Transcript of
JLL Income Property Trust
JLL Income Property Trust 3Q25 Public Earnings Call
November 12, 2025

Participants

Allan Swaringen - President & Chief Executive Officer, JLL Income Property Trust
Gregg Falk - Chief Financial Officer, JLL Income Property Trust
Evan Horton – Senior Portfolio Accountant, LaSalle Investment Management

Presentation

Operator

On behalf of JLL Income Property Trust, I'd like to welcome you to the Third Quarter 2025 Earnings Conference Call. This call is being recorded and our audience lines are currently in listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions].

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

Evan Horton

Welcome, everyone, to today's call.

Any statements made about future results and performance or about plans, expectations or objectives are forward-looking statements. Actual results and performance may differ from those included in the forward-looking statements as a result of factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, and in our other reports filed with the SEC. The Company disclaims any undertaking to update or revise any forward-looking statements.

In addition, all non-GAAP financial measures discussed during this call are reconciled to their most directly comparable GAAP financial measures in accordance with the SEC rules in our Form 10-Q for the quarter ended September 30, 2025.

Links to a transcript and audio replay of this call will be posted and available on our website, JLLIPT.com until November 20, 2025. For further information on the Company's performance, we invite you to review our Quarterly Report on Form 10-Q filed on November 6, 2025 and other filings which are available on the Company's website, as well as the SEC's website, sec.gov.

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

<u>Allan Swaringen</u>
Thanks, Evan . Hello, everyone, and thank you for joining us for our third quarter earnings call.

As of September 30th, our portfolio aggregated to approximately $6.9 billion dollars comprised of 143 core properties spanning the industrial, residential, healthcare, and grocery-anchored retail sectors, and includes over 8,000 residential units. It's worth noting that over 80% of our portfolio is in those first three property sectors – residential, industrial and healthcare – three of the top performing property sectors over the last three years. Our overweight allocation to these property sectors - as well as our move to underweight office several years ago has served our investors well. For the quarter ending September 30th, we delivered a positive 1.4% income return, a negative 0.5% appreciation return, and a positive 0.9% on our M-I share class. A tenet of our longer term, core investment strategy is delivering durable income that helps temper the inevitable valuation fluctuations across normal real estate cycles. Quarterly dividends have now been declared for 55 consecutive quarters, with an average annual increase of 3.8% over that almost 14-year period. Durable income and modest appreciation across market cycles, from core stabilized assets, remain the cornerstones of JLL Income Property Trust's investment thesis.

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

Economic growth moderated in Q3, with payroll gains totaling 101,000 jobs for July and August and unemployment increased to 4.3%. An October government shutdown suspended official labor reporting though alternative indicators pointed to further softening in the labor market. The Headline and Core Consumer Price Index each increased 3.0% year-over-year in September, remaining above target principally due to tariff impacts. The 10-year U.S. Treasury yield ended Q3 at 4.16%. Despite data interruptions, the Federal Reserve cut interest rates 25 basis points to a 3.75%–4.00% range in October, seeking to balance persistent inflation with a weakening labor outlook.

Amid elevated uncertainty, trailing 12-month real estate transaction volume rose 28% as of Q3 2025, signaling resilient activity. However, investor sentiment remains cautious due to policy uncertainty and delays in economic data. Commercial Mortgage-Backed Security spreads tightened on expectations of further rate cuts. The Green Street All-Property Price Index increased 1.4% year-to-date, reflecting price stability in a volatile macro environment.

According to RealPage, the U.S. apartment market saw softer renter demand alongside slower job growth. Q3 net absorption slowed to 17,000 units, a significant drop from Q2 apartment leasing. National vacancy rose 40 basis points to 4.9%, and effective rents declined 0.3% year-over-year. Deliveries held steady at 105,000 units, but the new construction pipeline fell to a decade low. Sun Belt markets led rent declines, while urban markets such as Chicago, New York, and San Francisco recorded gains.

The U.S. industrial market showed signs of stabilization in Q3 after weaker demand earlier in the year, according to CBRE-EA. Availability rose 10 basis points to 9.3%—the highest in a decade, though the slowest quarterly increase in the past year. Net absorption turned positive at 27 million square feet, but completions continued to outpace demand. Rents were flat quarter-over-quarter and up just 0.1% year-over-year. Major West Coast markets remained soft; Midwest and Southeast markets saw moderate growth.

Looking ahead, economic signals remain mixed. Markets expect further Federal Reserve rate cuts, and shrinking new supply pipelines across all primary property types should support strengthening fundamentals through 2026. The prospect of lower borrowing costs—combined with strengthening transaction activity—indicates that capital markets are likely to stay active despite near-term uncertainties.

