

Transcript of
JLL Income Property Trust
3Q 2023 Public Earnings Call
November 15, 2023

Participants

Ashley Wessels - Portfolio Accountant, LaSalle Investment Management
Allan Swaringen - Director, President & Chief Executive Officer, JLL Income Property Trust
Gregory Falk - Chief Financial Officer, JLL Income Property Trust

Analysts

Presentation

Operator

On behalf of JLL Income Property Trust, I'd like to welcome you to the Third Quarter 2023 Earnings Conference call. This call is being recorded, and our audience lines are currently on a listen-only mode. A question-and-answer session will follow the formal presentation.

At this time, I would like to turn the conference over to Ashley Wessels from JLL Income Property Trust. Ashley, please go ahead.

Ashley Wessels

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, 2022, 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, 2023.

Links to a transcript and audio replay of this call will be posted and available on our website, JLLIPT.com until November 22, 2023. For further information on the Company's performance, we invite you to review our Quarterly Report on Form 10-Q filed on November 9, 2023, 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 your questions.

Allan, if you'd like to begin?

Allan Swaringen

Thanks, Ashley. Hello, everyone, and thank you for joining us for our third quarter earnings call.

As of September 30th, our portfolio aggregated to \$7 billion dollars comprised of 137 core properties spanning the industrial, residential, healthcare, grocery-anchored retail, and office sectors, and now includes over 10,600 residential units. And 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 the “beds, sheds and meds” property sectors - as well as our move to underweight office beginning five years ago has served our investors well. For the quarter ending September 30th, we delivered a positive 1.1% income return combined with a negative 1.7% appreciation return for a total return of negative 0.6% on our M-I share class. A tenet of our longer term, core investment strategy is delivering durable income that helps temper the inevitable valuation fluctuations across normal real estate cycles. Quarterly dividends have now been paid for 47 consecutive quarters, with an average annual increase of 3.7% over that almost 12-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. While third quarter GDP growth was quite strong with an advance estimate of a 4.9% increase and labor markets remained solid with 813,000 jobs added, we remain somewhat concerned about the near-term economic outlook. We expect higher interest rates will be a drag on continued growth. LaSalle's base case forecast anticipates a brief and shallow recession that is expected to occur towards the end of this year and extend into early 2024.

The primary factor contributing to this cautious outlook is the previously mentioned higher interest rate environment. In the third quarter, the Fed increased rates 25 basis points at the July meeting and then left the target rate unchanged at their September meeting. The Federal Open Market Committee statement suggested there could be another rate hike this year to combat inflation.

On the positive side, inflation continues to show signs of slowing; as of September, CPI increased 3.7% year-over-year compared to 8.2% one year prior. Wage growth increased slightly, with average hourly earnings up 0.8% in September from Q2 and 4.4% year-over-year.

Turning to real estate markets, we are seeing moderating demand and elevated levels of new supply putting downward pressure on market occupancies and leading to moderating levels of rent

growth. During the third quarter, the industrial availability rate increased by 50 basis points to 6.4%, still low on a historic basis, but up 170 basis points from a year ago levels.

Apartment vacancy at stabilized properties increased for a fourth consecutive quarter to 5.6% in September, a 20-basis point increase during the quarter and a 120 basis point increase relative to a year ago. Apartment rents remain flat year-over-year.

For both apartments and industrial, we expect a period of 6 to 18 months of continued pressure from deliveries of new supply, but after that, expect fundamentals to improve as the volume of new developments is falling. The time frame to get back to stronger market conditions for industrial and multi-family will vary between markets.

The traditional multi-tenant office market remains challenged, with Q3 vacancy up 20 basis points to 18.4% nationally, and a year-over-year increase of 140 basis points. We expect the weakening of office markets to continue even as more workers return to work due to slackening longer term demand.

For medical office and open-air retail, stable demand and limited new construction enabled vacancies to decline or remain stable. Medical office vacancy improved by ten basis points to 9.7%, and open-air retail vacancy remains flat at 5.7% and 60 basis points below its pre-pandemic level.

