties are reassessed periodically by the taxing authorities, which may result in increases or decreases in the real estates taxes that we owe. Overall, we expect real estate taxes to increase over time; however, we utilize real estate tax consultants to attempt to control assessment increases.

Property operating expenses consist of the costs of ownership and operation of the real estate investments, many of which are recoverable under net leases. Examples of property operating expenses include insurance, utilities and repair and maintenance expenses. Property operating expenses at comparable properties increased \$1,052 for the three months ended September 30, 2023 as compared to the same period in 2022. The increases in the three months ended September 30, 2023 as compared to 2022 generally relate to higher repairs and maintenance projects, higher property management fees due to higher rental income, higher salary costs and higher utility costs in some markets.

The following chart sets forth revenues and expenses not directly related to the operations of the reportable segments for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	\$ Change	% Change
Property general and administrative	\$ (737)	\$ (558)	\$ (179)	32.1 %
Advisor fees	(11,245)	(16,405)	5,160	(31.5)
Company level expenses	(1,582)	(2,742)	1,160	(42.3)
Depreciation and amortization	(37,236)	(34,608)	(2,628)	7.6
Interest expense	(27,979)	(18,436)	(9,543)	51.8
Income from unconsolidated affiliates and fund investments	2,627	(9,145)	11,772	(128.7)
Investment income on marketable securities	575	513	62	12.1
Net realized loss upon sale of marketable securities	(250)	26	(276)	(1,061.5)
Net unrealized change in fair value of investment in marketable securities	(4,259)	(4,249)	(10)	0.2
Gain on disposition of property and extinguishment of debt, net	—	(120)	120	(100.0)
Total revenues and expenses	<u>\$ (80,086)</u>	<u>\$ (85,724)</u>	<u>\$ 5,638</u>	<u>(6.6)%</u>

Property general and administrative expenses relate mainly to property expenses unrelated to the operations of the property. Property general and administrative expenses increased during the three months ended September 30, 2023 as compared to the same period in 2022 primarily due to an increase in property level legal expenses.

Advisor fees relate to the fixed advisory and performance fees earned by the Advisor. Fixed fees increase or decrease based on changes in our NAV, which is primarily impacted by changes in capital raised and the value of our properties. The performance fee is accrued when the total return per share for a share class exceeds 7% for that calendar year, and in such years our Advisor will receive 10% of the excess total return above the 7% threshold. The decrease in advisor fees of \$5,160 for the three months ended September 30, 2023 as compared to the same period in 2022 is related to a decrease in the accrual of performance fee in the amount of \$4,854 that occurred in 2022, in addition to a decrease in fixed advisory fees of \$306 primarily related to a decrease in NAV.

Company level expenses relate mainly to our compliance and administration related costs. The decrease for the three months ended September 30, 2023 when compared to 2022 is primarily related to an approximately \$500 tax provision decrease primarily related to gains on sales of properties in our taxable REIT subsidiary related to the DST Program.

Depreciation and amortization expense is impacted by the values assigned to buildings, personal property and in-place lease assets as part of the initial purchase price allocation. The increase of \$2,628 in depreciation and amortization expense for the three months ended September 30, 2023 as compared to the same period in 2022 was related to the acquisition of new properties during 2022 and 2023.

Interest expense increased by \$9,543 for the three months ended September 30, 2023 as compared to the same period in 2022 primarily as a result of \$4,863 higher interest expense on the financial obligations related to the DST Program, which includes non-cash interest expense on properties deemed probable for repurchase. Additionally there was approximately \$6,084 of increased interest expense from new mortgage notes payable, increased usage and interest rate of our Credit Facility in 2023 and higher overall interest rates. Offsetting the increase in interest expense were unrealized gains on our interest rate swaps in the amount of \$6,300 during the three months ended September 30, 2023 compared to unrealized gains of \$5,080 during the same period of 2022.

Income from unconsolidated affiliates and fund investments relates to the income from Chicago Parking Garage, Pioneer Tower, The Tremont, The Huntington, Siena Suwanee Town Center and Kingston at McLean Crossing as well as changes in fair value and operating distributions received from our investment in the NYC Retail Portfolio and Single-Family Rental Portfolio I. During the three months ended September 30, 2023, we recorded a \$3,500 increase in the fair value of our investment in Single-Family Rental Portfolio I as compared to an \$7,117 decrease in the fair value during the same period of 2022. During the three months ended September 30, 2023, we recorded a \$1,171 decrease in the fair value of our investment in the NYC Retail Portfolio as compared to an \$7,944 decrease in the fair value during the same period of 2022. Additionally, during the three months ended September 30, 2023, we recorded an impairment charge related to our investment in Pioneer Tower in the amount of \$3,062 as the carrying value of the investment exceeded its estimated fair value.

Investment income on marketable securities relate to dividends earned on our portfolio of publicly traded REIT securities. We earned \$575 in investment income during the three months ended September 30, 2023. The increase over the same period of 2022 is primarily due to a larger investment balance during the three months ended September 30, 2023 as compared to the same period of 2022.

Net realized loss upon the sale of marketable securities relate to sales of individual stocks within our portfolio of publicly traded REIT stocks. We recorded a realized loss of \$250 during the three months ended September 30, 2023.

