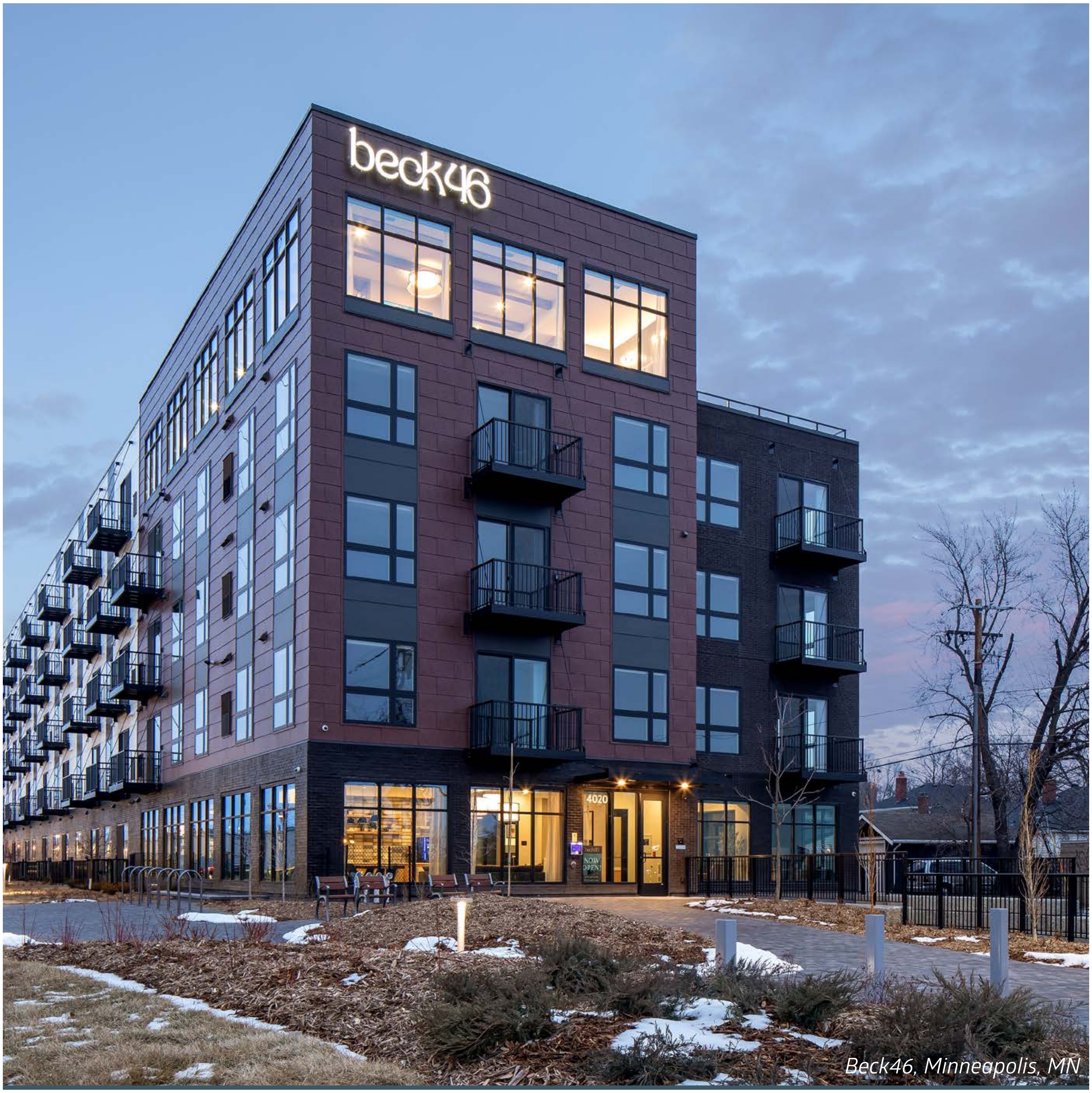
Bailard Real Estate Fund Quarterly Update

Q1 | 2024



Beck46, Minneapolis, MN

For the quarter ending March 31, 2024:

Bailard Real Estate Fund Q1 Highlights

PERFORMANCE

The Fund's quarterly NCREIF-based gross return was -3.0%, and -3.2% (net of management fee). For the year ended March 31, 2024, the Fund earned a gross return of -9.1%, and -9.9%, net. Since inception in April 1990, the Fund's annualized returns are 9.0% (gross) and 8.4% (net).[1]

INCOME

As of March 31, 2024, the Fund's property portfolio was 93% leased, unchanged from Q4 quarter-end, 2023. The total portfolio's Net Operating Income (NOI) decreased by 2.4% year-over-year (Q1 2024 vs. Q1 2023). Measured on a "same store" basis (excluding properties not owned or not yet operational for the entire measurement period), NOI decreased by 3.7% year-over-year. On a quarter-over-quarter basis (i.e., Q1 2024 vs. Q4 2023), the total portfolio's NOI increased by 7.0% (8.3% by the same store method).

BALANCE SHEET

As of quarter-end, the Fund held $71.7 million in cash and cash equivalents, or 4.8% of the Fund's Gross Asset Value (GAV), down from $103.5 million (6.7% of the Fund's GAV) at the end of Q1 2023.[3] As of Q1 2024 and Q1 2023, cash and cash equivalents are inclusive of the $21.9 million and $16.3 million, respectively, held in property-level operating accounts reserved for operations, maintenance, and on-going capital needs including property taxes, tenant improvements, leasing commissions, and other pending property improvements. The aggregate loan-to-value (LTV) ratio for the Fund stood at 29.1% at quarter-end, up from 28.1% at the end of Q4 2023.[4] The Fund's in-place weighted average interest rate was 5.4% at the end of the quarter, up 10 basis points[5] from 5.3% at Q4 quarter-end and 60 bps higher than it was at the end of Q1 2023, when the average in-place interest rate was 4.8%.

A LOOK BACK

The Bailard Real Estate Fund turned in another negative quarter in Q1 2024. It was the sixth negative quarter in a row and only the seventh since Q4, 2010, nearly 14 years ago. The only time the Fund has experienced a longer string of negative returns since inception in 1990 was during the Great Financial Crisis (GFC) when returns were down seven quarters in a row (Q3 2008 through Q1 2010). Disappointingly, the Fund's negative returns in Q1 were bettered by its benchmark the NFI-ODCE (Equal Weight) whose returns were approximately 75 bps less negative than the BREF. It was the first time since Q4 2021 and only the eighth time in the last ten years (i.e., eight quarters out of 40) that NFI-ODCE (EW) returns have exceeded BREF's. The Fund's longer-term returns remain comfortably ahead of the benchmark by 260 bps, 335 bps, 300 bps, 290 bps, and 210 bps over 1-year, 3-year, 5-year, 10-year, and since-inception time periods, respectively.

1 Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. Starting from June 30, 2023, Bailard Real Estate Investment Trust Inc. (the "Fund") calculates the gross-of-fee returns and net-of-fee returns to reflect the inclusion of fund-level expenses such as the operating management fee the Fund pays to Bailard, Inc., appraisal, fund administration, legal, audit, tax, and other administrative expenses. We applied this change retroactively to all prior returns presented above. Net-of-fee returns are calculated by netting down the gross-of-fee returns by the actual investment management fee paid to Bailard, Inc. The investment management fee schedule for the Fund, which is included in the Real Estate Composite I, is 0.85% on the Fund's net asset value up to and including $750M and 0.75% on the Fund's net asset value above $750M. If the Fund's uncommitted cash exceeds 10% of the Fund's net asset value, the fee shall be reduced by an amount equal to the product obtained by multiplying 0.425% by the excess cash amount. The total expense ratio, including the investment management fee, for the trailing four quarters was 1.50%. ***Past performance is no indication of future results. All investments have the risk of loss.*** *Please see page 12 for additional performance information and important risks and disclosures on the last page.*

2 The Fund's leased percentage is based on NCREIF-PREA Reporting Standards lifecycle categories, which excludes non-operating assets such as land, development assets, and assets that completed construction, are less than 60% leased, and have not reached one year after construction completion. Lease percentage is calculated as of quarter-end and is weighted by the Fund's legal share of the gross real estate value.

3 Market value of cash equivalents shown is before quarterly shareholder transactions. Cash and cash equivalents consists of Fund-level and property-level cash. Reflects Cash and cash equivalents divided by Gross Asset Value.

4 Per the NCREIF PREA Reporting Standards, leverage percentage is calculated as follows: the Fund's economic share of outstanding debt at par divided by the Fund's total gross assets (the Fund's economic share of gross real estate, cash and cash equivalents, and other assets).

5 A basis point (bp) is 0.01%.

During this six-quarter stretch, the Fund has generated a total aggregate negative return of 12.32%. Over the same period, the NFI-ODCE (EW) had a total aggregate negative return of 18.79%. The good news for BREF investors is that the Fund is well-diversified by property type and geography. Unfortunately, all broadly diversified funds have been vulnerable to the powerful forces negatively impacting commercial real estate. It's especially frustrating for the Bailard Real Estate team that prides itself on its real estate skills and pro-active/high-touch asset and portfolio management to be swept into this value decline vortex and is unaccustomed to having limited control over asset performance and portfolio behavior. The team is confident that it will be able to drive the portfolio more purposefully in the second half of 2024.

Geoffrey Dohrmann, CEO of Institutional Real Estate, Inc. (IREI) and publisher of *Institutional Real Estate Americas* (and also an independent Director of the Bailard Real Estate Fund) wrote an outstanding piece in the April 2024 edition entitled "Valuation is as Valuation Does."[6] Geoffrey starts by highlighting the three traditional property valuation methodologies: Discounted cash flow (DCF) analysis; Comparable sales; and Replacement cost. Because institutional investors have hit pause and transaction activity has gone into a deep freeze since the Fed started raising interest rates two years ago, appraisers have little or no comparable recent sale data to reference. At the same time, inflation is impacting the cost of new projects and causing a massive disconnect between actual replacement cost and what the market would pay for the asset. This has meant that appraisers are relying almost exclusively on DCF models and a small handful of distressed sales to determine values.

Discounted Cash Flow valuation modeling, while mathematically elegant, is challenging because of the mixture of both verifiable data (i.e., leases, operating expenses, capital improvement costs) and a multitude of assumptions (i.e., market rents, income and expense growth rates, leasing and re-leasing activity, tenant improvement costs, and leasing commissions) that go into them. The appraiser must not only take his/her best shot at getting all the assumptions "right", but then he/she must also pick a residual capitalization rate (i.e., the cap rate at which the property will be sold five, seven, or ten years into the future) AND an appropriate discount rate (i.e., the all-in return that an investor would expect to get from that specific asset over the anticipated investment hold period.) It's complicated!

Dohrmann states that nearly all 25 members of the NFI-ODCE peer set utilize Altus to manage their property appraisal processes, and yet there is little consistency of approach among investment managers. Some have been marking holdings down aggressively while others have been slower to take their marks – even though nearly all are using the same handful of national appraisers and the same appraisal management firm.

Part of this is philosophical, i.e., some managers are taking steep write-downs to reflect their view of a dire market while others have been slower to adjust their property portfolio values given the market's opacity and the unusual circumstances driving the current market's malaise. Part of it is methodological, i.e., some managers do full outside/independent appraisals on every asset every quarter, others do their own internal valuations for three quarters of the year and then do full appraisals on their entire portfolio once per year, and still others do full outside/independent appraisals on 25% of their portfolio every quarter and more limited "update appraisals" on the other 75% so that by the end of a year all of their assets have received a full independent appraisal.

Dohrmann reminds us that there is no one "right" approach. Each methodology has its merits and limitations. Regardless, it's still very frustrating for investors who seek both consistency and a level playing field. (Full disclosure: For the past 28 years, the Bailard Real Estate Fund has had an independent appraisal performed on every asset every quarter and Altus has overseen/managed the process since 2016.)

Managers taking deeper hits to their properties understandably resent those managers who aren't being as aggressive because it makes them look as though they are underperforming. And managers who aren't writing values down as deeply understandably question why some of their peers are being so aggressive when lack of transaction activity has undermined the appraiser's ability to peg values off of recent comparable sales.

6 Dohrmann, G. (2024, March 11). Valuation is as Valuation Does. Institutional Real Estate Americas. https://irei.com/publications/article/why-the-real-estate-industry-needs-a-coordinated-approach-to-valuation/

Real estate pros have always said that property appraisals are both “art” and “science”. With the lack of transactions, it is definitely more “art” than “science” these days. That doesn’t make it wrong, but it does mean that investors need to be patient and comfortable with slightly wider margin of error.

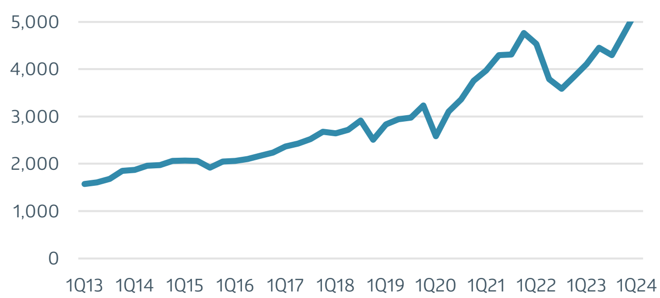
Tremendous progress has been made standardizing appraisal approaches and practices the past several decades. For example, prior to 1998, Altus did not exist and there was no valuation management service available to insulate investment managers from their appraisers. That led to a fair bit of tension between appraisers and managers, greater inconsistency, and awkward conversations about obvious conflicts of interest. Most of the time, the standardized practices that have been refined since the early 2000s work quite well. It’s only when markets are undergoing stress as they are right now that inconsistencies in approach produce some confusing results.