In the real estate capital markets, the over 70 basis point Q3 increase in the 10-year treasury note rate had a negative impact. Real estate transaction volumes continue to decline as borrowing costs rose and as there are fewer motivated sellers. Transaction volume in the trailing 12-months is now down 61% from the third quarter of 2022. Real estate pricing is responding to the higher cost of borrowing with generally higher cap rates. However, in some property sectors, the impact of cap rate increases on valuations has been partially offset by higher NOI. We have certainly seen increasing cap rate valuation metrics offset by rent growth within our portfolio. Going forward we expect real estate pricing to be responsive to interest rate changes, and the short-term volatility in those rates to further dampen the outlook for transaction activity.

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?

Gregory Falk

Thanks, Allan. 2023 has been a strong year, with \$295 million dollars in year-to-date revenues, as compared to \$244 million dollars from the same period in the prior year, which represents a 21% increase. The increase is primarily related to new acquisitions made in 2022 and 2023 and increases in rental rates. Year-to-date net loss was \$110 million dollars compared to net loss of \$12 million dollars in the prior year. The increase in net loss was primarily driven by non-cash interest expense related to our DST Program and non-cash unrealized fair market value losses in 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 \$18 million dollars, a decrease of \$29 million dollars from the same period in the prior

year, primarily related to non-cash interest expense related from our DST Program. Year to date FFO was \$0.07 cent 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 \$85 million dollars, an increase of \$9 million dollars, or nearly 11% growth, from the same period in the prior year, primarily related to the acquisitions we made in 2022 and 2023. Year to date AFFO was \$0.35 cents per share.

Stabilized occupancy remained strong through the third quarter of 2023 with the portfolio leased at 96% at September 30th. Our occupancies by segment were 98% for Industrial, 95% for Residential, 94% for grocery-anchored Retail, 99% for our Healthcare portfolio, and 80% for our Traditional Office. 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 24% over the previous rental rates or underwritten rental rates. 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 6 years at the end of Q3. Throughout the third quarter, we reinvested approximately \$27 million dollars of capital improvements into our existing portfolio, all geared towards 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 7, 2023, our Board of Directors approved a gross dividend for the fourth quarter of 2023 of \$0.145 cents per share to stockholders of record as of December 22. The dividend is payable on or around December 28. All stockholders will receive \$0.145 cents per share, less share class specific fees, and the annualized yields will differ based on share class. It is worth noting that we will have paid a consistent growing and reliable dividend now for 12 years.

Since we launched our initial public offering in October of 2012, we have provided an income return of 4.4%, an appreciation return of 2.6%, for a total return of 7.1% over that 10 plus-year period for our no fee share class.

Our total company NAV was approximately \$4.5 billion at the end of the third quarter. Our daily NAV methodology has provided stable market valuations, as evidenced by our 3% standard deviation of share price.

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

Allan Swaringen

Thanks, Greg.

During the third quarter, we remained active in terms of new investments, adding to our Single-Family Rental and private credit portfolio. In July, we funded additional investments to acquire single family homes within the joint venture of which we are 95% owners, investing approximately \$10 million dollars to this high-conviction sector and adding approximately 30 fully renovated and newly leased homes to our portfolio.

Further capitalizing on the current void in the debt capital markets, we also closed on our second real estate debt investment in the third quarter. Over the next few years, we intend to invest a meaningful allocation to floating rate, senior secured real estate loans. These investments complement our equity investment portfolio and we believe will enhance cash flows and our income returns.

To that end, in September we closed on a \$27 million-dollar floating rate first mortgage loan secured by an active adult multifamily apartment community located near Charlotte, North Carolina. This three-year, senior secured loan earns an interest rate of 3.25% above SOFR - the Secured Overnight Financing Rate - which today is 5.3%. This investment should deliver an all-in yield of between 7 to 9%. In an environment where many banks and other lending sources have restricted lending activity significantly, we see potential opportunities to invest accretively by filling a void in the debt capital markets as a first mortgage lender, a core competency of our organization with more than \$5 billion of real estate loans globally and 20-plus years of experience in real estate debt investing across multiple economic cycles.