Net unrealized change in fair value of investment in marketable securities relate to changes in fair value of our portfolio of publicly traded REIT securities. We recorded an unrealized loss of \$4,259 during the three months ended September 30, 2023.

Results of Operations for the Nine Months Ended September 30, 2023 and 2022

Revenues

The following chart sets forth revenues by reportable segment, for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	\$ Change	% Change
Revenues:				
Rental revenue				
Residential	\$ 82,825	\$ 77,428	\$ 5,397	7.0 %
Industrial	77,850	74,292	3,558	4.8
Office	35,408	33,724	1,684	5.0
Retail	35,973	38,134	(2,161)	(5.7)
Other	315	237	78	32.9
Comparable properties total	\$ 232,371	\$ 223,815	\$ 8,556	3.8 %
Recent acquisitions and sold properties	50,729	12,740	37,989	298.2
Total rental revenue	\$ 283,100	\$ 236,555	\$ 46,545	19.7 %
Other revenue				
Residential	\$ 4,216	\$ 3,977	\$ 239	6.0 %
Industrial	1,867	87	1,780	2,046
Office	1,186	1,077	109	10.1
Retail	851	371	480	129.4
Other	1,599	1,696	(97)	(5.7)
Comparable properties total	\$ 9,719	\$ 7,208	\$ 2,511	34.8 %
Recent acquisitions and sold properties	1,204	(18)	1,222	(6,788.9)
Total other revenue	\$ 10,923	\$ 7,190	\$ 3,733	51.9 %
Interest on mortgage notes receivable	\$ 809	\$ —	\$ 809	100.0 %
Total revenues	\$ 294,832	\$ 243,745	\$ 51,087	21.0 %

Rental revenue at comparable properties increased by \$8,556 for the nine months ended September 30, 2023 as compared to the same period in 2022. The increases within our residential, office and industrial segments was primarily related to an increase in rental rates and occupancy at various properties during the nine months ended September 30, 2023 as compared to the same period of 2022. Decreases in our retail segment is primarily related to the timing of collections from tenants that experienced a decrease in operations in past years as well as a decrease in recovery revenue during the nine months ended September 30, 2023.

Other revenues relate mainly to parking and nonrecurring revenue such as lease termination fees. Other revenue at comparable properties increased by \$2,511 for the nine months ended September 30, 2023 as compared to the same period in 2022 primarily related to an \$1,800 lease restoration payment received from a former tenant at one of our industrial properties. The decrease in our other segment is related to a decrease in parking revenue at South Beach Parking Garage.

Interest on mortgage note receivable relates to interest income earned on mortgage notes originated by us. On September 22, 2023, we entered into our second mortgage note payable, a \$27,000, interest only mortgage note receivable with a three year term at an interest rate of one month term SOFR plus 3.25%. We had no mortgage note receivables outstanding in 2022.

Operating Expenses

The following chart sets forth real estate taxes, property operating expenses and provisions for doubtful accounts by reportable segment, for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	\$ Change	% Change
Operating expenses:				
Real estate taxes				
Industrial	\$ 13,826	\$ 11,981	\$ 1,845	15.4 %
Office	3,295	3,472	(177)	(5.1)
Residential	12,442	12,048	394	3.3
Retail	4,656	4,688	(32)	(0.7)
Other	296	289	7	2.4
Comparable properties total	\$ 34,515	\$ 32,478	\$ 2,037	6.3 %
Recent acquisitions and sold properties	7,021	1,646	5,375	326.5
Total real estate taxes	\$ 41,536	\$ 34,124	\$ 7,412	21.7 %
Property operating expenses				
Industrial	\$ 6,631	\$ 6,445	\$ 186	2.9 %
Office	7,936	7,072	864	12.2
Residential	23,821	22,017	1,804	8.2
Retail	6,389	5,955	434	7.3
Other	595	590	5	0.8
Comparable properties total	\$ 45,372	\$ 42,079	\$ 3,293	7.8 %
Recent acquisitions and sold properties	8,561	1,987	6,574	330.9
Total property operating expenses	\$ 53,933	\$ 44,066	\$ 9,867	22.4 %
Total operating expenses	\$ 95,469	\$ 78,190	\$ 17,279	22.1 %

Real estate taxes at comparable properties increased by \$2,037 for the nine months ended September 30, 2023 as compared to the same period in 2022. Our properties are reassessed periodically by the taxing authorities, which may result in increases or decreases in the real estates taxes that we owe. Overall, we expect real estate taxes to increase over time; however, we utilize real estate tax consultants to attempt to control assessment increases.

Property operating expenses consist of the costs of ownership and operation of the real estate investments, many of which are recoverable under net leases. Examples of property operating expenses include insurance, utilities and repair and maintenance expenses. Property operating expenses at comparable properties increased by \$3,293 during the nine months ended September 30, 2023 compared to the same period of 2022. The increases generally relate to higher repairs and maintenance projects, increased property management fees due to higher rental income, higher salary costs and higher utility costs in some markets.