Dohrmann goes on to make clear that inconsistencies are not indicative of a broken system but rather a reality of private markets in times of heightened inefficiency. Because of the dearth of transactions, appraisers are forced to rely on DCF analysis and replacement cost measures. And, as we all know, two nearly identical properties in the same sub-market can have dramatically different values because of multiple issues impacting their ability to produce income, e.g., tenant size, tenant quality, lease term length, in-place rents, operating cost management, deferred maintenance, and loan maturity timing.

While the Fed continues to battle inflation through its restrictive monetary policies, investors and investment managers are holding their collective breath on whether or when the Federal Reserve will cut interest rates and provide some oxygen to the real estate investment industry. As long as rates are high and there is uncertainty on where they are going, transaction activity will be in gridlock. This is so not only because the gap between what buyers are willing to pay for an asset and what sellers are willing to accept for an asset is proving difficult to bridge. But also because this “bid/ask spread” is being exacerbated by expensive and difficult-to-come-by mortgage debt. As long as this persists the appraisal challenges referenced above will continue to frustrate appraisers, managers, and investors.

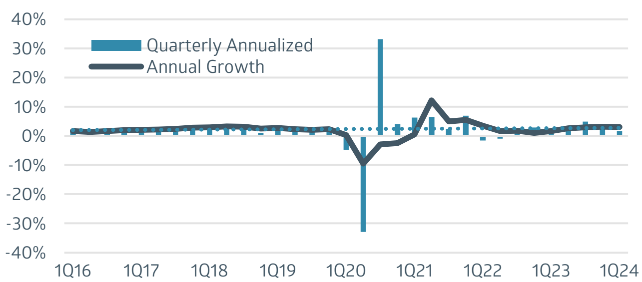
Real Estate Economic & Market Conditions
(as of March 31, 2024)

S&P 500 Index[1]



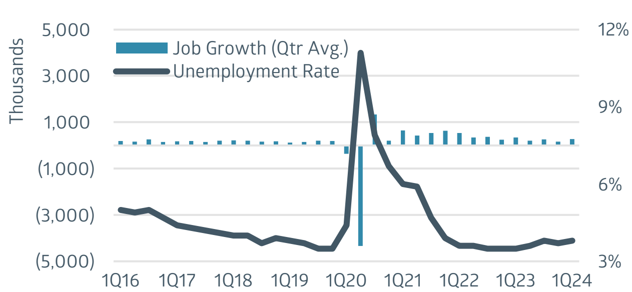
- The S&P 500 finished Q1 2024 at 5,254, up 10% from the previous quarter and 28% year-over-year.
- The Index hit 22 all-time high closings over the quarter.
- Ten of the eleven S&P sectors recorded positive returns in Q1, led by Energy (13%), Communication Services (11.7%), and Financials (11.4%).

Real Gross Domestic Product (GDP) Growth



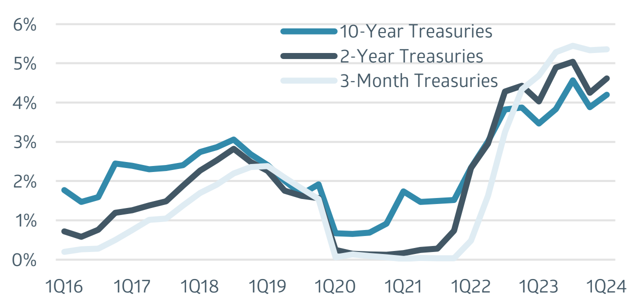
- GDP in Q1 grew at an annual rate of 1.6%, below economist's 2.4% estimate.
- Increases in consumer spending, residential and nonresidential fixed investment, and state and local government drove the positive growth.
- Compared to Q4 2023, the deceleration reflected a pullback in consumer spending, exports, and government spending.

Job Growth and Unemployment Rate



- In Q1, non-farm payrolls added 829,000 jobs, averaging 276,000 monthly, a 9.4% decline from the same period last year, although a 30% increase quarter-over-quarter.
- The unemployment rate rose slightly to 3.8%, up ten basis points[2] from Q1 and 30 bps year-over-year.
- Indicators such as declining quit rates, a slight increase in unemployment, and extended joblessness duration suggest that the labor market is moderating.

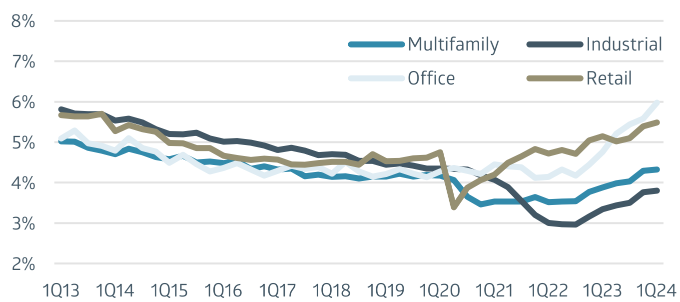
U.S. Treasury Yields



- The 10-Year Treasury finished Q1 2024 at 4.2%, up 32 bps since Q4, and 73 bp year-over-year.
- The 2-Year Treasury finished Q1 2024 at 4.6%, up 40 bps Q-over-Q and 54 bps Y-over-Y.
- The 3-Month Treasury finished Q1 2024 at 5.4%, up 3 bps since Q3 and 67 bps Y-over-Y.
- The yield curve remained inverted for the 22nd consecutive month as the "10-2 inversion gap" between 10-year and 2-year Treasury yields widened to 42 basis points at the close of the first quarter.

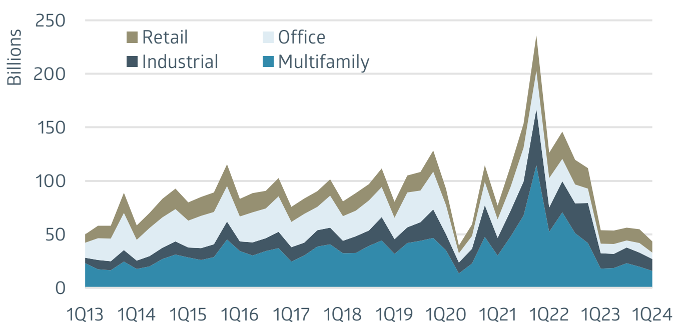
Source: Bloomberg.
1 Returns of the S&P 500 Index are presented as price change only. 2 A basis point (bp) is 0.01%.

Capitalization Rates[3]



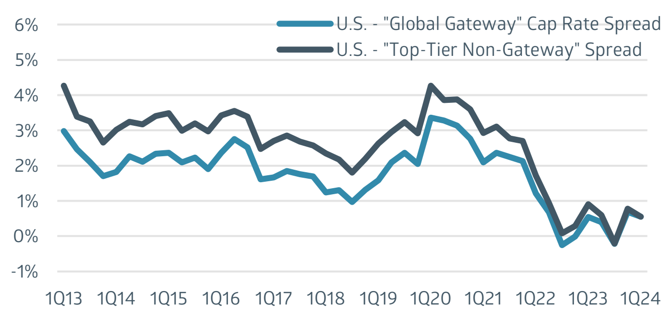
- According to the National Council of Real Estate Investment Fiduciaries (NCREIF), capitalization rates at the end of Q1 for industrial, multifamily, retail, and office properties were 3.8%, 4.3%, 5.5%, and 6.0%, respectively.
- During the quarter, the cap rates for all four main property types expanded from Q4 2023 (office: 40 bps); retail:10 bps; industrial: 4 bps; and multifamily: 3 bps).
- Office cap rates saw the most significant year-over-year expansion, widening by 122 bps, in stark contrast to retail, which saw a modest increase of just 34 basis points.

Investment Volume



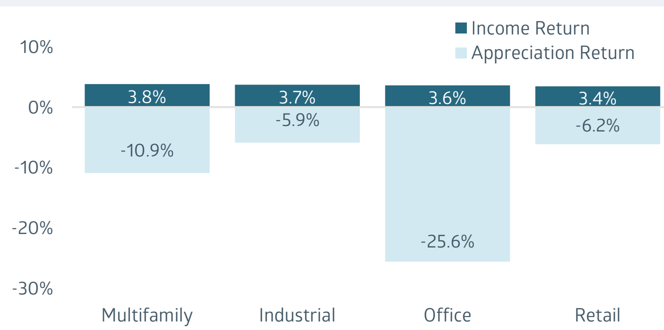
- In Q1 2024, the combined transaction volume for the four main property types amounted to $43.3 billion, a decline of 21% quarter-over-quarter and 19% year-over-year.
- The multifamily sector contributed the largest share of the total volume with $16 billion, while the industrial sector was second at $11 billion.
- The frustratingly high cost and limited availability of debt, coupled with the ongoing bid/ask spread between buyers and sellers, continues to hamper transaction volume.

Cap Rate to Ten-Year Treasury Spreads[4]



- At the end of Q1, the spread between the 10-Year Treasury yield and the cap rates for both U.S. "Global Gateway" and "Primary non-Gateway" properties was 55 basis points.
- In Q1, the spread between the capitalization rates of "Global Gateway" and "Primary non-Gateway" effectively disappeared, as "Global Gateway" cap rates rose by 74 basis points, outpacing the 38 basis point increase in "Primary non-Gateway" cap rates.

One-Year Performance, NFI-ODCE Unleveraged Property Returns[5]



- The NFI-ODCE unleveraged had a one-year return of -8.1%.
- The one-year return comprised 4.1% income and a negative appreciation of 11.8%.
- Of the four major property types, retail had the best one-year performance in Q1 with a total return of -1.1%, outperforming the next closest asset type, industrial, by 160 bps.

Sources: Bloomberg, CoStar, NCREIF.
3 A property's capitalization rate, or cap rate, is a measure of its Net Operating Income relative to its market value.
4 The "Global Gateway" markets are defined to include Boston, Chicago, Los Angeles, New York, San Francisco, Seattle, Washington, DC. The "Top-Tier Non-Gateway" markets are defined to include Atlanta, Baltimore, Minneapolis-St. Paul, Philadelphia, Phoenix, Raleigh-Durham, St. Louis.
5 Unleveraged property returns reflect the performance of the underlying properties, without the impact of property debt. The NCREIF Fund Index - Open-End Diversified Core Equity (NFI-ODCE) attribution is preliminary as of 4/30/2024; please see important information regarding the Index on the last page. For reference, the Bailard Real Estate Fund's unleveraged property returns for the same period were: Multifamily, -6.5% (Inc: 4.5%, App: -10.6%); Industrial, -0.7% (Inc: 3.8%, App: -4.4%); Office, -20.1% (Inc: 7.3%, App: -26.0%); and Retail, 3.8% (Inc: 6.3%, App: -2.3%).

Multifamily

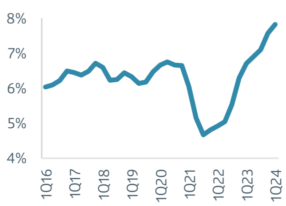
The sector recorded its strongest quarter since Q3 2021, absorbing 107,000 units due to robust demand. Yet, supply continued to exceed demand for the tenth consecutive quarter. Demand was concentrated in traditional Sun Belt markets in the Southeast and Southwest, which, not coincidentally, experienced the greatest additions to supply. Consequently, the vacancy rate climbed to 7.8% during Q1 2024—a 20 bp increase from the previous quarter and 110 bp higher year-over-year. Despite rising vacancies, average asking rents edged up, with a 1.9% year-over-year increase. The elevated levels of new construction, particularly in the Sun Belt regions, continued to erode pricing power for landlords, especially those with brand new AAA properties aimed at high-end renters. New construction starts closed the quarter at 68,000 units, down 60% year-over-year. Most industry insiders believe that the market has seen the peak of new deliveries for this cycle and that from this point forward additions to supply will begin to ebb; approximately 70% of all new projects are scheduled to be completed within the next twelve months. Overall, the sector faces a challenging 2024, though a firming in fundamentals is on the horizon if the U.S. economy continues to generate jobs and household formations.