Our portfolio diversification by property type at the end of Q3 was 44% Residential, 32% Industrial, 12% Grocery-anchored Retail, 9% Healthcare, and only 3% Traditional Office.

Our overall company leverage ratio was 37% at the end of Q3. Over 90% of our borrowings are at a fixed interest rate and we have minimal debt maturities over the next two years. Our portfolio-wide weighted average remaining loan term is five years and our weighted average interest rate on outstanding borrowings is 3.9%. While our portfolio is substantially insulated from current rising interest rates, we intend to closely monitor rate movements and will employ leverage judiciously as and when it is accretive to target risk-adjusted returns.

As for our stock transactions, we repurchased 100% of all redemption requests, approximately \$83 million dollars in shares pursuant to our share repurchase plan during the third quarter, which had a quarterly limit of \$161 million dollars. For nearly eleven years now, we've never had to limit share redemptions. Fourth quarter 2023 share repurchases will have a limit of approximately \$157 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.

Over the last eleven years, 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 of 7.1%, while consistently focusing on core, stabilized lower-risk investments.

JLL Income Property Trust continues to deliver a competitive current yield and attractive since inception total returns, all the while maintaining a high-quality 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 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 any questions.

Operator

Thank you. Our first question is coming from Richard Roth. Your line is live.

Q: Yes, good morning, Allan and Greg. Thanks for the presentation. I was wondering if you could address your expected cash flows, property level cash flow, or fund cash flows over the next 12 to 18 months based on current property level cash flows, your debt structure, which has a component of floating rate debt and capital budgets, and specifically addressing the pretty significant increase in short-term rates and the impact that's going to have on your distributable cash flow over the next 12 to 18 months, please.

Allan Swaringen

Yeah, I'll take that question, Greg, and then at the end if you want to add any color. So at the fund level, the outlook for cash flows continues to be quite positive. We're seeing significant tenant renewal. I think overall the portfolio is 96% lease and occupied. So we have a lot of happy tenants in place paying rent across all of our property sectors.

We're seeing very strong leasing trade-outs, especially in the industrial portfolio, but also in healthcare and then even with our SFR, we're seeing 4% to 6% rent growth. We have no significant debt maturities through the end of this year and negligible debt maturities next year. Fairly, probably on the order of \$300 million to \$350 million of what we consider to be dry powder in terms of making new investments or needing the working capital needs of the company. That dry powder is a combination of available cash on hand.

We have a small allocation to listed REIT securities, which gives us some secondary liquidity buffer, and then we have a fairly significant amount uncalled on the revolver portion of our line of credit. So we feel good about our kind of outlook in terms of cash flows.

Greg, I don't know if you want to cover anything else on that in terms of interest rate increases. I feel like we've swapped almost all of our floating to fix, so I don't have too much exposure to increasing interest rates either.

Gregory Falk

Yeah, I would just add that we are over 90% fixed at this point with a weighted average interest rate of about 3.9% or so. We're going to be largely not impacted by all the increases in interest rates on the short end of the curve, so we feel pretty good about that. And our properties are generating more cash, so all that leverage that we have is positive leverage, it's not negative leverage. So, I think we're sitting really good on a balance sheet perspective and the properties of continue to really increase NOI year-over-year from comparable store standpoint. So thanks.

Q: Yeah, so can I just follow-up? So based on your 10-Q, it looked like your same-store NOI was really flat on the year-over-year on the 3 months ended September 30, 2022 versus 2023, I think was up like 1% on an NOI basis. So the real needle mover would be interest rates and your interest rate expense was up 5.0% [ph] for the year. So really kind of wondering about the impact of higher floating rates of which there's, I think, 17% of your total debt is floating at 6.77%.

So I think my view not being anywhere near as close to it is that there is exposure to rates and that it could impact and potentially materially distributable cash flows. So I was wondering if you could really focus on that point.