The following chart sets forth revenues and expenses not directly related to the operations of the reportable segments for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	\$ Change	% Change
Property general and administrative	\$ (2,193)	\$ (2,052)	\$ (141)	6.9 %
Advisor fees	(33,413)	(51,443)	18,030	(35.0)
Company level expenses	(4,805)	(6,813)	2,008	(29.5)
Depreciation and amortization	(111,134)	(100,905)	(10,229)	10.1
Interest expense	(153,644)	(70,343)	(83,301)	118.4
(Loss) gain from unconsolidated affiliates and fund investments	(9,249)	32,650	(41,899)	(128)
Investment income on marketable securities	1,617	1,110	507	46
Net realized loss upon sale of marketable securities	(780)	(78)	(702)	900.0
Net unrealized change in fair value of investment in marketable securities	(2,776)	(11,047)	8,271	(74.9)
Gain on disposition of property and extinguishment of debt, net	—	31,372	(31,372)	(100.0)
Total revenue and expenses	<u>\$ (316,377)</u>	<u>\$ (177,549)</u>	<u>\$ (138,828)</u>	<u>78.2 %</u>

Property general and administrative expenses relate mainly to property expenses unrelated to the operations of the property. Property general and administrative expenses remained relatively flat for the nine months ended September 30, 2023 as compared to the same period in 2022.

Advisor fees relate to the fixed advisory and performance fees earned by the Advisor. Fixed fees increase or decrease based on changes in our NAV, which will be primarily impacted by changes in capital raised and the value of our properties. The performance fee is accrued when the total return per share for a share class exceeds 7% for that calendar year, where in our Advisor will receive 10% of the excess total return above the 7% threshold. The decrease in advisor fees of \$18,030 for the nine months ended September 30, 2023 as compared to the same period of 2022 is primarily related to a decrease in performance fee accrued in 2022 of \$17,789 offset by an increase in advisor fees of \$1,790 related to increase in NAV.

Company level expenses relate mainly to our compliance and administration related costs. The decrease for the nine months ended September 30, 2023 when compared to 2022 is primarily related to a \$2,000 tax provision decrease primarily related to gains on sales of properties in our taxable REIT subsidiary related to the DST Program and is offset by increases in professional fee incurred in 2023 as compared to 2022.

Depreciation and amortization expense is impacted by the values assigned to buildings, personal property and in-place lease assets as part of the initial purchase price allocation. Depreciation and amortization expense for the nine months ended September 30, 2023 as compared to the same period in 2022 was primarily related to the acquisition of new properties during 2022 and 2023.

Interest expense increased by \$83,301 for the nine months ended September 30, 2023 as compared to the same period in 2022 primarily as a result of approximately \$20,619 of increased interest expense from increased usage of our Credit Facility in 2022 and 2023 and higher overall interest rates. Also contributing to the increase in interest expenses was \$66,056 of increased interest expense on the financial obligations related to the DST Program, which includes non-cash net interest expense related to the properties that were repurchased of \$52,233. Offsetting the increase were unrealized gains on our interest rate swaps in the amount of \$11,241 during the nine months ended September 30, 2023 compared to unrealized gains of \$8,182 during the same period of 2022.

(Loss) gain from unconsolidated affiliates and fund investments relates to the income from Chicago Parking Garage, Pioneer Tower, The Tremont, The Huntington, Siena Suwanee Town Center and Kingston at McLean Crossing as well as changes in fair value and operating distributions received from our investment in the NYC Retail Portfolio and Single-Family Rental Portfolio I. During the nine months ended September 30, 2023, we recorded a \$3,800 decrease in the fair value of our investment in Single-Family Rental Portfolio I as compared to a \$25,438 increase in the fair value during the same period of 2022. During the nine months ended September 30, 2023, we recorded a \$1,041 decrease in the fair value in the NYC Retail Portfolio as compared to a \$8,088 decrease in the fair value during the same period of 2022. Additionally, during the nine months ended September 30, 2023, we recorded an impairment charge related to our investment in Pioneer Tower in the amount of \$14,476 as the carrying value of the investment exceeded its estimated fair value.

Investment income on marketable securities relate to dividends earned on our portfolio of publicly traded REIT securities.

We earned \$1,617 on investment income during the nine months ended September 30, 2023. The increase over the same period of 2022 is due to a larger average outstanding balance held during 2023 as compared to 2022.

Net realized loss upon the sale of marketable securities relate to sales of individual stocks within our portfolio of publicly traded REIT stocks. We recorded a realized loss of \$780 during the nine months ended September 30, 2023.

Net unrealized change in fair value of investment in marketable securities relate to changes in fair value of our portfolio of publicly traded REIT securities. We recorded an unrealized gain of \$2,776 during the nine months ended September 30, 2023.

Gain on disposition of property and extinguishment of debt, net decreased by \$31,372 during nine months ended September 30, 2023 as compared to the same period of 2022. During the nine months ended September 30, 2022 we disposed of Norfleet Distribution Center and The Edge at Lafayette.

Funds From Operations

Consistent with real estate industry and investment community preferences, we consider funds from operations ("FFO") as a supplemental measure of the operating performance for a real estate investment trust and a complement to GAAP measures because it facilitates an understanding of the operating performance of our properties. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (loss) attributable to the Company (computed in accordance with GAAP), excluding gains or losses from cumulative effects of accounting changes, extraordinary items, impairment write-downs of depreciable real estate and sales of properties, plus real estate related depreciation and amortization and after adjustments for these items related to noncontrolling interests and unconsolidated affiliates.