VACANCY

As of Q1, 24: **7.8%**

10-Year Avg: **6.2%**

Qtr/Qtr Change:
30 bps ▲

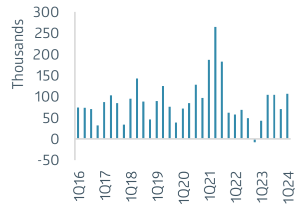


ABSORPTION

As of Q1, 24: **107,000 units**

10-Year Avg: **86,000 units**

Qtr/Qtr Change:
36,000 units ▲

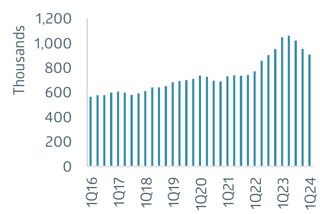


CONSTRUCTION

As of Q1, 24: **907,000 units**

10-Year Avg: **693,000 units**

Qtr/Qtr Change:
45,000 units ▼

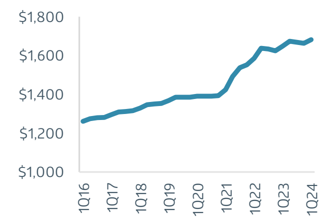


RENT

As of Q1, 24: **$1,682/month**

10-Year Avg: **$1,103/month**

Qtr/Qtr Change:
1.1% ▲



Industrial

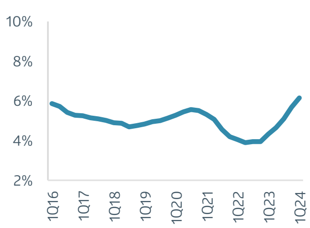
The U.S. industrial sector is recalibrating amid heightened interest rates and recession worries. In Q1, net absorption was 11.6 million SF, the weakest in over a decade. As firms paused expansions and new deliveries persisted, the vacancy rate rocketed up to 6.2% by the end of Q1. The elevated vacancy rate is still 20 bps lower than the 34-year average of 6.4%. The Midwest reported the lowest vacancy rate among the nation's four regions, while the South—amid an ongoing wave of new deliveries—had the highest. Asking rents nudged up, with a modest 0.6% quarterly increase, but still 4.7% higher year-over-year. Q1 saw 151 million SF of new industrial space added to supply, a 15% drop quarter-over-quarter and the smallest since Q3 2022. The construction pipeline has receded 40% over the past year as developers dialed back due to sluggish demand, rising costs, and limited availability of attractive construction loan financing. As absorption remains moderate, future deliveries will increase vacancies and put downward pressure on rents. But with the largest part of the recent supply surge in the rearview mirror, market experts expect vacancies to plateau over the next twelve months and then, assuming the U.S. economy continues to grow, supply/demand fundamentals will start to rebalance.

VACANCY

As of Q1, 24: **6.1%**

10-Year Avg: **5.3%**

Qtr/Qtr Change:
50 bps ▲

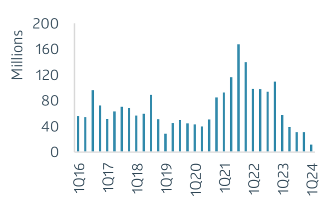


ABSORPTION

As of Q1, 24: **12 million SF**

10-Year Avg: **68 million SF**

Qtr/Qtr Change:
20 million SF ▼

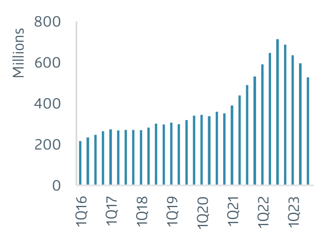


CONSTRUCTION

As of Q1, 24: **391 million SF**

10-Year Avg: **353 million SF**

Qtr/Qtr Change:
57 million SF ▼

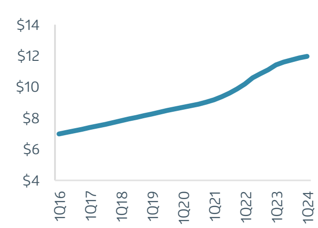


RENT

As of Q1, 24: **$11.96/SF (NNN)**

10-Year Avg: **$8.64/SF (NNN)**

Qtr/Qtr Change:
0.8% ▲



Source: CoStar Group.

Office

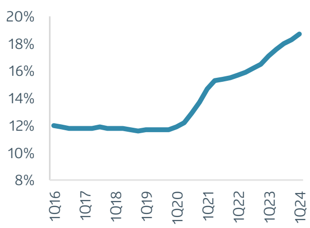
The U.S. office sector's downturn persisted into its fifth year, with Q1 net absorption at negative 20 million SF. Since Q1 2020, net absorption has been negative 15 out of 16 quarters. The cumulative total negative absorption over the past year was 70 million SF and the vacancy rate continues to climb—up 40 bps quarter-over-quarter and 160 bps since Q1 2023—reaching 18.7% by the end of Q1 2024. Since the onset of the pandemic, vacant office space has ballooned by 450 million SF, reflecting a massive re-think of this property type's *raison d'etre* for millions of traditional office users. Despite a decrease from its mid-2023 peak, there's still 221 million SF of office space available for sublease, doubling what it was at the end of 2019. Counterintuitively, average asking rents actually increased 0.1% quarter-over-quarter and 0.7% since Q1 2024. Though new construction has dwindled to 0.9% of current total inventory (a steep drop from early 2020 levels), any additions to supply will only serve to increase vacancy rates and put downward pressure on rents unless and until user demand returns and absorption turns positive. Most market observers expect office to suffer a long, slow, and painful climb out of the abyss.

VACANCY

As of Q1, 24: **18.7%**

10-Year Avg: **13.5%**

Qtr/Qtr Change:
40 bps ▲

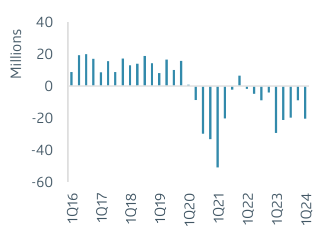


ABSORPTION

As of Q1, 24: **-2 million SF**

10-Year Avg: **6 million SF**

Qtr/Qtr Change:
-12 million SF ▼

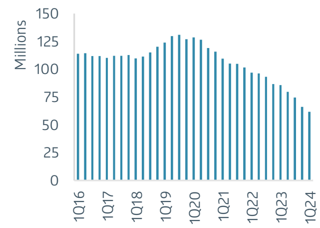


CONSTRUCTION

As of Q1, 24: **104 million SF**

10-Year Avg: **137 million SF**

Qtr/Qtr Change:
11 million SF ▼

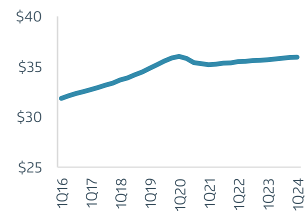


RENT

As of Q1, 24: **$35.16/SF (Gross)**

10-Year Avg: **$32.89/SF (Gross)**

Qtr/Qtr Change:
0.1% ▲



Retail

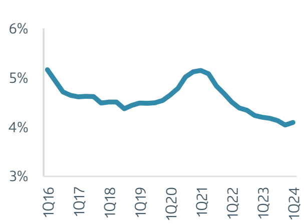
After two years of robust leasing activity, tenant demand cooled for the first time since early 2021, posting positive net absorption of just 3.6 million SF in the first quarter, an 80% decrease from Q4 2023. Demand was predominantly driven by discount retailers such as Five Below, TJ Maxx, Burlington, and Ross. However, the sector faced challenges from multiple store closures by several of the "Dollar Store" concepts. Despite this weak quarter, retail fundamentals remained vigorous, bolstered by a surprisingly strong U.S. economy, an encouragingly resilient consumer, and manageable additions to supply. The retail vacancy rate ended Q1 at 4.1%, an increase of ten bps quarter-over-quarter but ten bps lower year-over-year. The current vacancy rate is 50 bps lower than the 24-year average of 4.6%, as tracked by CoStar. Average asking rents rose 1.0% since Q4 and 4.0% year-over-year. Solid rent growth and stable vacancy underscore a market stronger than pre-pandemic levels, buoyed by a resurgence in in-person shopping. Retail construction remained low, with ongoing projects totaling 51 million SF, down 6.6% quarter-over-quarter and 23% year-over-year. Overall, the retail sector's outlook is positive as long as consumers remain confident and the U.S. economy continues to expand.

VACANCY

As of Q1, 24: **4.1%**

10-Year Avg: **4.8%**

Qtr/Qtr Change:
10 bps ▲

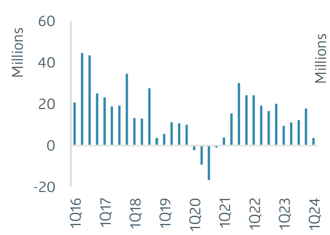


ABSORPTION

As of Q1, 24: **4 million SF**

10-Year Avg: **18 million SF**

Qtr/Qtr Change:
14 million SF ▼

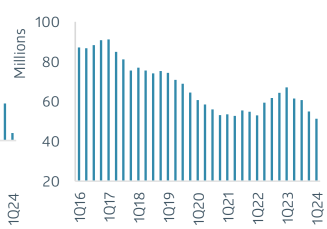


CONSTRUCTION

As of Q1, 24: **51 million SF**

10-Year Avg: **70 million SF**

Qtr/Qtr Change:
4 million SF ▼

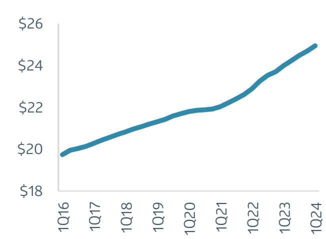


RENT

As of Q1, 24: **$24.94/SF (NNN)**

10-Year Avg: **$21.48/SF (NNN)**

Qtr/Qtr Change:
1.0% ▲



Sources: CBRE, CoStar Group.

THE LOOK AHEAD

After a sensational 2023, many investors were optimistic going into 2024, yet the market's spectacular performance in the first quarter still managed to surprise them. Risk assets from equities to Bitcoin to gold all climbed to new records. The S&P 500 Index, which hit 22 new all-time highs during the quarter, gained 10% in the first three months; its best start to a year in five years. Any bad or disappointing news was quickly shrugged-off as investors were eager to jump in and "buy the dip." And it wasn't just mega-cap Tech stocks that drove the rally; all but one of the S&P's eleven sectors rose during the quarter.

As *The Wall Street Journal* put it in a March 28, 2024 article entitled, "S&P Clinches Best Start to Year Since 2019": "The economy continues to defy expectations. Recession worries have mostly disappeared. Resilient corporate profits, enthusiasm around artificial-intelligence developments and hopes that the Federal Reserve is on track to begin cutting interest rates have given investors plenty of reasons to continue buying." "A Goldilocks economy underpins investors' bets. Consumers are still spending briskly, employers are still hiring and unemployment is still below 4%. Fed Chair Jerome Powell believes inflation remains on a downward trend, despite a recent spell of hotter-than-expected price reports."[6]

The first quarter proved that, for whatever reason, stocks can keep levitating without the Fed cutting rates six times in 2024 as the market had been anticipating going into the year.

Katie Martin in a *Financial Times* essay on March 16—"Why We Should Stop Worrying and Learn to Love Higher Rates"— put it this way: "At one point last year, "higher for longer" were the three scariest words in the English language for investors — enough to strike terror in to any portfolio manager. This time around, however, government bonds wobbled only slightly and both US and global stocks held it together around record highs. This is a sign that interest rates are shedding their suffocating dominance over global markets, and that stocks are climbing not because they are huffing the speculative fumes of imminent and aggressive potential rate cuts but because they're worth it. We are in a new era where the apparent need to keep interest rates high in an effort to suppress inflation (now running at 3.2 per cent in the US) is a bullish signal for risky assets like stocks, not a reason to panic. This is always an unstable little dance in markets. Sometimes bad news on the economy is good news for markets, because it suggests lower interest rates ahead. And sometimes the relationship flips around again. Now we are back to good news being good news."[7] And so it was in March.

But what the markets giveth, they can quickly taketh away. April was a very different story. The major indexes all lost ground with the S&P 500, Nasdaq, and Dow all down 4.2%, 4.5%, and 5%, respectively. And by the end of the first week of May, we were back to bad news being good news as April job growth (175,000) came in much lower than anticipated and the unemployment rate ticked up (from 3.8% to 3.9%). The labor market report on Friday, May 3 painted a picture of moderating conditions which kept hope alive for market participants that the Fed might still cut rates later this summer. On the basis of the cooler-than-expected jobs and unemployment data, the Dow Jones Industrial Average rose 450 points (1.2%); its best day in over a month.

Once again, commercial real estate was not invited to the party in Q1. The asset class suffered its sixth straight quarterly decline and is going through its most painful reset since the Great Financial Crisis (GFC) from 2008 till 2010. Everyone in, or touched by, the commercial real estate business from brokers to property managers to consultants to debt and equity investors and beyond is asking: When is real estate going to turn around? And the answer is as simple as it is elusive: As soon as the market is confident that the Federal Reserve has reached "peak rate" for this rate hiking cycle and there is clarity that the U.S. economy has escaped a deep recession.

Since the early 80s, commercial real estate has endured five downturns (1981-83, 1990-93, 2001-02, 2008-10, and 2020). Recoveries after all five of those pullbacks have been "V-shaped" and characterized by both a recovery in

6 Wall Street Journal: (2024, March 29). S&P Clinches Best Start to Year Since 2019. https://www.wsj.com/finance/stocks/the-s-p-500-is-poised-for-best-start-to-year-since-2019-0ffbf02a
7 Financial Times: Martin, K. (2024, March 16). Why We Should Stop Worrying and Learn to Love Higher Rates. https://www.ft.com/content/8a2e3a9f-31eb-48a7-9a8e-b0240e0d3f1f

the capital markets (with capitalization rates declining in tandem with improving investor sentiment) and a rebound in real estate fundamentals (i.e., vacancies going down and rents going up).