Having covered the industry-wide performance and market update, Gregg will now share a closer look at our portfolio's financial performance during Q3 before I continue. Gregg?

Gregg Falk

Thanks, Allan. 2025 has been a strong year, with $332 million dollars in year-to-date revenues, as compared to $308 million dollars from the same period in the prior year, which represents an 8% increase. The increase is primarily related to new acquisitions made in 2024 and 2025 and increases in rental rates. Year-to-date net loss was $17 million dollars compared to net loss of $33 million dollars in the prior year. The decrease in net loss was primarily driven by non-cash interest income related to our DST Program and lower non-cash unrealized fair value losses on our unconsolidated real estate investments.

Funds from Operations, or FFO, is a supplemental measure of operating performance used by the real estate industry, which most closely resembles GAAP net income. FFO through September 30th, was $82 million dollars, a decrease of $3 million dollars from the same period in the prior year, primarily related to non-cash interest expense from our DST Program. Year-to-date FFO was $0.37 cents per share.

We also track adjusted funds from operations, or AFFO, as a supplemental measure of operating performance. AFFO is calculated as FFO adjusted for non-operating expenses and non-cash items. AFFO through September 30th was $72 million dollars, which is in line with the same period in the prior year. Year-to-date AFFO was $0.33 cents per share.

Over the past few years we have been actively paying down our higher interest rate debt, substantially reducing our leverage ratio which currently stands at 35%.

Stabilized occupancy remained strong through the third quarter of 2025 with the portfolio leased at 96% at September 30th. Our occupancies by segment for our consolidated portfolio were 97% for Industrial, 93% for Residential, 96% for grocery-anchored Retail, and 97% for our Healthcare portfolio. Maintaining higher occupancies through active tenant retention strategies continues to be a priority of our asset management team. The team has been focused on working with current and potential tenants to sign new and renewal leases. Trading lease term extension and early renewals in exchange for future lease execution risk is a strategy of our asset management team, which has provided great benefit for us today and we expect will continue to do so into the future.

Through the third quarter, we signed new and renewal leases for 1.2 million square feet, with a weighted average rent increase of 43% over the previous rental rate. Active asset management has been a key to our strategy since we launched in 2012. One of the primary ways that we generate predictable, attractive income for distribution to stockholders is through long-term lease agreements with higher credit tenants. We also continue to strive to lengthen the weighted-average lease term of our overall commercial portfolio, which was over 5 years at the end of the quarter. Through the third quarter, we reinvested approximately $36 million dollars of capital improvements into our existing portfolio, all geared toward maintaining our higher occupancies.

Offering a reliable and attractive level of current income to our stockholders that steadily grows over time is a primary focus of JLL Income Property Trust. On November 4, our Board of Directors approved a gross dividend for the fourth quarter of 2025 of $15.75 cents per share to stockholders of record as of December 23. The dividend is payable on or around December 29. On an annualized basis, this gross distribution is equivalent to $0.63 per share and represents a yield of approximately 5.6% on the September 30th NAV per share of $11.31 for our M-I share class. All stockholders will receive $15.75 cents per share, less share class specific fees, and the annualized yields will differ based on share class. Providing continued growth in cash distributions paid to our stockholder has been a priority for us as we have established one of the best dividend track records of all NAV REITs.

Since we launched our initial public offering in October of 2012, we have provided an income return of 4.5%, an appreciation return of 0.9%, for a total return of 5.6% over that 13-year period for our institutional share class.

Our total company NAV was approximately $4.4 billion at the end of the third quarter. Our daily NAV methodology has delivered on our low volatility objective, as evidenced by our 3% standard deviation of share price over 13 years.

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

Allan Swaringen

Thanks, Gregg.

During the third quarter, we closed on two new acquisitions. At the end of July we acquired Glendale Distribution Center, an industrial warehouse located in Glendale, Arizona. This investment added 1 million square feet to our portfolio and is 100% leased for ten plus years by Puma, the international sportswear brand. The purchase price was approximately $140 million dollars.

At the beginning of September, we acquired West Raleigh Distribution Center, a 5 building industrial complex totaling nearly 1 million square feet that was 79% leased at acquisition. Subsequent to acquisition we signed a new lease bringing occupancy up to 85%. These properties are located in Apex, North Carolina and were purchased for approximately $190 million dollars. We see an attractive market opportunity in leasing the balance of the modest vacancy within this portfolio.