FFO does not give effect to real estate depreciation and amortization because these amounts are computed to allocate the cost of a property over its useful life. We also use Adjusted FFO ("AFFO") as a supplemental measure of operating performance. We define AFFO as FFO adjusted for straight-line rental income, amortization of above- and below-market leases, amortization of net discount on assumed debt, gains or losses on the extinguishment and modification of debt, performance fees based on the investment returns on shares of our common stock and acquisition expenses. Because values for well-maintained real estate assets have historically increased or decreased based upon prevailing market conditions, we believe that FFO and AFFO provide investors with an additional view of our operating performance.

In order to provide a better understanding of the relationship between FFO, AFFO and GAAP net income, the most directly comparable GAAP financial reporting measure, we have provided reconciliations of GAAP net income attributable to JLL Income Property Trust, Inc. to FFO, and FFO to AFFO. FFO and AFFO do not represent cash flow from operating activities in accordance with GAAP, should not be considered alternatives to GAAP net income and are not measures of liquidity or indicators of our ability to make cash distributions. We believe that to more comprehensively understand our operating performance, FFO and AFFO should be considered along with the reported net income attributable to JLL Income Property Trust, Inc. and our cash flows in accordance with GAAP, as presented in our consolidated financial statements. Our presentations of FFO and AFFO are not necessarily comparable to the similarly titled measures of other REITs due to the fact that not all REITs use the same definitions.

The following table presents a reconciliation of the most comparable GAAP amount of net income attributable to JLL Income Property Trust, Inc. to NAREIT FFO for the periods presented:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Reconciliation of GAAP net income to NAREIT FFO				
Net loss attributable to JLL Income Property Trust, Inc. Common Stockholders ⁽¹⁾	\$ (11,871)	\$ (25,542)	\$ (110,488)	\$ (11,679)
Real estate depreciation and amortization ⁽¹⁾	35,640	35,668	110,113	106,050
Loss (gain) on disposition of property and unrealized loss on investment in unconsolidated real estate affiliate ⁽¹⁾	(2,087)	14,466	4,737	(47,351)
Impairment of depreciable real estate ⁽¹⁾	2,744	—	13,655	—
NAREIT FFO attributable to JLL Income Property Trust, Inc. Common Stockholders	\$ 24,426	\$ 24,592	\$ 18,017	\$ 47,020
Weighted average shares outstanding, basic and diluted	241,282,587	236,605,250	242,191,379	225,002,017
NAREIT FFO per share, basic and diluted	\$ 0.10	\$ 0.10	\$ 0.07	\$ 0.21

- (1) Excludes amounts attributable to noncontrolling interests and includes our ownership share of both consolidated properties and unconsolidated real estate affiliates.

We believe AFFO is useful to investors because it provides supplemental information regarding the performance of our portfolio over time.

The following table presents a reconciliation of NAREIT FFO to AFFO for the periods presented:

Reconciliation of NAREIT FFO to AFFO	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
NAREIT FFO attributable to JLL Income Property Trust, Inc. Common Stockholders	\$ 24,426	\$ 24,592	\$ 18,017	\$ 47,020
Straight-line rental income ⁽¹⁾	(1,385)	(1,679)	(3,506)	(5,068)
Amortization of above- and below-market leases ⁽¹⁾	(1,066)	(1,045)	(3,219)	(2,640)
Amortization of net discount on assumed debt ⁽¹⁾	(161)	(330)	(499)	(1,036)
Gain on derivative instruments and extinguishment or modification of debt ⁽¹⁾	(5,541)	(6,614)	(10,088)	(12,954)
Adjustment for investments accounted for under the fair value option ⁽²⁾	1,712	590	6,598	3,190
Net unrealized change in fair value of investment in marketable securities ⁽¹⁾	3,817	4,083	2,405	10,664
Performance fees	—	4,665	—	19,120
Acquisition expenses ⁽¹⁾	—	30	—	243
Adjustment for DST Properties ⁽³⁾	5,052	890	75,204	17,424
AFFO attributable to JLL Income Property Trust, Inc. Common Stockholders	\$ 26,854	\$ 25,182	\$ 84,912	\$ 75,963
Weighted average shares outstanding, basic and diluted	241,282,587	236,605,250	242,191,379	225,002,017
AFFO per share, basic and diluted	\$ 0.11	\$ 0.11	\$ 0.35	\$ 0.34

(1) Excludes amounts attributable to noncontrolling interests and includes our ownership share of both consolidated properties and unconsolidated real estate affiliates.

(2) Represents the normal and recurring AFFO reconciling adjustments for the NYC Retail Portfolio and Single-Family Rental Portfolio I.

(3) Adjustments to reflect the AFFO attributable to the Company for DST Properties, including non-cash interest expense related to the FMV Purchase Option.