As Mark Twain told us, "History doesn't repeat itself, but it often rhymes." All of the previous real estate recessions corresponded with moderate to significant economic contractions. And all five had somewhat to significant dislocation in real estate fundamentals (i.e., the supply of space and the demand for that space by users/tenants) that were either caused by or made more severe by the broader economic downturn. And, in all five, investors lost confidence in the asset class to produce returns to compensate for the risks and the illiquidity. The doldrums through which real estate is currently navigating "feels" like a few of the past real estate downcycles in some ways but is different in many important respects. First, real estate values have gotten hammered the past six quarters almost entirely as a result in the shift upward of the cost of debt and equity capital at the same time that the economy continued to grow. Second, consumers have exhibited remarkable resilience and continued to spend and drive economic growth throughout this real estate downturn. Third, real estate fundamentals continued to be in fairly good balance while values have been getting pummeled since Q3 2022. And, fourth, inflation and the lingering prospect of interest rate hikes to cool the economy were not on the table for any previous period of poor real estate performance.

Until very recently, real estate fundamentals in most markets across the U.S. have been fairly healthy (except for office, where all bets are off), as a result of persistent demand fueled by a growing economy and manageable additions to supply. This is beginning to change. Many markets are starting to struggle with a supply surge catalyzed by cheap and plentiful debt and equity up through mid/late 2022 that financed a wave of new construction. Notable examples: Industrial in Denver, Houston, Dallas, and Savannah and Multifamily in Austin, Nashville, Atlanta, and Charlotte. All of these markets are experiencing some to significant softening (higher vacancy and downward pressure on rents) as a result of the excessive additions to supply. The good news is that since late 2022, higher inflation and higher interest rates have had a chilling effect on construction activity. This is a common theme across all property types. The downshift in new starts is more significant than the declines following the GFC and is happening at a time while the economy is still growing. This means that the supply spigot is being turned off. Since the markets referenced above (and most others that are experiencing some oversupply) are growth markets, they will all work through the excess supply and get back into balance over the next one to three years.

Calling the bottom is always challenging. This is especially so in the current environment because of turmoil in the office market bleeding into and damaging investor confidence in all property types, interest rate uncertainty and the Fed's efforts to loosen monetary conditions without triggering another bout of inflation, concerns about the tsunami of office and multifamily loan maturities and how they will be managed, broader challenges and whether the economy can sidestep a recession, and, finally, ongoing conflicts and geo-political tensions in Europe, the Middle East, and Asia.

Regarding the potential for interest rate cuts, Jerome Powell has made it clear that the Fed can and will be cautious. Federal Reserve Bank Governor Waller captured the prevailing attitude at the central bank in a February speech when he said that it was "appropriate to be patient, careful, methodical, and deliberative"[8] with the economy still solid and inflation stubbornly above the Fed's target.

Many economists and market participants have worried that the last mile of the inflation reduction journey (i.e., from ~3% to the Fed's target of 2%) was going to be the most challenging. That is proving to be the case.

The Wall Street Journal in an April 11 article titled "Fed Rate Cuts Are Now a Matter of If, Not Just When" captured the dynamic landscape around the Fed's path forward this way, "Solid hiring and the prospect that inflation might settle out closer to 3% than the Fed's 2% goal could call into question whether the central bank will be able

8 Waller, C. S. (2024, February 22). Speech at Finding Forward Speaker Series, University of St. Thomas, Opus College of Business, Minneapolis, MN. Retrieved from https://www.federalreserve.gov/newsevents/speech/waller20240222a.htm to cut rates until much later in the year without evidence of a sharper slowdown in the economy." "Many Wall Street forecasters threw in the towel, beginning Wednesday, on their projection that the Fed would cut rates in June or that officials would make three cuts this year. Economists at Goldman Sachs and UBS now see two cuts starting in July and September, respectively. Analysts at Barclays and Deutsche Bank anticipate just one reduction, in September and December, respectively."[9]

At the most recent Federal Open Market Committee meeting on May 1, officials held their benchmark Fed funds rate steady at a range of 5.25% to 5.5%, the highest in two decades, following a run of economic data that revealed simmering price pressure in the economy. Fed Chair Powell provided this color: "We have stated that we do not expect it will be appropriate to reduce the target range for the federal funds rate until we have gained greater confidence that inflation is moving sustainably toward 2 percent. So far this year, the data have not given us that greater confidence. In particular, and as I noted earlier, readings on inflation have come in above expectations. It is likely that gaining such greater confidence will take longer than previously expected." He said that he expected inflation would resume its decline this year, but added that his confidence in that "is lower than it was."[10]

A higher for longer interest rate is a near-term downside risk for commercial real estate. Once the Fed begins cutting rates, investor confidence will rise and deal activity will pick up. A delay in the rate cut will likely be a drag on investment performance and would slow a pricing recovery.

The near term challenge for real estate is that unless and until the Fed Funds rate declines to 3% or lower, there is no catalyst for the yield curve to normalize and 10-year Treasuries, the benchmark return utilized by most institutional debt and equity investors, to dip below 4.5% (and stay there), and, therefore, scant impetus for broad cap rate compression. Moreover, fundamentals are likely to tread water the next few quarters and then modestly improve thereafter. For these reasons this will likely be the shallowest "V-recovery" in memory.

Bottom line: real estate market dynamics will, more or less, remain status quo until the Fed starts lowering interest rates and there's consensus that rates are on a sustainable downward trajectory. For the foreseeable future, performance will be achieved "the old fashioned way," by focusing on customer satisfaction, keeping tenants, and attracting new ones, aggressively managing costs, finding ways to minimize capital investment without sacrificing quality, and utilizing conservative/low risk capitalization strategies.

9 The Wall Street Journal: (2024, April 11). Fed Rate Cuts Are Now a Matter of If, Not Just When. https://www.wsj.com/economy/central-banking/fed-rate-cuts-are-now-a-matter-of-if-not-just-when-144a978e
10 Federal Open Market Committee. (2024, May 1). Press conference transcript. Retrieved from https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20240501.pdf

Fund Performance

The Fund's Net Asset Value (NAV) decreased to $30.84 per share as of March 31, 2024, the result of negative returns for the quarter and a $0.10 per share quarterly distribution. The Fund's quarterly NCREIF-based return was -3.0% (gross) and -3.2% (net of management fee). For the year ended March 31, 2024, the Fund earned a -9.1% gross return and -9.9% net return.[1]

During the first quarter, 25 of the Fund's 35 properties experienced value declines of between 0.2% and 25.6%, eight saw increases of 0.2% to 6.3%, while two remained unchanged.

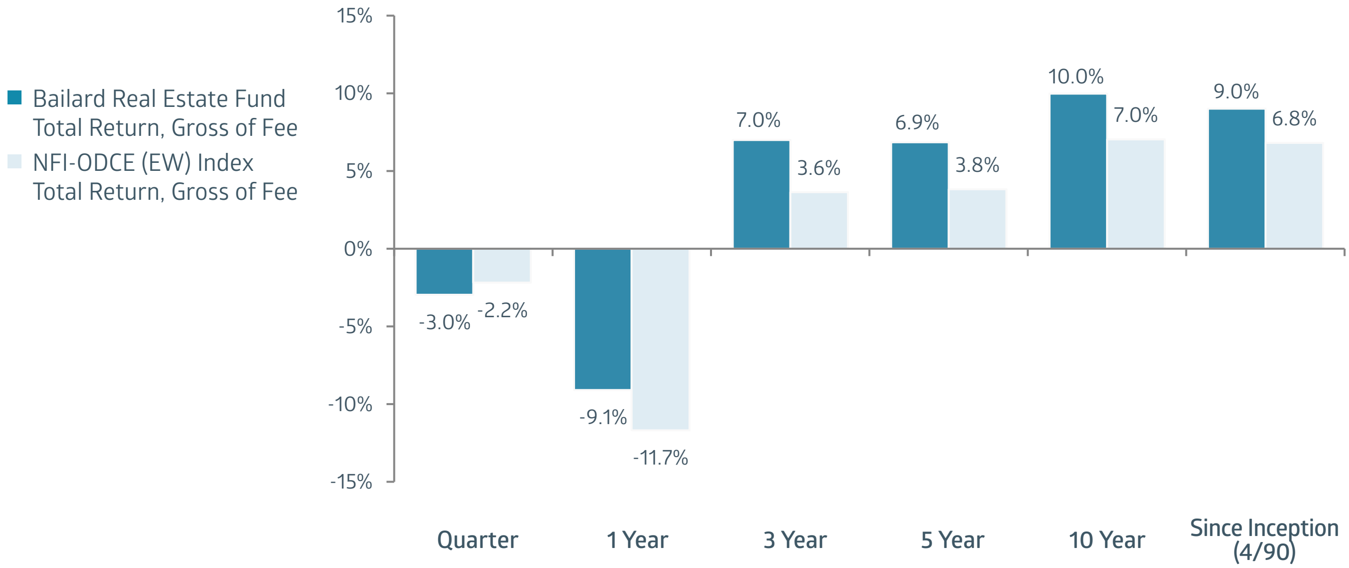
The largest (by percentage) write-down occurred at Easton Commons in Columbus, OH, which experienced a decline of 25.6% due to the additional capital costs needed to multi-tenant the building to try to generate leasing activity with smaller tenants. Highland Pointe in Lombard, IL dropped in value by 17.1% due to continued appraisal adjustments related to market rents, lease-up velocity, and vacancy. Fullerton Industrial in Fullerton, CA declined by 9.9% as valuation metrics (Residual Capitalization and Discount rates) expanded, driving the value down.

The Beck46 multifamily development in Minneapolis, MN experienced the largest write-up of the quarter, increasing by 6.3% resulting from the property's first full quarter of operations. Shoppes at Knightdale in Knightdale, NC rose in value by 2.6% after the signing of a new ten-year lease with HomeGoods. Waterville Industrial in the Otai Mesa submarket of San Diego, CA grew by 1.2% due to the approaching Honeywell lease expiry which will allow the Fund to re-tenant the property and achieve a significant "mark-to-market" benefit from that opportunity. Brookfield Reserve in Brookfield, WI also increased by 1.2%, due to higher market rents.

Sources: Bailard, NCREIF.
1 Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. Starting from June 30, 2023, Bailard Real Estate Investment Trust Inc. (the "Fund") calculates the gross-of-fee returns and net-of-fee returns to reflect the inclusion of fund-level expenses such as the operating management fee the Fund pays to Bailard, Inc., appraisal, fund administration, legal, audit, tax, and other administrative expenses. We applied this change retroactively to all prior returns presented above. Net-of-fee returns are calculated by netting down the gross-of-fee returns by the actual investment management fee paid to Bailard, Inc. The investment management fee schedule for the Fund, which is included in the Real Estate Composite I, is 0.85% on the Fund's net asset value up to and including $750M and 0.75% on the Fund's net asset value above $750M. If the Fund's uncommitted cash exceeds 10% of the Fund's net asset value, the fee shall be reduced by an amount equal to the product obtained by multiplying 0.425% by the excess cash amount. The total expense ratio, including the investment management fee, for the trailing four quarters was 1.50%. The underlying performance results of the Fund are calculated using National Council of Real Estate Investment Fiduciaries' (NCREIF) methodology and reflect the impact of leverage, interest, and dividend income from short-term cash investments and publicly-traded real estate investments, as applicable. Please see additional detail and important information regarding the Fund's performance results and methodology on the last page. ***Past performance is no indication of future results. All investments have the risk of loss.*** *Specific investments described herein do not represent all investment decisions made by Bailard. It should not be assumed that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future.*

Bailard Real Estate Fund Total Returns[1, 2]

FOR PERIODS ENDING 3/31/2024



	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (4/90)
Total Return						
Bailard, Net of Fee	-3.2%	-9.9%	6.1%	6.0%	9.1%	8.4%
ODCE (EW), Net of Fee	-2.4%	-12.3%	2.8%	3.0%	6.2%	5.9%
Income Return						
Bailard, Gross of Fee	0.8%	2.9%	3.3%	3.8%	4.0%	5.2%
ODCE (EW), Gross of Fee	1.0%	3.6%	3.7%	3.9%	4.3%	6.3%
Bailard, Net of Fee	0.6%	2.1%	2.5%	2.9%	3.1%	4.6%
ODCE (EW), Net of Fee	0.8%	2.9%	2.9%	3.1%	3.4%	4.9%

Sources: Bailard, NCREIF.
1 Please see last page for important disclosures. Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. Starting from June 30, 2023, Bailard Real Estate Investment Trust Inc. (the "Fund") calculates the gross-of-fee returns and net-of-fee returns to reflect the inclusion of fund-level expenses such as the operating management fee the Fund pays to Bailard, Inc., appraisal, fund administration, legal, audit, tax, and other administrative expenses. We applied this change retroactively to all prior returns presented above. Net-of-fee returns are calculated by netting down the gross-of-fee returns by the actual investment management fee paid to Bailard, Inc. The investment management fee schedule for the Fund, which is included in the Real Estate Composite I, is 0.85% on the Fund's net asset value up to and including $750M and 0.75% on the Fund's net asset value above $750M. If the Fund's uncommitted cash exceeds 10% of the Fund's net asset value, the fee shall be reduced by an amount equal to the product obtained by multiplying 0.425% by the excess cash amount. The total expense ratio, including the investment management fee, for the trailing four quarters was 1.50%.
Past performance is no indication of future results. All investments have the risk of loss.