Our portfolio diversification by property type at the end of Q3 was 38% Residential, 36% Industrial, 12% Grocery-anchored Retail, 12% Healthcare, 2% Private Real Estate

Credit, and our overall company leverage ratio was 35%. Approximately 96% of our borrowings are at a fixed interest rate and we have minimal debt maturities over the next few years. Our portfolio-wide weighted average remaining loan term is 5 years and our weighted average interest rate on outstanding borrowings is 4.1%. While our portfolio is substantially insulated from the current higher interest rate environment, we intend to closely monitor rate movements and will employ leverage judiciously as and when it is accretive to target risk-adjusted returns. In July we closed on a new $50 million dollar accretive loan on Glendale Distribution Center. This loan bears an interest rate of 5.04% and matures in 2030, providing 5-years of term. Adding accretive debt and increasing our loan to value ratio over the next 12 to 24 months is one of our strategies to improve investment performance.

As for our stock transactions, we repurchased 100% of all redemption requests, approximately $92 million dollars in shares pursuant to our share repurchase plan during the third quarter, which had a quarterly limit of $125 million dollars. For over twelve years, we have never had to limit share redemptions. Fourth quarter 2025 share repurchases will have a limit of approximately $122 million dollars, which is 5% of our NAV as of September 30th. Stockholders should aspire to be long-term investors and hold our shares for seven to ten years or longer. Our share repurchase plan is available to stockholders subject to the quarterly limits and a twelve-month holding period.

Now into our 14th year, we have built what we believe to be a strong, stable real estate portfolio with a conservative strategy and resilient balance sheet, and we will remain true to our disciplined core investment philosophy. The fundamental reason for including real estate in a portfolio is long-term performance. Since inception from October 2012, JLL Income Property Trust has delivered attractive net of fees total returns while consistently focusing on core, stabilized lower-risk investments.

JLL Income Property Trust continues to deliver an attractive current yield of approximately 5.6% all the while maintaining a high-quality, well-leased portfolio of institutional-caliber investments. We believe both property type and geographic market selection will continue to be one of the greatest contributors to our long term investment performance. We are confident that we will continue to add value to our current portfolio and look forward to growing and further diversifying our investments throughout the remainder of the year.

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

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

Operator

Certainly. At this time, we will be conducting a question-and-answer session. [Operator Instructions]. Your first question for today is from Rich Young. Your line is live.

Q: Thanks, Allan. Thanks, Gregg. We've heard you guys talk about two recent new investments. Could you provide more color on those deals and maybe any other deals you're pursuing?

Allan Swaringen

Yes. Thanks, Rich, for joining us this morning. So a little more color on what we acquired in third quarter, two very high quality industrial warehouse investments, one in Mid-Atlantic, one in Arizona. Arizona property was really build to suit for Puma, the global sports company, long-term leased, I think about 12 years at about 1 million square feet to our portfolio.

The portfolio we bought in Mid-Atlantic, West Raleigh Distribution Center, five buildings in the aggregate about another 1 million square feet. Overall, those two investments added about $350 million of new acquisitions to our portfolio. What we found attractive about both those investments was our ability to buy them kind of unleveraged at a mid-5% going in the cap rate and kind of a target unleveraged IRR in the 8% range. But both of them now we've added modest accretive leverage to. And those mid-5% caps unleveraged turn into mid-6% caps with some modest accretive leverage and IRRs looking more in the 9% to 10% range with modest leverage.

So high quality buildings, brand new target markets from LaSalle's investment strategy team, and so very attractive. In terms of capital to invest in what we're targeting, we've probably gotten the range of about $300 million of dry powder to make new investments on and continuing to look at the industrial warehouse markets.

Overall, industrial warehouse, the fundamentals have eroded a little bit, but we think that's very temporary. And long-term, the demand is very strong for warehouse, especially in the locations that we're focused on in primary locations, densely populated areas and kind of transportation infrastructure proximity. So we continue to like warehouse. We also like retail. We own a good bit of grocery anchored retail, but looking to add to that as we see attractive fundamentals there. There's been very little new construction in retail for the last 10 years.

And we like healthcare, principally medical outpatient buildings. Those properties are often a little smaller. Some of our competitors, don't like taking smaller bites of the apple. Conversely, we do. And those $20 million to $30 million mostly suburban outpatient buildings generally have significant tenant improvements, which makes the tenant retention story strong. And the long-term macro trends for healthcare in

America, probably one of the strongest sectors based on long-term demographics that you could think about investing in the U.S. today. So those are things we're going to continue to look at and want to add to the portfolio. Thanks for your question.

Operator

Your next question for today is from Eddie Guttigian [ph]. Your line is live.

Q: Hi, Allan. Hi, Gregg. Thanks for the time today. Question here, over the last couple of quarters, your LTV as compared to the competitors is quite low. How did you get here and what are your leverage plans going forward?