NAV as of September 30, 2023

The following table provides a breakdown of the major components of our NAV as of September 30, 2023:

Component of NAV	September 30, 2023					Total
	Class A Shares	Class M Shares	Class A-I Shares	Class M-I Shares	Class D Shares	
Real estate investments (1)	\$ 2,350,703	\$ 568,166	\$ 98,373	\$ 2,030,115	\$ 59,340	\$ 5,106,697
Debt	(942,672)	(227,844)	(39,449)	(814,111)	(23,796)	(2,047,872)
Other assets and liabilities, net	40,144	9,702	1,679	34,669	1,013	87,207
Estimated enterprise value premium	None assumed	None assumed	None assumed	None assumed	None assumed	None assumed
NAV	\$ 1,448,175	\$ 350,024	\$ 60,603	\$ 1,250,673	\$ 36,557	\$ 3,146,032
Number of outstanding shares	110,667,176	26,709,746	4,619,452	95,469,042	2,794,367	
NAV per share	\$ 13.09	\$ 13.10	\$ 13.12	\$ 13.10	\$ 13.08	

(1) The value of our real estate investments was greater than the historical cost by 3.6% as of September 30, 2023.

The following table provides a breakdown of the major components of our NAV as of December 31, 2022:

Component of NAV	December 31, 2022					Total
	Class A Shares	Class M Shares	Class A-I Shares	Class M-I Shares	Class D Shares	
Real estate investments (1)	\$ 2,554,496	\$ 589,026	\$ 111,544	\$ 2,155,728	\$ 67,936	\$ 5,478,730
Debt	(968,627)	(223,350)	(42,296)	(817,420)	(25,760)	(2,077,453)
Other assets and liabilities, net	46,871	10,808	2,047	39,554	1,246	100,526
Estimated enterprise value premium	None assumed	None assumed	None assumed	None assumed	None assumed	None assumed
NAV	\$ 1,632,740	\$ 376,484	\$ 71,295	\$ 1,377,862	\$ 43,422	\$ 3,501,803
Number of outstanding shares	113,645,166	26,170,260	4,950,208	95,803,409	3,023,025	
NAV per share	\$ 14.37	\$ 14.39	\$ 14.40	\$ 14.38	\$ 14.36	

(1) The value of our real estate investments was greater than the historical cost by 14.6% as of December 31, 2022.

The decrease in NAV per share from December 31, 2022 to September 30, 2023, was related to a net decrease of 4.4% in the value of our portfolio. Property operations for the nine months ended September 30, 2023 had an insignificant impact on NAV as dividends declared offset property operations for the period. Our NAV for the different share classes is reduced by normal and recurring class-specific fees and offering and organization costs.

The following are key assumptions (shown on a weighted-average basis) that are used in the discounted cash flow models to estimate the value of our real estate investments as of September 30, 2023:

	Healthcare	Industrial	Office	Residential	Retail	Other ⁽¹⁾	Total Company
Exit capitalization rate	5.4 %	5.0 %	6.2 %	4.9 %	5.6 %	6.5 %	5.1 %
Discount rate/internal rate of return (IRR)	6.8	6.6	7.3	6.7	6.8	8.0	6.8
Annual market rent growth rate	3.0	3.2	2.7	3.2	2.9	3.0	3.1
Holding period (years)	10.0	10.0	10.0	10.0	10.0	20.4	10.1

(1) Other includes Chicago and South Beach parking garages. South Beach Parking Garage is subject to a ground lease and the appraisal incorporates discounted cash flows over its remaining lease term and therefore does not utilize an exit capitalization rate.

The following are key assumptions (shown on a weighted-average basis) that are used in the discounted cash flow models to estimate the value of our real estate investments as of December 31, 2022:

	Healthcare	Industrial	Office	Residential	Retail	Other ⁽¹⁾	Total Company
Exit capitalization rate	5.3 %	4.7 %	5.9 %	4.8 %	5.5 %	6.5 %	4.9 %
Discount rate/internal rate of return (IRR)	6.4	6.2	6.9	6.3	6.7	7.9	6.4
Annual market rent growth rate	3.0	3.3	2.7	3.3	2.9	3.1	3.2
Holding period (years)	10.0	10.0	10.0	10.0	10.0	21.0	10.1

(1) Other includes Chicago and South Beach parking garages. South Beach Parking Garage is subject to a ground lease, the appraisal incorporates discounted cash flows over its remaining lease term and therefore does not utilize an exit capitalization rate.

While we believe our assumptions are reasonable, a change in these assumptions would impact the calculation of the value of our real estate investments. For example, assuming all other factors remain unchanged, the changes listed below would result in the following effects on our real estate investment value:

Input		September 30, 2023	December 31, 2022
Discount Rate - weighted average	0.25% increase	(2.0)%	(1.8)%
Exit Capitalization Rate - weighted average	0.25% increase	(3.1)	(3.0)
Annual market rent growth rate - weighted average	0.25% decrease	(1.5)	(1.4)

The fair value of our mortgage notes and other debt payable was estimated to be approximately \$178,000 and \$136,611 lower than the carrying values at September 30, 2023 and December 31, 2022, respectively. The NAV per share would have increased by \$0.66 and by \$0.56 per share at September 30, 2023 and December 31, 2022, respectively, if we were to have included the fair value of our mortgage notes and other debt payable in our methodology to determine NAV.

The selling commission and dealer manager fee are offering costs and are recorded as a reduction of capital in excess of par value. Selling commissions are paid on the date of sale of our common stock. We accrue all future dealer manager fees up to the ten percent regulatory limit on the date of sale of our common stock. For NAV calculation purposes, dealer manager fees are accrued daily, on a continuous basis equal to 1/365th of the stated fee. Dealer manager fees payable are included in accrued offering costs on our Consolidated Balance Sheets. Dealer manager fees payable as of September 30, 2023 and December 31, 2022 were \$184,359 and \$185,557, respectively.