Fund Overview

As of March 31, the Fund's property portfolio was 93% leased, unchanged from 93% at Q4 quarter-end, 2023 and unchanged from 93% as of Q1 2023, one year ago.[1]

At the portfolio's multifamily assets, total Net Operating Income ("NOI") declined by 16.9%, year-over-year (Q1 2024 vs. Q1 2023). Measured on a "same store" basis, multifamily NOI decreased by 13.6%, year-over-year. The same store calculation excludes Grand at Saginaw in Saginaw, TX and Beck46 in Minneapolis, MN, which were in development during Q1 2023. Plantation Colony in Plantation, FL declined by 32.8%, while Gwinnett Apartments in Lawrenceville, GA contracted by 26.5%. La Morada at Weston in Weston, FL dropped by 24.6%. Partially offsetting these declines were Poplar Glen in Columbia, MD, which increased by 21.1% and Lowa46 in Minneapolis, MN which grew by 14.6%.

On a quarterly basis (Q1 2024 vs. Q4 2023), multifamily NOI increased by 2.3% in total, and increased by 5.8% on a same store basis (excluding Grand at Saginaw and Beck46). Plantation Colony rose by 36.0%, while C&E Flats in St. Paul, MN expanded by 30.3%. Lowa46, in contrast, declined by 19.6%.

Year-over-year, total NOI at the Fund's office properties decreased by 27.0% (the same store decrease was identical). Flying Cloud in Eden Prairie, MN contracted by 62.7%, while Fairview Park in Falls Church, VA dropped by 55.8%. Highland Pointe in Lombard, IL declined by 30.8%. Positive NOI changes were seen at District 237 in San Jose, CA and Nottingham 7941 in White Marsh, MD, which increased by 7.2% and 5.5%, respectively.

Fund Summary

AS OF 3/31/2024[2]

Property Portfolio	$1,395.0 mil.
Cash and Cash Equivalents[3]	$71.7 mil.
Restricted Cash[4]	$13.0 mil.
Other Assets	$6.1 mil.
Gross Asset Value[5]	$1,485.8 mil.
Debt[6]	$439.5 mil.
Dividends Payable	$3.2 mil.
Other Liabilities	$24.0 mil.
Net Asset Value (NAV)	$1,019.1 mil.
Noncontrolling Interests in Joint Ventures	$44.0 mil.
Fund's Net Asset Value	$975.1 mil.
Current NAV/Share	$30.84
Dividends Paid/Share (Quarter)[7]	$0.10
Dividends Paid/Share (Trailing Twelve Months)[7]	$0.40
Number of Properties	35
% Core / Operating	92%
% Leased[1]	93%
Multifamily	96%
Office	75%
Industrial	99%
Retail	95%
Other (Data Center)	0%
Weighted Average Remaining Lease Term (SF)	5.5 years
Office	3.5 years
Industrial	5.6 years
Retail	7.8 years
Other (Data Center)	-

1 The Fund's leased percentage is based on NCREIF-PREA Reporting Standards lifecycle categories, which excludes non-operating assets such as land, development assets, and assets that completed construction, are less than 60% leased, and have not reached one year after construction completion. Lease percentage is calculated as of quarter-end and is weighted by the Fund's legal share of the gross real estate value.
2 Unaudited year-to-date financial statements available upon request.
3 Includes cash held by the Fund and properties. Market value of cash equivalents shown is before quarterly shareholder transactions.
4 Includes cash held by the Fund and properties. Balance includes restrictions and escrows held for property taxes, insurance, capital and leasing expenditures, security deposits, and obligations relating to loan covenants. Market value of cash equivalents shown is before quarterly shareholder transactions.
5 Values for the Fund's properties are gross of total noncontrolling interest in joint ventures of $44.0 mil.
6 Debt is shown at fair market value at quarter end.
7 Includes distributions that may be characterized as ordinary income, capital gains, or return of capital.
Specific investments described herein do not represent all investment decisions made by Bailard, are for illustrative purposes only, and are not necessarily representative of investments that will be made in the future.

Measured quarterly, office NOI was unchanged on both a total and same store basis. District 237 rose by 11.4%, while Highland Pointe grew by 3.7%. Fairview Park declined by 24.2%, and Flying Cloud dropped by 15.7%.

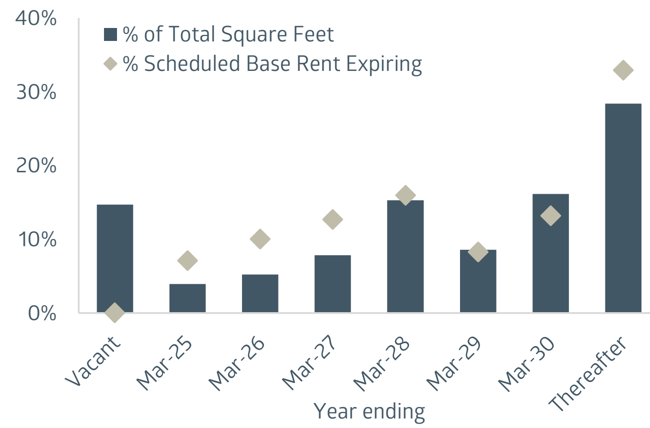
At the portfolio's industrial assets, total year-over-year NOI increased by 41.3%. Same store industrial NOI expanded by 32.1% year-over-year. The same store calculation excludes two properties: Meadowville Distribution Center in Chester, VA, purchased in March 2023, and South Logistics Center in West Valley City, UT, purchased in August 2023. Fullerton Industrial in Fullerton, CA rose by 130.8%, and Market Street Industrial in Houston, TX increased by 25.1%. Partially offsetting these increases was Westport Industrial Portfolio in St. Louis, MO, which decreased by 10.7%.

On a quarterly basis, total industrial NOI rose by 19.3%. Excluding South Logistics Center, which was not yet operational in Q4 2023, same store NOI rose by 19.4%. Junction Drive was up 148.2%. Meadowville Distribution Center increased by 58.6%, and Fullerton Industrial was up 40.0%. Partially offsetting these increases, Highland Business Park in Westampton, NJ declined by 5.6%.

The portfolio's retail properties dropped by 2.0% year-over-year on both a total and same store basis. M Street in Washington, D.C. contracted by 20.3% and Shoppes at Knightdale in Knightdale, NC declined by 9.1%. Charter Colony in Midlothian, VA increased by 9.3%.

Total retail NOI dropped by 2.6% on a quarterly basis, identical to the same store measurement. M Street declined by 18.2% and Shoppes at Knightdale fell by 7.2%. Charter Colony rose by 38.6%.

Upcoming Lease Expirations
EXCLUDING MULTIFAMILY



Top 10 Tenants
AS OF 3/31/2024[8]

Tenant	Property Name	% of Portfolio Revenue
CDK Global	District 237	3.0%
Engineered Floors & Pentz Str	Fullerton Industrial	2.9%
Stop & Shop	Mansfield Stop & Shop; Norwell Stop & Shop	2.8%
Lowe's Home Centers	Georgia Trade Center	2.7%
CCBCC Operations	Meadowville Distribution Center	2.2%
BAE Systems	South Mountain Industrial	2.2%
SFC Global Supply Chain	Fullerton Industrial	2.0%
Jewel Food Stores	150 Pierce Road	1.9%
Lone Star Integrated Distribution	Market Street Industrial	1.7%
Northrop Grumman	Junction Drive	1.5%
Total Top 10 Tenants		**22.9%**

8 Top 10 tenants measured by annual base rent relative to total portfolio gross revenue.
Specific investments described herein do not represent all investment decisions made by Bailard, are for illustrative purposes only, and are not necessarily representative of investments that will be made in the future.

LEVERAGE

As of March 31, the Fund had leverage totaling $444.2 million at par ($439.5 million at fair value), amounting to an aggregate Debt-to-Gross Asset Value ratio of 29.1%, up from 28.1% at the end of the previous quarter.[9] Individual property Loan-to-Value (LTV) ratios ranged from 35% to 91%, with the average LTV on encumbered properties at 52%, up from 41% at the end of the first quarter one year ago. The Fund's in-place weighted average interest rate was 5.4% at the end of the quarter, up from 5.3% at Q4 quarter-end and 4.8% from one year ago. The quarter's impact of marking debt to market was -0.08%.

During Q1, the Fund refinanced the loan on Shoppes at Knightdale. The previous loan had been scheduled to mature in July 2024. The new $27.5 million interest-only loan is with MetLife and has a maturity date of February 2027 (plus two one-year extension options). The loan's new floating interest rate is SOFR + 2.2%, replacing the previous floating interest rate of SOFR + 2.1%.

The Bailard Real Estate Fund has nine loans—with a principal balance of ~$166.7 million at a variety of interest rates—maturing over the course of 2024 and 2025. Below is a summary of those maturing loans and the Bailard Real Estate team's plans for each.

2024 Floating Rate Loans

- 150 Pierce Road ($12.6 million at SOFR + 2.11%, maturing April 2024): Subsequent to quarter-end, the Fund exercised its one-year as-of-right extension; the new maturity date is April 2025. Given the fundamentals at this asset, we do not foresee difficulty refinancing this loan in 2025 at equal or better terms.
- Grand at Manor ($18.6 million at SOFR + 2.75%, maturing September 2024): The Fund plans to sell this asset and pay off the loan well in advance of debt maturity. In the event a sale is not consummated, the current loan could be refinanced at a lower fixed interest rate and save the Fund in excess of $300,000 per year in debt service.

Leverage Statistics
AS OF 3/31/2024[9]

Debt Outstanding (Fund's Economic Share)	$410.2 mil.
Debt to Gross Asset Value	29%
% Fixed Rate Debt	78%
Property Portfolio Debt Service Coverage Ratio	2.9x
Weighted Avg. Interest Rate	5.4%
Fixed Rate: Weighted Avg. Remaining Term	3.1 years
Floating Rate: Weighted Avg. Remaining Term	1.5 years
# of Unencumbered Properties	15

2024 Fixed Rate Loans

- Town & Country ($12.0 million at 3.33%, maturing July 2024): The Fund plans to pay off this loan at maturity and has reserved the cash to do so.
- C&E Lofts and C&E Flats, ($11.8 mil. at 4.23%, and $14.5 mil. at 3.82%, respectively; both maturing August 2024): The Fund is marketing these properties for sale and would pay off the loans upon sale. In the event a sale is not consummated, both assets are eminently financeable given their low LTVs. If the properties are refinanced and interest rates remain constant until August, the assets would secure new fixed-rate loans at ~6% which would cost the Fund an extra ~$500,000 per year in debt service.
- Highland Pointe ($24.8 mil. at 7.11%, maturing October 2024): The Fund and its partner, Hamilton Partners, are in discussions with the lender, JP Morgan Chase, to extend this loan for three years, with no change in interest rate and no amortization but with an escrow requirement (with a variety of restrictions) for near-term Tenant Improvements and Capital Expenditures. The Fund and Hamilton Partners are evaluating the Bank's proposal.

2025 Fixed Rate Loans

- Gwinnett Apartments ($27.0 million at 3.67%, maturing January 2025): The Fund is considering a

9 Per the NCREIF PREA Reporting Standards, leverage percentage is calculated as follows: the Fund's economic share of outstanding debt at par divided by the Fund's total gross assets (the Fund's economic share of gross real estate, cash and cash equivalents, and other assets).