Gregg Falk

Sure. I'll go ahead and take that one, Allan. So as I said in the prepared remarks, our LTV is currently at 35%. Our target range is really kind of in the 30% to 50% LTV with our target being kind of 40% to 45% LTV that's where we really get more efficient use of our balance sheet.

What we do is we tend to lever up when interest rates are low as we did in 2021 and 2022. We got our LTV up all the way to 45%, really locking in some historically low rates. When rates go up like they did in kind of -- it's like into 2022 and into 2023, we tend to deleverage the portfolio. And what we did was just pay off mortgage debt as it came due and got our LTV down to 31% in Q2 of 2025. We don't want to put on long-term negative leverage in this portfolio. This is where we take an interest rate on a mortgage debt that's actually higher than the cash yield the property is generating.

So what you've seen us do is be primarily all cash buyers over the last few years. And we do this so that we don't negatively impact future returns. And as interest rates come down, again, we can take those properties and start to leverage them up and we build our portfolio and add to it and further diversify.

What we're seeing today in the market is interest rates are down, lender spreads have come back down and we started to put some accretive debt on the properties and we've been using those proceeds to make additional acquisitions as Allan just talked about.

Over the last three, four months, we've probably put on about $500 million in new mortgages, all of them with a weighted average interest rate of right around 5%. So very accretive for us, it allows us to lock in spread income. And so that's where we're buying a property at 6% going in yield. We're able to lock in debt at 5% and we've kind of locked in that 1% margin there for the duration of the debt. That's a good way for us to continue to grow the portfolio and further diversify using the proceeds and to really provide us with good cash flow into the future and kind of have a known coming in.

So what you're going to see us do for the kind of rest of this year and into next year is continue to pick and choose our spots to put mortgage debt on properties that we own or new acquisitions, but only when it's accretive and continue to grow and diversify the portfolio through that. Thanks for that question, Eddie.

Operator

Your next question for today is from Chase Jones. Your line is live.

Q: Thanks, Allan. Thanks, Gregg. Allan, over the last couple of years, you've been an active seller and buyer of new properties. What's kind of been your strategy here?

Allan Swaringen

Yes. So, I think our active portfolio management and in some ways more active rotation of the portfolio probably has a little bit more to do with the lengths that our fund has been in the market and we've been around this being into our 14th year. So, we're always trying to kind of harvest investments that we feel like have run their course or that the market maybe from our perspective, willing to pay more for than what we think those properties are worth on a go forward basis.

We kind of call this our recycling of capital strategy. As Gregg mentioned, one strategy we're going to add to improve performance going forward is adding leverage. Our recycling strategy is also geared to improving point forward investments. And you'll note that we did this pretty effectively towards the end of 2024, going into 2025. We sold a couple of apartment communities in the fourth quarter of 2024, that moved out of a couple of markets that we were less bullish on, and we sold those properties at kind of mid-4% cap rates on our current valuation methodology.

And now we've redeployed that capital both earlier this year and now this year at mid-5% cap rates. So that's a pretty good trade from our perspective. Selling something that we see as potentially dilutive to our target performance going forward, and then reinvesting that capital that beats or exceeds our target go forward performance, that's how we're going to drive performance going forward.

So we plan to do a little bit more of that this year. We've got two other multi-family apartment communities in the market today. They've received really incredible interest in terms of confidentiality agreements and property tours. So we're very bullish on executing those sales. They may not close until, they might close in 4Q 2025, but they might slip into 1Q 2026. But, again, it's about recycling capital. And, we see opportunities to sell into a recovering market, where capital is chasing deals.

And as I said, investments that we've owned in some cases for a while and feel like we've executed our business plan and strategy for those properties and happy to hand them off to somebody else to let them do what they want to do with them. But we can take that capital and buy, from our perspective, better properties with better point forward returns, and improve our investment performance longer term, and that's what we're going to continue to do.

So in addition to adding leverage modestly over the next year or two, this recycling strategy, and just candidly buying better opportunities, the two warehouse properties, we bought target returns for both of those are quite strong and above kind of our fund level target returns. So we see those as an important tool to continue to perform investment performance, as to improve investment performance as we see real estate markets becoming more liquid, valuation is definitely stabilizing and are quite bullish about the outlook going forward.

So anyway, one of the tools in our toolkit, this recycling strategy to kind of continue to prove investment performance. Thanks for your question.

Operator

[Operator Instructions]. We have reached the end of the question-and-answer session. And I will now turn the call over to Allan for closing remarks.

Allan Swaringen

Great. Thank you all for joining us for today's call. Appreciate your time and interest in JLL Income Property Trust, and we'll look forward to updating you again as we close out the fourth quarter of 2025 and talk to you early next year. Thank you again for joining us. Have a good day.

Operator

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