The following table reconciles stockholders' equity per our Consolidated Balance Sheet to our NAV:

	September 30, 2023
Stockholders' equity under GAAP	\$ 1,922,445
Adjustments:	
Accrued dealer manager fees ⁽¹⁾	184,359
Organization and offering costs ⁽²⁾	318
Unrealized real estate appreciation ⁽³⁾	484,535
Accumulated depreciation, amortization and other ⁽⁴⁾	554,375
NAV	<u>\$ 3,146,032</u>

- (1) Accrued dealer manager fees represents the accrual for future dealer manager fees for Class A, Class M and Class A-I shares. We accrue all future dealer manager fees up to the ten percent regulatory limit on the date of sale of our common stock as an offering cost. For NAV calculation purposes, dealer manager fees are accrued daily, on a continuous basis equal to 1/365th of the stated fee.
- (2) The Advisor advanced organization and offering costs on our behalf through December 31, 2021. Such costs are reimbursed to the Advisor ratably over 36 months. Under GAAP, organization costs are expensed as incurred and offering costs are charged to equity as such amounts are incurred. For NAV, such costs are recognized as a reduction to NAV ratably over 36 months.
- (3) Our investments in real estate are presented under historical cost in our GAAP Consolidated Financial Statements. As such, any increases in the fair market value of our investments in real estate are not included in our GAAP results. For purposes of determining our NAV, our investments in real estate are recorded at fair value.
- (4) We depreciate our investments in real estate and amortize certain other assets and liabilities in accordance with GAAP. Such depreciation and amortization is not recorded for purposes of determining our NAV. Additionally, we make other fair value adjustments to our NAV to account for differences with historical cost GAAP; an example would be straight-line rent revenue.

Limitations and Risks

As with any valuation methodology, our methodology is based upon a number of estimates and assumptions that may not be accurate or complete. Our valuation methodology may not result in the determination of the fair value of our net assets as our mortgage notes and other debt payable are valued at cost. Different parties with different assumptions and estimates could derive a different NAV per share. Accordingly, with respect to our NAV per share, we can provide no assurance that:

- a stockholder would be able to realize this NAV per share upon attempting to resell his or her shares;
- we would be able to achieve for our stockholders the NAV per share upon a listing of our shares of common stock on a national securities exchange, selling our real estate portfolio or merging with another company; or
- the NAV per share, or the methodologies relied upon to estimate the NAV per share, will be found by any regulatory authority to comply with any regulatory requirements.

Furthermore, the NAV per share was calculated as of a particular point in time. The NAV per share will fluctuate over time in response to, among other things, changes in real estate market fundamentals, capital markets activities and attributes specific to the properties and leases within our portfolio.

Liquidity and Capital Resources

Our primary uses and sources of cash are as follows:

Uses	Sources
<p>Short-term liquidity and capital needs such as:</p> <ul style="list-style-type: none"> • Interest payments on debt • Distributions to stockholders • Fees payable to our Advisor • Minor improvements made to individual properties that are not recoverable through expense recoveries or common area maintenance charges to tenants • General and administrative costs • Costs associated with capital raising in our continuous public offering, private offering and DST Program • Other company level expenses • Lender escrow accounts for real estate taxes, insurance, and capital expenditures • Fees payable to our Dealer Manager <p>Longer-term liquidity and capital needs such as:</p> <ul style="list-style-type: none"> • Acquisitions of new real estate investments • Expansion of existing properties • Tenant improvements and leasing commissions • Debt repayment requirements, including both principal and interest • Repurchases of our shares pursuant to our share repurchase plan • Fees payable to our Advisor • Fees payable to our Dealer Manager 	<ul style="list-style-type: none"> • Operating cash flow, including the receipt of distributions of our share of cash flow produced by our unconsolidated real estate affiliates and fund investment • Proceeds from secured loans collateralized by individual properties • Proceeds from our Revolving Credit Facility • Sales of our shares • Sales of real estate investments • Proceeds from our private offering • Draws from lender escrow accounts • Sales of beneficial interests in the DST Program

The sources and uses of cash for the nine months ended September 30, 2023 and 2022 were as follows:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	\$ Change
Net cash provided by operating activities	\$ 87,467	\$ 41,384	\$ 46,083
Net cash used in investing activities	(181,410)	(718,446)	537,036
Net cash provided by financing activities	83,636	680,061	(596,425)

Net cash provided by operating activities increased by \$46,083 for the nine months ended September 30, 2023 as compared to the same period in 2022. The increase in cash from operating activities is primarily due to the decrease in payments of the performance fee in the amount of \$29,742 during the three months ended March 31, 2022 as compared to the same period in 2023.

Net cash used in investing activities decreased by \$537,036 for the nine months ended September 30, 2023 as compared to the same period in 2022. The decrease was primarily related to decreases in acquisitions offset by a decrease in proceeds from sales of properties during the nine months ended September 30, 2023 as compared to the same period in 2022. Additionally, in 2023 we began originating first mortgage loans totaling \$43,178.