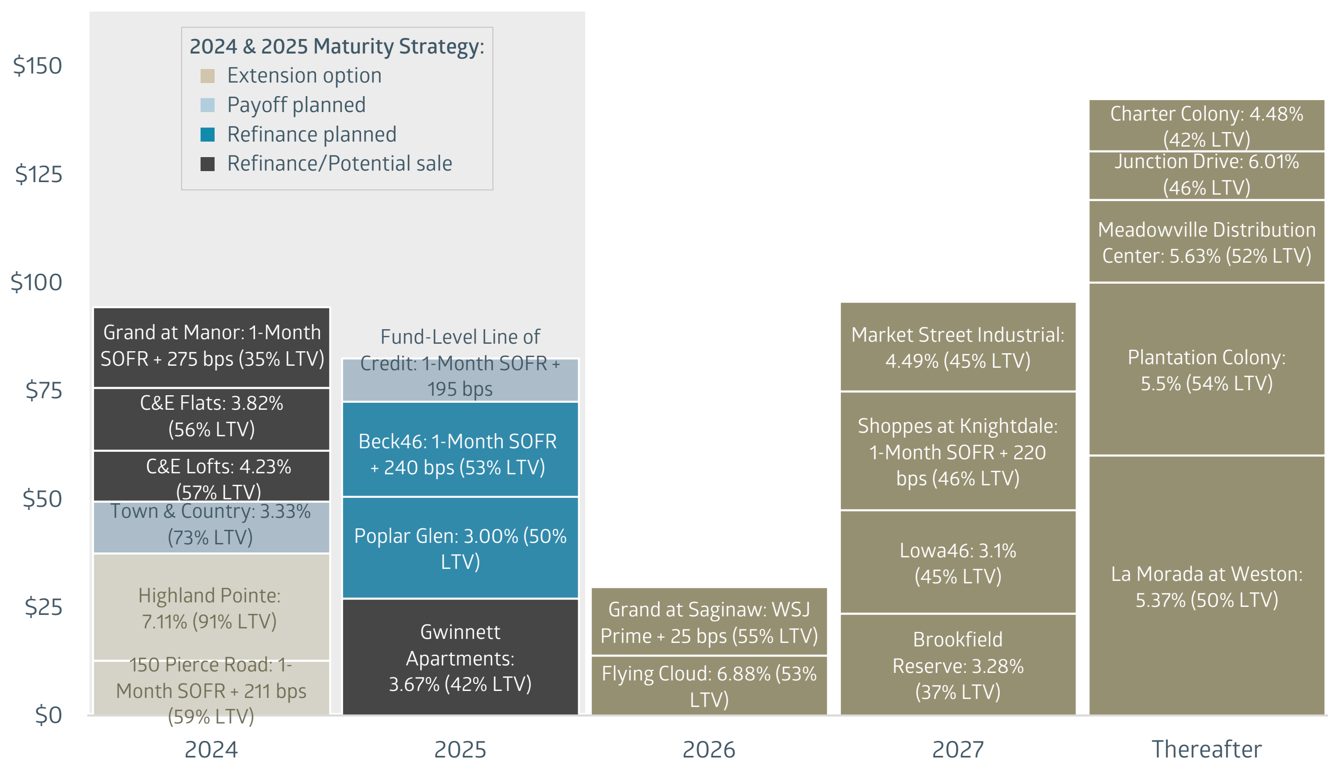
sale of the property in late 2024 and would pay off the loan in that event. If a sale is not consummated, this loan would be refinanced and, assuming interest rates remain unchanged through the balance of 2024, that would result in an additional ~$600,000 per year in debt service.

- Poplar Glen ($23.5 million at 3.00%, maturing April 2025): There are no plans to dispose of this asset. At ~50% LTV, this loan is easily refinanced. Assuming interest rates stay the same for the next 14 months, that would result in an additional $700,000 per year in debt service for the Fund.

2025 Floating Rate Loan

- Beck46 ($21.9 million at SOFR + 2.4%, maturing May 2025): This floating rate construction loan will be easily refinanced as soon as this asset reaches stabilization. The current floating rate is approximately 7.7%, and if it is refinanced at a current fixed rate of 6%, that would save the Fund ~$325,000 per year in debt service.

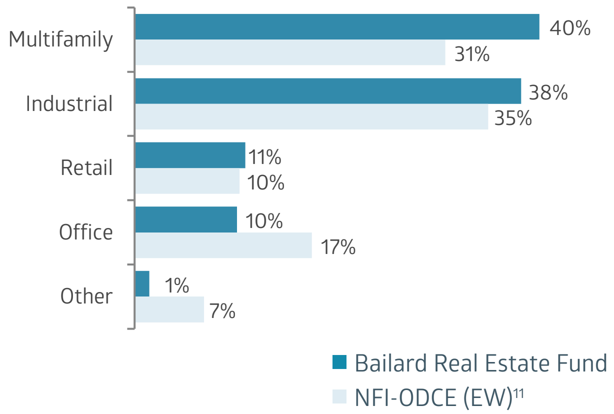
Debt Maturity Schedule[9] AT PAR, AS OF 3/31/2024



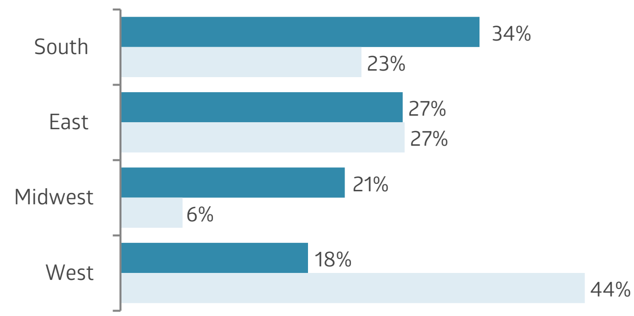
9 Per the NCREIF PREA Reporting Standards, leverage percentage is calculated as follows: the Fund's economic share of outstanding debt at par divided by the Fund's total gross assets (the Fund's economic share of gross real estate, cash and cash equivalents, and other assets). Chart reflects shaded areas for each encumbered property's debt at par scheduled to mature in that year, in millions, along with its interest rate and loan-to-value ratio; further detail on individual assets is available in the Property Key Statistics & Status section. There is no guarantee that planned strategies regarding debt maturities can or will be achieved.

PORTFOLIO DIVERSIFICATION[10] (as of 3/31/2024)

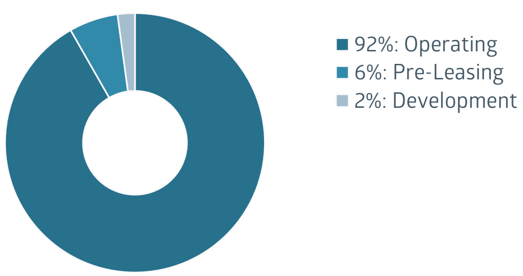
Property Type



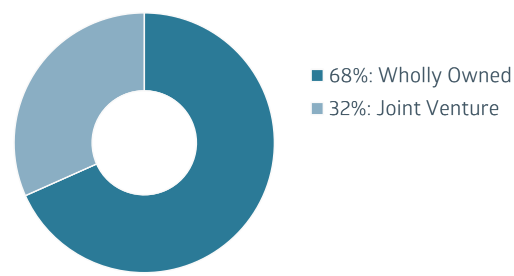
Geography



Property Life Cycle[12]



Investment Structure



Sources: NCREIF, Bailard.
10 Diversification metrics calculated based on the current quarter's appraised value and the Fund's economic share in the gross real estate.
11 The NCREIF Fund Index - Open End Diversified Core Equity is a fund-level index of open-end commingled funds pursuing a core private real estate investment strategy and qualifying for inclusion in the NFI-ODCE based upon certain pre-defined index policy inclusion characteristics. The NFI-ODCE (EW) shows what the results would be if all funds were treated equally, regardless of size.
12 Based on NCREIF-PREA Reporting Standards lifecycle categories.

Commitment to SRII

The Fund remains committed to broad incorporation of Sustainable, Responsible & Impacting Investing (SRII) practices into its acquisition, asset management, and portfolio management activities through the implementation of portfolio-wide policies and processes. SRII considerations must be and are a key component of the Fund's strategies and actions, not only to enhance returns and manage risk but also to "future proof" the Fund.

The Bailard team incorporates best practices both at the Fund and individual property level. The Fund is tracking energy and water usage, while maintaining a focus on tenant safety and community building.

Property Spotlight: Beck46

Beck46 is a newly developed multifamily property offering 144 units located in Minneapolis, MN. The Fund developed the property as a second phase of the successful Lowa46 mixed-use development, with a Minneapolis based sponsor and general contractor.

ENVIRONMENTAL – The project was constructed with modern, environmentally conscious design features including led lighting, EnergyStar certified appliances, bike storage and smart thermostats.

SOCIAL – Construction of the property was completed by a local general contractor and subcontractors. Work was completed in adherence to the Fund's Responsible Contractor Policy with approximately 70% of the work performed by members of various trade unions. Residents benefit from immediate access to the light rail and Minnehaha Regional Park, in-addition to onsite amenities including a fitness center, tenant lounge, and co-working space.

GOVERNANCE – All properties are valued quarterly by MAI certified appraisers in a thoroughly independent process overseen/managed by Altus. After the property appraisals are completed and vetted by Altus, they are presented to the Bailard Real Estate Fund's independent Board of Directors for final approval

ENVIRONMENTAL HIGHLIGHTS

- All of the Fund's properties are now being monitored via Measurabl.
- 100% of the multifamily properties and all of the commercial properties which the Fund controls utilities for are now tracked on Energy Star.

2024 GOALS

- Increase reporting to 100% for all landlord-controlled utility accounts into Measurabl.
- Improve upon GRESB score via increased data collection and creation of internal policies.
- Install solar panels at Highland Business Park to offset energy usage with onsite renewables.

SOCIAL HIGHLIGHTS

- The Fund continued to focus on communications: providing housing resources for our residents, CDC guidelines for commercial tenants, and began hosting in person tenant and community events.
- Responsible Contractor Policy demonstrates Bailard's belief that well-trained, motivated, and fairly-compensated workers deliver higher quality products and services.

2024 GOALS

- Maintaining safe working and living environments for tenants and residences by focusing on health & safety initiatives.
- Continued focus on driving tenant satisfaction through building programs and amenities aimed at sustainable and healthy properties.

GOVERNANCE HIGHLIGHTS

- 100% of properties valued by MAI-certified appraisers on a quarterly basis and reviewed by an independent third-party appraisal management group.
- Created ESG committee to help oversee Fund initiatives related to sustainable goals.

2024 GOALS

- Commitment to continued high standards in Board management as well as shareholder transparency via the Fund's communication materials.

Property Portfolio Summary

Location (MSA)	Investment	SF/Units	% Leased[1]	% Change From Previous Carry Value[2]
Multifamily				
Atlanta	Gwinnett Apartments	238 units	95%	-2.8%
Austin	The Grand at Manor	270 units	96%	-4.0%
Baltimore	Poplar Glen	191 units	97%	0.7%
Dallas/Ft. Worth	The Grand at Saginaw	235 units	N/A	0.0%
Ft. Lauderdale	La Morada at Weston	367 units	96%	-3.9%
Ft. Lauderdale	Plantation Colony	255 units	98%	-2.2%
Milwaukee	Brookfield Reserve	193 units	97%	1.2%
Minneapolis-St. Paul	Beck46	143 units	N/A	6.3%
Minneapolis-St. Paul	C&E Flats - Multifamily	118 units	97%	-0.5%
Minneapolis-St. Paul	C&E Lofts	103 units	97%	-0.3%
Minneapolis-St. Paul	Lowa46 - Multifamily	147 units	82%	-3.0%
		2,260 units	**96%**	**-1.4%**
Industrial				
Baltimore	Junction Drive	96,666 SF	100%	0.0%
Houston	Market Street Industrial	395,725 SF	100%	-0.5%
Orange County	Fullerton Industrial	254,750 SF	100%	-9.9%
Philadelphia	Highland Business Park	569,893 SF	100%	-2.4%
Phoenix	South Mountain Industrial	188,140 SF	100%	-3.8%
Richmond	Meadowville Distribution Ctr	353,044 SF	100%	-0.2%
Salt Lake City	South Logistics Center	328,607 SF	N/A	-4.8%
San Diego	Waterville Industrial	101,435 SF	100%	1.2%
Savannah	Georgia Trade Center	416,450 SF	100%	0.2%
St. Louis	Westport Industrial Portfolio	651,009 SF	92%	0.4%
		3,355,719 SF	**99%**	**-3.1%**
Office				
Baltimore	Nottingham 7941	57,782 SF	100%	-9.4%
Chicago	150 Pierce Road	181,614 SF	74%	-1.4%
Chicago	Highland Pointe	376,571 SF	74%	-17.1%
Columbus	Easton Commons	135,485 SF	0%	-25.6%
Minneapolis-St. Paul	Flying Cloud	201,495 SF	61%	-3.3%
Orange County	Town & Country	90,191 SF	75%	-7.3%
San Jose	District 237	76,410 SF	100%	-4.1%
Washington, DC	Fairview Park	117.065 SF	47%	-2.6%
		1,236,613 SF	**75%**	**-7.8%**
Retail				
Boston	Mansfield Stop & Shop	74,383 SF	100%	-8.6%
Boston	Norwell Stop & Shop	59,519 SF	100%	-0.4%
Minneapolis-St. Paul	C&E Flats - Retail	11,636 SF	76%	0.0%
Minneapolis-St. Paul	Lowa46 - Retail	49,545 SF	93%	-0.2%
Raleigh	Shoppes at Knightdale	323,113 SF	94%	2.6%
Richmond	Charter Colony	71,741 SF	100%	-2.3%
Washington, DC	M Street	10,806 SF	68%	-1.1%
		600,743 SF	**95%**	**-0.8%**
Other				
Atlanta	Perimeter East Data Center	88,000 SF	0%	1.0%
TOTAL PROPERTY PORTFOLIO: $1,395,011,000			**93%**	**-2.6%**

1 The Fund's leased percentage is based on NCREIF-PREA Reporting Standards lifecycle categories, which excludes non-operating assets such as land, development assets, and assets that completed construction, are less than 60% leased, and have not reached one year after construction completion. Lease percentage is calculated as of quarter-end and is weighted by the Fund's legal share of the gross real estate value.
2 Carry Values are gross of total noncontrolling interest in joint ventures of $44.0 million. Previous Carry Value is equal to the previous appraised value plus capital spent since that appraisal. Recent acquisitions ardddddde carried at cost until first appraisal, which may include closing costs in addition to the purchase price. Specific investments described herein do not represent all investment decisions made by Bailard. It should not be assumed that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future.