Allan Swaringen

Greg, on the interest expense coverage, I don't know how much of that number, Richard quoted there was related to really the non-cash interest expense relative to our DST, because I know our interest expense, real interest expense isn't up that much, but I don't know whether you can comment on that.

Gregory Falk

Yeah, the vast majority of that increase is the non-cash interest expense related to the DST Program, and that's really just related to the how the GAAP accounting for that program works. We have, for tax purposes sold the property. For GAAP purposes, we actually have to keep the property on our balance sheet, and it's considered a financing not a sale, and if the property has increased in value we have to record additional non-cash interest expense between the difference between what we sold it for and what the current fair value is.

So what you're seeing in our balance sheet is a lot of [Technical Difficulty] is a lot of non-cash interest expense that does not impact our actual cash flow from the property. So it's a bit misleading there to kind of look at those GAAP numbers like that just because there is all that noise in there from the non-cash interest expense, which is somewhere north of \$50 million. I can't remember the exact number off the top of my head.

Q: All right. Yeah, I mean, I was looking at the balance sheet just the floating component of your \$1 billion term facility, I think, \$320 million of that is floating. To my mind, I assume that a lot of

the increased interest expense was coming from the relatively high rate on that floating component versus you know 12 or 18 months ago.

Allan Swaringen

So we've actually swapped out \$600 million of the \$720 million that's outstanding, so we really only have \$120 million of revolver there that is floating rate.

Q: Okay. All right. Anyway, so net-net, I mean, your view on the dividend, I mean, a lot of us own this fund for the dividend is that you don't see anything clouding your horizon relative to the dividend over the next 12 to 18 months?

Allan Swaringen

No. Listen, our Board carefully reviews our rolling 4 quarters past and outlook for 4 quarters future, but we have a relatively conservative dividend today. And, also, I think about two-thirds of our stockholders take dividend payments in drip through our dividend reinvestment program. So even the cash drain from dividends is actually about two-thirds less than the accrual of the regular dividend. So, we feel quite confident in our future dividend paying abilities and have really managed our balance sheet to kind of be conservative have more fixed versus floating, and generally one of the more conservative dividend payers in the market there. So, knock on wood, feel good about that.

Q: Very good. Thank you for your comments.

Operator

Thank you. Our next question is coming from Jack Radley. Your line is live.

Q: Thanks, Allan. During your prepared remarks, you commented on cap rates increasing following the rise in interest rates, which put downward pressure on valuations. However, you commented that the rent growth has been offset by the pressure on valuations. Can you give us a little more color on how that's played out in the IPT portfolio?

Gregory Falk

Yeah, Allan, I'll go ahead and take that one.

Allan Swaringen

Yeah, go ahead. Yeah, thanks, Greg. Go ahead.

Gregory Falk

So, we've seen about a 15% increase in cap and discount rates in kind of the peak of the market, which we really think is about Q1 2022, when the values kind of maxed out. That would have really resulted in about a 15% decline in gross property values. However, the strong rent growth that we've experienced has really mitigated about 50% of those valuation declines. As I mentioned, we've signed about 1.2 million square feet of new and renewal commercial leases at a weighted average increase of 24% here in 2023.

Some examples of that, we did about a 425,000 square foot renewal at an industrial property in one of our Dallas area distribution centers for 7 years with a trade-out in that lease of an increased 63%. In Boston, we did 140,000 square foot renewal at 5 years with a 67% increase in rental rates. We did a 5-year renewal at one of our healthcare properties with about a 14% increase. In the residential side, the apartments and the SFR, we're seeing about 5% increase in year-over-year rental growth.

So feel good about that our independent valuation advisor provides us with estimates of market rents across our portfolio. And they still believe that our industrial portfolio rents are about 20% to 30% below market. So we should continue to see real strong NOI growth going forward to help further offset and the capital market increases should they occur or drive future valuation growth as we return to kind of one more normal capital markets scenario. So thanks for that question, Jack.

Q: Thanks, Greg.

Operator

Thank you. Our next question is coming from Patrick Mullin. Your line is live.