Net cash provided by financing activities decreased by \$596,425 for the nine months ended September 30, 2023 as compared to the same period in 2022. The change is primarily related to a decrease in net capital raised of \$508,559. Adding to the decrease is \$40,905 of lower net proceeds from mortgage note payables and net draws on our Credit Facility during the nine months ended September 30, 2023 as compared to the same period in 2022.

Financing

We have relied primarily on fixed-rate financing, locking in what were favorable spreads between real estate income yields and mortgage interest rates and have tried to maintain a balanced schedule of debt maturities. We also use interest rate derivatives to manage our exposure to interest rate movements on our variable rate debt. The following consolidated debt table provides information on the outstanding principal balances and the weighted average interest rates at September 30, 2023 and December 31, 2022:

	Consolidated Debt			
	September 30, 2023		December 31, 2022	
	Principal Balance	Weighted Average Interest Rate	Principal Balance	Weighted Average Interest Rate
Fixed	\$ 1,477,556	3.74 %	\$ 1,362,214	3.38 %
Variable	426,400	6.78	581,400	5.81
Total	\$ 1,903,956	4.41 %	\$ 1,943,614	4.11 %

Covenants

At September 30, 2023, we were in compliance with all debt covenants.

Other Sources

On December 21, 2021, our Current Public Offering registration statement was declared effective with the SEC (Commission File No. 333-256823) to register up to \$3,000,000 in any combination of shares of our Class A, Class M, Class A-I and Class M-I common stock, consisting of up to \$2,700,000 of shares offered in our primary offering and up to \$300,000 in shares offered pursuant to our distribution reinvestment plan. We intend to offer shares of our common stock on a continuous basis for an indefinite period of time by filing a new registration statement before the end of each three-year offering period, subject to regulatory approval. We intend to use the net proceeds from the Current Public Offering, which are not used to pay the fees and other expenses attributable to our operations, to (1) grow and further diversify our portfolio by making investments in accordance with our investment strategy and policies, (2) repay indebtedness incurred under various financing instruments and (3) fund repurchases under our share repurchase plan.

On March 3, 2015, we commenced the Private Offering of up to \$350,000 in shares of our Class D common stock with an indefinite duration. Proceeds from our Private Offering will be used for the same corporate purposes as the proceeds of our public offerings. We will reserve the right to terminate the Private Offering at any time and to extend the Private Offering term to the extent permissible under applicable law.

On October 16, 2019, we, through our operating partnership, initiated the DST Program, and on November 8, 2022, our board of directors approved an increase to raise up to a total of \$2,000,000 in private placements exempt from registration under the Securities Act through the sale of beneficial interests to accredited investors in specific DSTs holding DST Properties, which may be sourced from our real properties or from third parties.

Contractual Cash Obligations and Commitments

We are involved in various claims and litigation matters arising in the ordinary course of business, some of which involve claims for damages. Many of these matters are covered by insurance, although they may nevertheless be subject to deductibles or retentions. Although the ultimate liability for these matters cannot be determined, based upon information currently available, we believe the ultimate resolution of such claims and litigation will not have a material adverse effect on our financial position, results of operations or liquidity.

From time to time, we enter into contingent agreements for the acquisition and financing of properties. Such acquisitions and financings are subject to satisfactory completion of due diligence or meeting certain leasing or occupancy thresholds.

We are subject to fixed ground lease payments on South Beach Parking Garage of \$112 per year until September 30, 2024 and these payments will increase every five years thereafter by the lesser of 12% or the cumulative Consumer Price Index ("CPI") over the previous five year period. We are also subject to a variable ground lease payment calculated as 2.5% of revenue. The lease expires September 30, 2041 and has a ten-year renewal option.

The operating agreement for Grand Lakes Marketplace allows the unrelated third party joint venture partner, owning a 10% interest, to put its interest in the venture to us at a market determined value.

The operating agreement for 237 Via Vera Cruz, 13500 Danielson Street, 4211 Starboard, 2840, Loaker Avenue and 15890 Bernardo Center Drive allows the unrelated third party joint venture partner, owning a 5% interest, to put its interest in the venture to us at a market determined value starting July 31, 2024.

The operating agreement for our investment in Single-Family Rental Portfolio II allows the unrelated third party joint venture partner, owning a 5% interest, to put its interest to us at a market determined value starting November 9, 2030.

Distributions to Stockholders

To remain qualified as a REIT for federal income tax purposes, we must distribute or pay tax on 100% of our capital gains and distribute at least 90% of ordinary taxable income to stockholders.

The following factors, among others, will affect operating cash flow and, accordingly, influence the decisions of our board of directors regarding distributions:

- scheduled increases in base rents of existing leases;
- changes in minimum base rents and/or overage rents attributable to replacement of existing leases with new or renewal leases;
- changes in occupancy rates at existing properties and procurement of leases for newly acquired or developed properties;
- necessary capital improvement expenditures or debt repayments at existing properties;
- ability of our tenants to pay rent as a result of their financial condition; and
- our share of distributions of operating cash flow generated by the unconsolidated real estate affiliates, less management costs and debt service on additional loans that have been or will be incurred.

We anticipate that operating cash flow, cash on hand, proceeds from dispositions of real estate investments or refinancings will provide adequate liquidity to conduct our operations, fund general and administrative expenses, fund operating costs and interest payments and allow distributions to our stockholders in accordance with the REIT qualification requirements of the Internal Revenue Code of 1986, as amended.