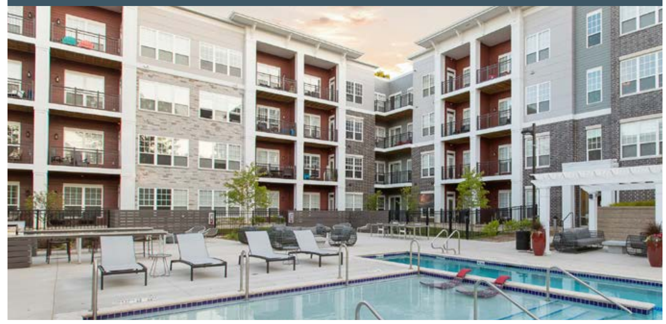
Multifamily

Beck46

4020 Nawadaha Blvd, Minneapolis, MN 55406
Acquired May 2022

Beck46 successfully completed its first full quarter of operation after welcoming its initial residents in late December 2023. Despite the leasing challenges posed by winter months in Minneapolis, the property was 35% leased by the quarter's end. Residents and prospective tenants have responded favorably to the property's high-quality unit finishes and attractive amenities. The Fund anticipates that the positive leasing momentum will continue into the second quarter, driven by increased tour activity as winter gives way to spring and summer.

Multifamily



Brookfield Reserve

13701 W. Bluemound Road, Brookfield, WI 53005
Acquired September 2017

The property maintains its status as one of the Fund's strongest assets, demonstrating exceptional resident retention coupled with consistent moderate rent growth. As the spring/summer leasing season approaches, the property is strategically positioned to capitalize on increased demand in the market. The Fund remains committed to enhancing resident satisfaction through ongoing improvements in amenities and services, prioritizing a positive living experience for tenants.

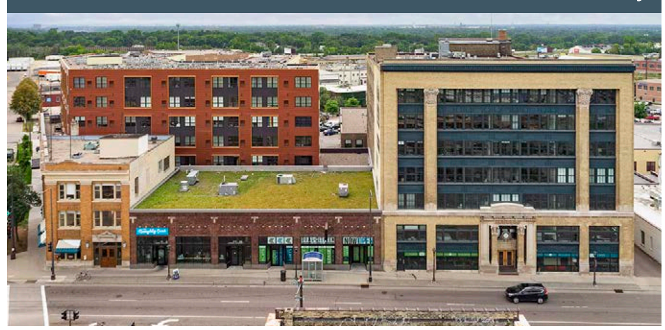
Multifamily/Retail

C&E Flats

735 Raymond Avenue, St. Paul, MN 55114
Acquired May 2016

C&E Flats ended the quarter at 97% leased. Occupancy at the property remained stable during the winter months, with modest rent growth. The properties in the immediate neighborhood continue to offer significant concessions to generate leasing activity, posing challenges for the Fund's renewal efforts moving into the spring and summer. The Fund is currently marketing the property for sale, as the loan maturity approaches in August 2024.

Multifamily



C&E Lofts

2410 University Avenue, St. Paul, MN 55114
Acquired May 2016

Similar to Flats, Lofts remained well-leased throughout the quarter, offering a cost-effective alternative to newer developments in the neighborhood. The Fund will closely coordinate with property management to ensure strong renewal retention during the summer. The Fund is currently marketing Lofts for sale along with C&E Flats, as the loan maturity approaches in August 2024.

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Multifamily

The Grand at Manor

10700 Genome Drive, Manor, TX 78653
Acquired March 2020

The Grand at Manor ended the quarter well leased at 96%, up from 94% in Q4. Despite Austin's growing supply of apartments, which is causing market fundamentals to soften, the asset continues to perform well, maintaining occupancy and leasing activity without offering concessions. Unfortunately, due to rising operating expenses, the property's value declined from last quarter.

Just before quarter-end, the Fund listed the property for sale. Due to its limited near-term upside potential and approaching construction loan maturity, the Fund views the asset as an ideal candidate for disposition.

Multifamily

The Grand at Saginaw

1451 Belt Mill Parkway, Saginaw, TX 76179
Acquired September 2021

The Grand at Saginaw is an under-construction 235-unit garden-style apartment community being developed on 9.8 acres just north of Ft. Worth, Texas. During the quarter, buildings two and five were completed, with buildings three and four still in process. By the end of the quarter, 48% of the units were leased, an increase from 32% in Q4. At quarter-end 39% of the units were physically occupied. Despite the construction progress, the project continues to encounter challenges such as labor shortages and issues with the general contractor's performance, which are delaying the substantial completion of the project.

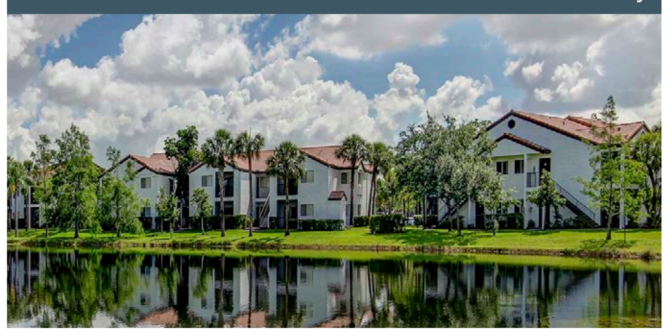
Multifamily

Gwinnett Apartments

1760 Lakes Parkway, Lawrenceville, GA 30043
Acquired December 2017

The Atlanta market is beginning to experience downward rent pressure as new supply enters the market. Gwinnett Apartments maintained strong occupancy during the quarter but rent growth is slowing compared to 2023. As a result of current market conditions, the Fund is prepared to offer additional concessions and adjust rents in the coming months as needed in order to maintain a strong occupancy through the summer months.

Multifamily



La Morada at Weston

1201 Fairlake Boulevard, Weston, FL 33326
Acquired March 2000

The property concluded the quarter at 96% leased and nearly achieved 100% rent collections, marking some of the highest collection levels in the Fund's portfolio. With leasing remaining steady, the Fund's primary focus continues to be the completion of various capital projects at the property. In pursuit of expediting project timelines, the Fund appointed a new construction management firm and a new general contractor to oversee the projects.

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Multifamily/Retail

Lowa46

3939 E 46th Street, Minneapolis, MN 55406
Acquired May 2018

The property encountered leasing difficulties following a challenging summer and fall season. The drop in occupancy at the property was due to significant resident turnover during lease renewals, exacerbated by the typically slower leasing activity in Minneapolis in the winter. The property is transitioning to a revenue management system and it is expected that the system will optimize the asset's leasing strategy to be more competitive in the submarket and drive higher occupancy.

Multifamily

Plantation Colony

8210 SW 12th Street, Plantation, FL 33324
Acquired July 2002

Plantation Colony ended the quarter at 98% leased. The property maintained excellent occupancy throughout the quarter and continues to achieve rent growth while also maintaining a healthy retention ratio. During the quarter the Fund received a comprehensive roof report and is currently assessing the recommendations to address some ongoing roof leaks. The Fund is also evaluating the replacement of the property's original electrical panels throughout the property.

Multifamily

Poplar Glen

11608 Little Patuxent Parkway, Columbia, MD 21044
Acquired December 2005

The property ended the quarter at 97% leased and the Fund is pleased with the continued leasing activity and rent growth at the property. The on-site management team has been tasked with focusing on improving rent collections in the second quarter. During Q1, the Fund kicked off a property-wide balcony replacement project which is expected to be substantially completed during the second quarter.

Industrial

Fullerton Industrial

675 S Placentia Avenue, Fullerton, CA 92831
Acquired December 1995

Fullerton remains fully leased, underpinned by an eight-year weighted average lease term from two credit tenants. However, as Southern California industrial fundamentals weaken, the property's value has declined. Despite the dip, the Fund remains confident in the asset's long-term performance. The Mid-Counties submarket has high barriers to new construction due to significant land constraints, minimizing the risk of additional supply. Moreover, infill locations like the property's will continue experiencing strong demand because of their proximity to the ports and the major population bases of Los Angeles and Orange County.

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Industrial

Georgia Trade Center

2000 Trade Center Boulevard, Savannah, GA 31326
Acquired November 2021

Georgia Trade Center is 100% leased to Lowe's through November 2033. Lowe's continues to work through its final punch list items on the full building HVAC installation.

Industrial

Highland Business Park

300 Highland Drive, Westampton, NJ 08060
Acquired June 1999

Highland Business Park maintained 100% occupancy, unchanged from Q4. The portfolio of industrial buildings boasts a weighted average lease term of just over five years. During the quarter, the Fund made headway in its ongoing initiative to replace most building roofs, thereby extending their lifespan and enhancing durability and weather resistance. Looking ahead to Q2, the Fund plans to upgrade the monument signage, which will enhance curb appeal and boost brand visibility for the tenants. Although market fundamentals for industrial properties in the Northeast are softening, the Fund remains optimistic about the long-term performance of this asset.

Industrial

Junction Drive

9020 Junction Drive, Annapolis Junction, MD 20701
Acquired December 2019

The property is 100% leased to Northrop Grumman through January 2032. Northrop continues to invest its own capital into building improvements.

Industrial

Market Street Industrial

15130-15150 Market Street, Houston, TX 77015
Acquired September 2022

Market Street Industrial remains fully leased, unchanged from Q4, to two third-party logistics firms, Lone Star Integrated Distribution and Gulf Stream Marine, with a weighted average lease term of four and a half years.

Leasing fundamentals for industrial properties in the Port of Houston submarkets remain strong, relative to other industrial markets, especially those in Texas with significant oversupply. However, fundamentals have softened resulting in a decrease in industrial property values in the region.

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Industrial

Meadowville Distribution Center

1400 Digital Drive, Chester, VA 23836
Acquired March 2023

Meadowville Distribution remained 100% leased at the end of the quarter. The property is fully leased through January 2028 to CCBCC Operations, LLC, a wholly owned subsidiary of Coca-Cola Bottling, who is one of the largest Coca-Cola bottlers In United States. The company bottles Coca-Cola for the southeast, Midwest, and mid-Atlantic portion of the country.

Industrial

South Logistics Center

2215 South 7200 W, West Valley City, UT 84044
Acquired August 2023

South Logistics Center, a newly-built 328,607 square-foot building in the Northwest Quadrant of Salt Lake City, leased 172,640 square feet to Systems Beauty, a third-party logistics provider for five years, increasing the building's occupancy to 53%. Salt Lake City's industrial market has weakened due to a downward shift in demand coupled with an unprecedented surge in new supply. To generate leasing momentum the Fund was extremely aggressive in order to secure the System Beauty's lease and offered terms well below what was initially projected. This "loss leader" adversely affected the property's value. The Fund remains optimistic about leasing the remaining space.

Industrial

South Mountain Industrial

7822 S 46th Street, Phoenix, AZ 85040
Acquired September 2017

South Mountain Industrial remains fully leased to BAE Systems, a global defense, aerospace, and security company, with the lease extending through 2027. Despite the stability of the property's cash flow, interest rates remain high and rent growth in the market is ebbing which is driving capitalization rate expansion and causing the property's value to decline from last quarter. The Fund attempted to sell the property late last year without success. It has been brought to the market again this quarter, with optimism for more active transaction activity that will facilitate a sale.

Industrial

Waterville Industrial

7828 Waterville Road, San Diego, CA 92154
Acquired December 2022

Waterville Industrial is fully leased to Honeywell, the former owner, who leased back the asset until March 2025. Honeywell plans to vacate the property at the end of the lease term. In anticipation of this, the Fund, in collaboration with its joint venture partner, Murphy Development Company, have been developing various asset repositioning strategies for when the property becomes available in 2025. During the quarter, the joint venture partnership appointed a design team to begin crafting renovation and re-leasing plans.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance described herein; please refer to the Property Portfolio Summary for a full listing of all properties held by the Fund.

Industrial

Westport Industrial Portfolio

11418-11446, 11401-11445 Moog Dr.; 10986 N Warson Rd.; 2130-2132 Kratky Rd.; 10602-10610 Trenton Ave; St. Louis, MO
Acquired September 2017

Westport Industrial Portfolio ended the quarter 92% leased, unchanged from Q4. Despite a slowdown in industrial leasing fundamentals in St. Louis, this asset remains notably well-leased. Additionally, the property's value has remained largely stable as the yields are already aligned with the current cost of debt and equity capital. The Fund is optimistic about maintaining its ownership of this asset.

Office

150 Pierce Road

150 Pierce Road, Itasca, IL 60143
Acquired May 2015

The property ended the quarter at 88% leased, a slight decrease from 89% in Q4. It was a relatively quiet period at the property; however, the Fund received a Letter of Intent (LOI) for a 2,700 square foot suite and executed a five-year renewal for an existing 7,800 square foot tenant. Subsequent to quarter end, the Fund utilized its as-of-right loan extension, pushing the expiration date to April 2025.

Office

District 237

250 Holger Way, San Jose, CA 95134
Acquired September 2020

District 237 remains fully leased to CDK Global, Inc. until March 2027. CDK does not physically occupy the building and the property is available for sublease. The Bay Area office market is still witnessing demand levels far below those seen pre-COVID. As a result, office rents are reflecting this reduced demand, with some office landlords reducing face rates to align with market conditions. Although the market's recovery remains sluggish, the future outlook is optimistic, fueled by major tech companies' firmer return-to-office mandates and potential job growth tied to the surge in generative AI technology.