Q: Hi, Allan and Greg. You guys have mentioned that a second investment was made in that private credit space within the portfolio. Can you guys give a little bit more background on this relatively recent addition? Thank you.

Allan Swaringen

Yeah, Patrick, so in our prepared remarks, I commented that we closed our second loan for about \$27 million in the private credit or debt space. In today's markets, given the pullback in banks and other traditional real estate lenders, this is a strategy that we've been looking at, adding to IPT's portfolio really about 3 or 4 years ago. But our interest rates were even back during the pandemic, and then after the Fed cutting rates so drastically, adding debt investments to our portfolio was in fact elusive [ph]. So, we continue to look at this.

LaSalle has a significant platform in originating floating rate first mortgage loans. These are loans that are originated by us. We do the underwriting. We visit the properties. We document the loans. These are not loans that we buy or sell or syndicate or leverage. These, in fact, are properties that, well, there's no way this program should be considered kind of a loan-to-own program. These are lending arrangements that, in underwriting the property in the market, we have high convictions in the underlying asset.

We're seeing a lot of borrowers today that began development of a property 2 or 3 years ago. They have a property that's stabilized, leased up, generating significant cash flow, but they have a construction loan coming due. And so we're providing, in some ways, bridge financing to where these folks will probably take us out with permanent financing down the road. These are typically 3-year loans with two 1-year extension options. They're at a very attractive spread to SOFR. And in terms of what they do for the overall IPT portfolio, as I commented, the current cash yield on these investments is in the 7% to 9% range and compared to our 4% to 4.5% current dividend yield, these are very accretive.

We have a third transaction, it's in underwriting right now, and we hope to close by the end of the year. That will put us at about \$100 million in deployment into this strategy. And next year, we'd like to continue to grow this. Overall, we'd like to think about it being 5% to 10% of our portfolio, which put us somewhere in the range of \$500 million to \$800 million and very attractive expansion of our traditional equity investing that is, we think, high demand in the current market, high quality properties, generally relatively low loan-to-value or loan-to-cost, typically in the 65% to 70% loan-to-cost. So, a significant amount of borrower equity in front of us. So, being in the capital stack at 65% to 70% with equity in front of us.

We see this as a very attractive risk adjusted returns and intend to do more of it, should enhance overall cash flow for point forward portfolio performance and our ability to sustain and grow our dividend over time, hopefully. So, thanks for that question.

Q: Thank you.

Operator

Thank you. Our next question is coming from Peter O'Conn. Your line is live.

Q: Hi, Allan. With the significant rising interest rates, some NAV REITs mark debt to market and some don't. Could you please comment on your chosen valuation methodology?

Allan Swaringen

Yeah. So, this is a question that's been coming up a lot lately related to debt mark-to-market. And, I think, one of the components of your question that I really want to highlight, Peter, is choosing to value a company's debt, marking it to market effectively is an elected methodology. It's not a requirement under generally accepted accounting principles, GAAP or any other SEC or FINRA authority. It's totally an elective method. And so, when we launched Income Property Trust coming up on 12 years ago now, because Greg and I had managed a portfolio of leveraged core real estate throughout the global financial crisis, where we saw significant swings in interest rates in very short time periods.

We elected in our valuation methodology to not mark debt to market. It was an impact – over time had a significant impact to our share price and value. And it was a change in share price that we often felt advisors and our stockholders really didn't understand and at times it distorted the share price pretty dramatically from the underlying value of the real estate. The way it actually works is if you think about it in time periods of rising interest rates, loans that you have on your books that you borrowed money, if those loans are at lower rates, as rates rise, you essentially discount that loan. And as you discount that loan, it ends up increasing the equity of the company.

So, say, you have a \$100 million property with a \$50 million loan on it, and that loan is fixed or swapped to fixed and interest rates rise, maybe the interest rates go up 10%, 15%, that loan of \$50 million might effectively be marked down to \$40 million. And that increases the equity of the company by conversely \$10 million and thereby actually increases the company's share price that people buy and sell the shares at.