Sources of Distributions

The following table summarizes our distributions paid over the nine months ended September 30, 2023 and 2022:

	For the Nine Months ending September 30,	
	2023	2022
Distributions:		
Paid in cash	\$ 34,557	\$ 30,767
Reinvested in shares	60,918	55,842
Total distributions	95,475	86,609
Source of distributions:		
Cash flow from operating activities	87,467	41,383
Cash flow from investing activities	—	45,226
Cash flow from financing activities	8,008	—
Total sources of distributions	\$ 95,475	\$ 86,609

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to market risk associated with changes in interest rates in terms of our variable-rate debt and the price of new fixed-rate debt for refinancing of existing debt. We manage our interest rate risk exposure by obtaining fixed-rate loans where possible as well as by entering into interest rate cap and swap agreements. As of September 30, 2023, we had consolidated debt of \$1,903,956. Including the \$17,393 net debt discount on assumed debt and debt issuance costs, we have consolidated debt of \$1,886,563 at September 30, 2023. We also entered into interest rate derivative agreements on \$600,000 of debt, which cap the SOFR rates at between 1.4% and 4.3%. A 0.25% movement in the interest rate on the \$426,400 of variable-

rate debt would have resulted in a \$1,066 annualized increase or decrease in consolidated interest expense and cash flow from operating activities.

We are subject to interest rate risk with respect to our fixed-rate financing in that changes in interest rates will impact the fair value of our fixed-rate financing. To determine fair market value, the fixed-rate debt is discounted at a rate based on an estimate of current lending rates, assuming the debt is outstanding through maturity and considering the collateral. At September 30, 2023, the fair value of our consolidated debt was estimated to be \$183,278 lower than the carrying value of \$1,903,956. If treasury rates were 0.25% higher as of September 30, 2023, the fair value of our consolidated debt would have been \$201,355 lower than the carrying value.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on management's evaluation as of September 30, 2023, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in various claims and litigation matters arising in the ordinary course of business, some of which involve claims for damages. Many of these matters are covered by insurance, although they may nevertheless be subject to deductibles or retentions. Although the ultimate liability for these matters cannot be determined, based upon information currently available, we believe the ultimate resolution of such claims and litigation will not have a material adverse effect on our financial position, results of operations or liquidity.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed under "Item 1A. Risk Factors" 2022 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

Our share repurchase plan limits repurchases during any calendar quarter to shares with an aggregate value (based on the repurchase price per share on the day the repurchase is effected) of 5% of the combined NAV of all classes of shares as of the last day of the previous calendar quarter, which means that in any 12-month period, we limit repurchases to approximately 20% of our total NAV. If the quarterly volume limitation is reached on or before the third business day of a calendar quarter, repurchase requests during the next quarter will be satisfied on a stockholder by stockholder basis, which we refer to as a "per stockholder allocation," instead of a first-come, first-served basis. Pursuant to the per stockholder allocation, each of our stockholders would be allowed to request repurchase at any time during such quarter of a total number of shares not to exceed 5% of the shares of common stock the stockholder held as of the end of the prior quarter. The per stockholder allocation

requirement will remain in effect for each succeeding quarter for which the total repurchases for the immediately preceding quarter exceeded four percent of our NAV on the last business day of such preceding quarter. If total repurchases during a quarter for which the per stockholder allocation applies are equal to or less than four percent of our NAV on the last business day of such preceding quarter, then repurchases will again be first-come, first-served for the next succeeding quarter and each quarter thereafter.

During the three months ended September 30, 2023, we repurchased 6,230,691 shares of common stock under the share repurchase plan, which represented all of the share repurchase requests received for the same period.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Repurchases as a Percentage of NAV ⁽¹⁾	Maximum Number of Shares that May Yet Be Purchased Pursuant to the Program ⁽²⁾
July 2023	1,411,951	\$ 13.31	1,411,951	0.6 %	—
August 2023	2,208,494	13.29	2,208,494	0.9	—
September 2023	2,610,246	13.24	2,610,246	1.1	—
Total	6,230,691	\$ 13.27	6,230,691	2.6 %	—

(1) Represents aggregate NAV of the shares repurchased under our share repurchase plan over aggregate NAV of all shares outstanding, in each case, based on the NAV as of the last calendar day of the prior quarter end.

(2) Repurchases are limited as described above.

Unregistered Sales of Equity Securities

On March 3, 2015, we commenced the Private Offering of up to \$350,000 in shares of our Class D common stock with an indefinite duration. No Class D shares were issued during the three months ended September 30, 2023.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
<u>31.1</u> *	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<u>31.2</u> *	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<u>32.1</u> **	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<u>32.2</u> **	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	Definition Linkbase Document
101.LAB*	XBRL Labels Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant, JLL Income Property Trust, Inc., has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JLL INCOME PROPERTY TRUST, INC.

Date: November 9, 2023 By: /s/ C. Allan Swaringen

C. Allan Swaringen
President, Chief Executive Officer and Director

JLL INCOME PROPERTY TRUST, INC.

Date: November 9, 2023 By: /s/ Gregory A. Falk

Gregory A. Falk
Chief Financial Officer and Treasurer