Office

Easton Commons

3344 Morse Crossing, Columbus, OH 43219
Acquired December 2017

Easton Commons remains vacant, unchanged from Q4. The Fund is re-evaluating designs for new amenity spaces and floor layouts to attract smaller tenants, who are currently more active in the market compared to full-building users. There are substantial capital costs associated with converting the building from a single-tenant oriented building to one that accommodates multiple tenants. These additional costs reduce the property's value in the short term but are expected to enhance its value over the long term, as this approach offers the most viable strategy for leasing the property.

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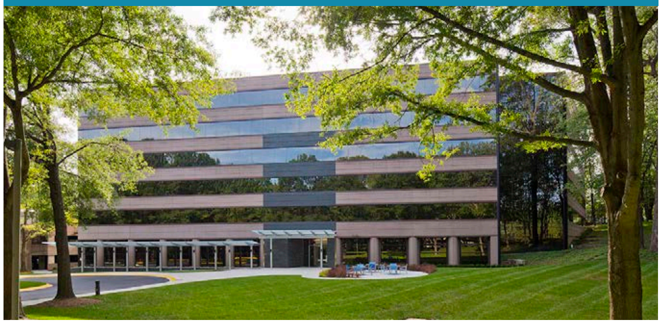
Office



Fairview Park

3160 Fairview Park Drive, Falls Church, VA 22042
Acquired November 2017

Fairview Park maintained a 34% occupancy rate throughout most of Q1. Just before the quarter ended, the Fund secured a new five-year lease with Apex Systems LLC for roughly 15,000 square feet. Yield rates for office investments in the Washington D.C. market are rising, with recent sales confirming the high returns required by office investors in today's environment. As a result, office values in the market continue to face downward pressure.

Office

Flying Cloud

7500 Flying Cloud Drive, Eden Prairie, MN 55344
Acquired April 2016

7500 Flying Cloud is currently 61% leased. The Fund is working closely with its JV partner and the property's leasing broker to fill the vacant space at the building. The Fund is exchanging terms with multiple prospective tenants including a full floor user and another prospect interested in 3,000 square feet. A current full floor user at the building has also reached out regarding a potential early extension and expansion into another suite. The Fund is also considering building out several vacant spaces on a speculative basis, to try to capture demand for move-in-ready spaces in the market.

Office

Highland Pointe

333 & 377 E Butterfield Road, Lombard, IL 60148
Acquired October 2015

The property ended the quarter at 74% after signing three leases totaling 26,600 square feet. However, occupancy is expected to decline further in the second quarter due to Real Page vacating two floors totaling 38,600 square feet. General leasing activity has seen an uptick and the Fund is exchanging terms with multiple prospective tenants. The market continues to be highly favorable to tenants, with landlords offering significant free rent and generous tenant improvement allowances to secure new leases.

Office

Nottingham 7941

7941 Corporate Drive, White Marsh, MD 21236
Acquired October 2017

The property remains 100% leased to Prometric through 2025. During the quarter, the Fund was in active discussions with Comcast to lease the entire building. Unfortunately, Comcast decided to renew at its current location.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance described herein; please refer to the Property Portfolio Summary for a full listing of all properties held by the Fund.

Office

Town & Country

725 Town & Country Road, Orange, CA 92868
Acquired January 2016

Town & Country ended the quarter 75% leased, a slight decrease from 76% in Q4. This decline in occupancy is due to Jeffrey & Grosfeld, LLP renewing their lease for another three years but reducing their leased space by 869 square feet. Office asset values remain under pressure as investors continue to demand higher yields to account for the risks associated with investing in office properties. The Fund is considering disposing of this asset and hired CBRE to put the property on the market during Q1.

Retail

Charter Colony

200 Charter Colony Parkway, Midlothian, VA 23114
Acquired February 2022

Charter Colony remained fully leased throughout Q1. The property features a robust weighted average lease term of 12 years, with the anchor tenant, Publix, having over 16 years of remaining lease term. Budgeted operating costs for 2024 increased, primarily due to a rise in property taxes, which negatively affected the asset's value during Q1. Given the stability of this asset, the Fund is concentrating on strengthening tenant relations and implementing minor capital improvements at the property.

Retail

M Street

2901 M Street NW, Washington, D.C. 20007
Acquired July 2018

M Street remained 68% leased through Q1, unchanged from Q4. The property, anchored by Wells Fargo, has all current leases set to expire in 2025. The Fund has been actively engaging with a local architect to explore potential repositioning options. Concurrently, the Fund is in discussions with Wells Fargo about renewing its lease and by extension, keeping the building's existing footprint. This latter option carries significantly lower risk as it avoids the need for redevelopment. The property's budgeted expenses for 2024 have increased, primarily due to higher property taxes, which adversely affected the property's value from the prior quarter.

Retail

Mansfield Stop & Shop

377 Chauncy Street, Mansfield, MA 02048
Acquired October 2020

Mansfield Stop & Shop is a 74,383 square foot neighborhood retail center, fully leased to Stop & Shop until March 2033. Stop & Shop manages all utilities and maintenance, minimizing landlord involvement. The Fund is committed to maintaining a cooperative relationship with the tenant. Unfortunately, rising cost of debt and equity capital are pushing yield rates higher and reducing values, even for stable assets such as this property.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance described herein; please refer to the Property Portfolio Summary for a full listing of all properties held by the Fund.

Retail

Norwell Stop & Shop

468 Washington Street, Norwell, MA 02061
Acquired August 2022

Norwell Stop & Shop is a standalone neighborhood grocery store encompassing 59,519 square feet, fully leased to Stop & Shop until July 2032. This property is the Fund's second Stop & Shop location in the Boston MSA. As the landlord for two Stop & Shop leased buildings in Boston, the Fund continues to focus on actively enhancing its relationship with the tenant.

Retail

Shoppes at Knightdale

216 Hinton Oaks Boulevard, Knightdale, NC 27545
Acquired July 2019

The property ended the quarter at 94% leased after signing a 10-year 23,000 square foot lease with Home Goods. Subsequent to quarter end, the last remaining vacancy at the property was leased to Burlington for a 10-year term. The Fund and its JV partner are evaluating the opportunity to purchase the undeveloped land parcel adjacent to Starbucks. The partnership has engaged a land use attorney and architect to assess the development opportunities available on this site.

Other (Data Center)

Perimeter East Data Center

40 Perimeter Center East, Dunwoody, GA 30346
Acquired May 2017

Perimeter East remains vacant. During the quarter, a prospective buyer expressed interest in acquiring the property and is currently finalizing an offer. The Fund, its joint venture partner and the purchaser are working closely with Georgia Power to ensure the site can get adequate power for the purchaser's planned use of the building.

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Bailard Real Estate Team

Portfolio Management

Preston Sargent
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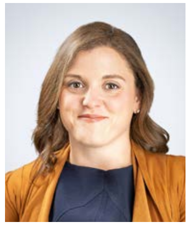

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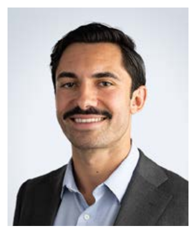

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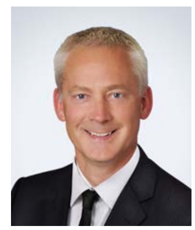

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Brad Blake, Independent Director
Evelyn Dilsaver, Independent Director
Geoffrey Dohrmann, CRE, Independent Director
Ronald Kaiser, CRE, Independent Director
Sonya Mughal, CFA, Director
Preston Sargent, Director

RISKS

The Fund invests primarily in real estate. As a result, an investment in the Fund entails significant risks that are customarily associated with the development and ownership of income-producing real estate, including illiquidity, changes in supply and demand, and inexact valuation. The Fund may be leveraged. An investor may lose all or a substantial portion of the investment. There is no assurance that the Fund will achieve its investment objectives. For a more thorough discussion of the risks involved in making an investment in the Fund, please refer to the Offering Memorandum. The Fund's shares fluctuate in value and may be illiquid due to a lack of a right of redemption, the lack of a secondary market, and restrictions on transfer. Shares of the Fund, if offered, would be available for purchase only by accredited investors who could bear a loss and hold shares of the Fund indefinitely. This information does not purport to be complete and is qualified in its entirety by, and an offer or solicitation will only be made through, a final Confidential Offering Memorandum.

DISCLOSURES

This summary is confidential and proprietary. It has been prepared for the use of existing shareholders of the Fund and prospective accredited investors; it does not constitute an offer to sell or buy any securities and may not be used or relied upon in connection with any offer or sale of securities or for any other purpose. The information provided in this report with respect to the Fund is as of March 31, 2024 unless otherwise noted. The Fund undertakes no duty to update any of the information contained in this report. The information in this report includes forward-looking statements, including statements regarding the outlook for the real estate market generally and the individual markets for the properties, the performance of the individual properties, and the Fund's business strategy and investment objectives. These statements involve a number of risks and uncertainties, and actual results may differ materially from these forward-looking statements. Please refer to the Confidential Offering Memorandum of the Fund for further information regarding these risks.

Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. Starting from June 30, 2023, the Fund calculates the gross-of-fee returns and net-of-fee returns to reflect the inclusion of fund-level expenses such as the operating management fee the Fund pays to Bailard, Inc., appraisal, fund administration, legal, audit, tax, and other administrative expenses. We applied this change retroactively to all prior returns presented above. Net-of-fee returns are calculated by netting down the gross-of-fee returns by the actual investment management fee paid to Bailard, Inc. The investment management fee schedule for the Fund, which is included in the Real Estate Composite I, is 0.85% on the Fund's net asset value up to and including $750M and 0.75% on the Fund's net asset value above $750M. If the Fund's uncommitted cash exceeds 10% of the Fund's net asset value, the fee shall be reduced by an amount equal to the product obtained by multiplying 0.425% by the excess cash amount. The underlying performance results of the Fund reflect the impact of leverage, interest, and dividend income from short-term cash investments and publicly-traded real estate investments, as applicable. Capital expenditures, tenant improvements, and lease commissions are capitalized and included in the cost of the property; are not amortized; and are reconciled through the valuation process and reflected in the appreciation return component. The Fund's income return is not the distributed income to the investor, and the Income Return is presented gross-of-fee and after Fund expenses.

The NCREIF gross return methodology is as follows: the total gross return is equal to net investment income plus appreciation divided by the beginning net asset value plus time-weighted external contributions less time-weighted external distributions ("Time-Weighted Denominator"). With respect to income and appreciation, the NCREIF methodology for net income return is equal to net investment income divided by the Time-Weighted Denominator, and net appreciation return is equal to appreciation divided by the Time-Weighted Denominator. Returns shown are inclusive of dividends reinvested as they are accounted for as an external contribution upon reinvestment. Returns for periods greater than one year are annualized. Annual returns are time-weighted rates of return calculated by linking quarterly returns. Income and appreciation returns may not equal total returns due to compounding effects of linking quarterly returns. From inception through the second quarter of 2009, all properties were appraised annually; from the third quarter of 2009, all properties have been appraised quarterly. Recent acquisitions are carried at cost until first appraisal. The Fund's Board of Directors determines the value of properties based on input from independent appraisers and all levels of the Fund management. Securities, mortgages payable, derivatives, and cash and cash-equivalent investments held by the properties and Fund are marked to market on each valuation date. The Fund's Inception Date is April 20, 1990. The NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE) is a fund-level, time weighted return index reporting the performance results of various open-end commingled funds pursuing a core private real estate investment strategy and qualifying for inclusion in the NFI-ODCE based upon certain pre-defined index policy inclusion characteristics. Like the Fund, the NFI-ODCE performance results reflect leverage and the impact of cash holdings and joint ventures (i.e., returns reflect each contributing fund's actual asset ownership positions and financing strategy). As the Fund has done in the past, some NFI-ODCE funds may invest in real estate securities. The use of leverage varies among the funds included in the NFI-ODCE. The NFI-ODCE (EW) shows what the results would be if all funds were treated equally, regardless of size. Like the Fund's presentation, the Income Return is shown gross-of-fee. Per NCREIF, fees represent investment management advisory fees. To the extent fees are paid outside the fund, a deemed contribution and fee expense is recorded to capture the impact of fees in the net of fee returns. NCREIF defines gross and net of fees as follows:

- *Total Return, gross of investment advisory fees, based on changes in published market value Net Assets. The data contributing members provide all fund level returns as well as other pertinent data. NCREIF does not calculate individual fund returns but does calculate the overall aggregated Index return based on invested capital.*
- *Total Return, net of advisory fees. Net of fee returns are only presented at the Index Aggregate level to provide a proxy for the average advisory fees charged. Fee structures not only vary across managers and funds but also within a fund as fees may be negotiable and scaled based on the size of an investors' investment.*

The NFI-ODCE data, once aggregated, may not be comparable to the performance of the Fund due to current and historical differences in portfolio composition by asset size, geographic location, property type, and degree of leverage. The NFI-ODCE is unmanaged and uninvestable.

The S&P 500 Index is a commonly-used U.S. stock index of 500 large capitalization stocks. The Dow Jones Industrial Average is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ 100 Index is a modified capitalization-weighted index comprised of 100 of the largest non-financial domestic and foreign companies listed on the National Market tier of the NASDAQ Stock Market, Inc.

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