Similarly, in an interest rate environment, which we actually think might play out next year interest rates start declining. Any of those loans that have been discounted, that discount needs to be reversed. And in fact, it's a drag on NAV. And so from our perspective, this is really, it adds a significant amount of excess volatility to the share price, distorts the price at which people buy and sell our shares from the real value underlying real estate. And so it's just a methodology evaluation that is not part of our Board approved evaluation methodology. And we're kind of glad it's that way.

A number of our competitors in the NAV REIT space do mark their debt to market and as interest rates have risen, that actually has driven up their share price over time. And over time, that markup to the share price is going to be amortized to zero, because ultimately when those loans mature and come time to pay-off the lender, they're going to get paid off at the par value, not at the discounted value.

So anyway, a little bit of a primer there on debt mark-to-market and why we chose to not include it in our valuation methodology. Peter, thanks for that question.

Q: Thanks, Allan.

Operator

Thank you. Our next question, and I do apologize if I pronounce your name wrong, is from David Anon. Your line is live.

Q: Yes. Hi. I just wanted to follow-up on the debt mark-to-market question. As of the end of Q3, I think we saw a note that not that marking debt to market, we had a negative impact on the NAV per share of \$0.66 that effectively creates a little bit of a bargain in the price. Just curious how long do you think if that \$0.66 was phased out over time as you amortized, as effectively the mark would on a pro forma basis amortized to par. How long do you think that would play out and how does that contribute to the expected returns over the next, say, 3 years?

Allan Swaringen

Yeah, I'll take that question initially from a macro perspective, Greg, and then if you have any more details. And listen, we appreciate your thoughtful review of our performance and I think your organization noted that you estimated that our share price might be really at a 5% discount compared to if we did mark debt to market. I think probably the largest component of the debt mark-to-market that could be available to us. Well, there's two components.

One is, as you know, we have a significant portfolio of long-term fixed rate mortgages, because most of our borrowings at the property level are from life insurance companies and many of those loans are significantly discounted today in terms of their below current market rates. So we borrowed hundreds of millions of dollars, maybe up to billions of dollars, kind of right after the pandemic when interest rates were extraordinarily low locking-in in some cases, 2%, 2.5%, 3% fixed rate loans for 5, 7 to 10 years.

Again, because we don't mark-to-market, we keep those loans at par value. I actually think the share price might even be a little bit, if we did mark-to-market might even be impacted more than

your estimate of 5%. I'd say the other component is the swap. So those longer-term interest rates, they would be amortized over a much longer period, say, 5 to 7, 8 years, probably left on some of those loans.

The other impact is more short-term, and that has to do with our revolver, and we have a term loan component there where we swap to fixed. Those, I think, our credit facility comes due, and those term loans come due in a much shorter time period than the fixed rate loans, so maybe 2 to 3 years, maybe 4 years. So, the mark-to-market on those would not be as significant, I believe, even though the interest rate spread is probably a little bit higher, because we started borrowing some of that money when SOFR was zero, and now we've seen it move up to 5.3%, 5.4%.

So, Greg, a little hard to estimate, but if I broke it down between the fixed rate life company loans versus the term loan and the revolver, I don't know if you could add any more color to that.

Gregory Falk

Yeah, so it's about 70-30, the fixed rate mortgages versus the revolver. I would say, our weighted average loan term is about 5 years. So that's probably a pretty good average of how that the gain that we did not take would take to run off of our shares would be over about a 5-year period. But, like Allan mentioned, our strategy of really leveraging up when we could when rates were real low with life insurance company loans is really good beneficial to the current and future stockholders of the company. So, I think if you used about a 5-year runoff that would be a good average for your analysis. Thank you.

Q: Thank you.

Operator

Thank you. Okay. As there are no other questions, and this concludes today's call, I will hand the call back to Allan Swaringen, for his closing remarks. Allan?

Allan Swaringen

Well, I'd like to thank everyone for joining us on our call today and appreciate your interest in JLL Income Property Trust, and we will look forward to updating you early next year after the close of the fourth quarter. Thanks all for joining us today. Have a great day.