Bailard Real Estate Fund Quarterly Update

Q3 | 2024

The Grand at Saginaw, Saginaw, TX

For the quarter ending September 30, 2024:

Bailard Real Estate Fund Q3 Highlights

PERFORMANCE

The Fund's quarterly NCREIF-based gross return was 0.4%, and 0.2% (net of management fee). For the year ended September 30, 2024, the Fund earned a gross return of -7.1%, and -7.9%, net. Since inception in April 1990, the Fund's annualized returns are 8.9% (gross) and 8.3% (net).[1]

INCOME

As of September 30, 2024, the Fund's property portfolio was 92% leased, down from 93% at Q2 quarter-end.[2] The total portfolio's Net Operating Income (NOI) increased by 3.7% year-over-year (Q3 2024 vs. Q3 2023). Measured on a "same-store" basis (excluding properties not owned or not yet operational for the entire measurement period), NOI decreased by 0.8% year-over-year. On a quarter-over-quarter basis (i.e., Q3 2024 vs. Q2 2024), the total portfolio's NOI decreased by 2.0% (6.3% by the same-store method).

BALANCE SHEET

As of quarter-end, the Fund held $48.4 million in cash and cash equivalents, or 3.3% of the Fund's Gross Asset Value (GAV).[3] Cash and cash equivalents are inclusive of the $19.7 million held in property-level operating accounts reserved for operations, maintenance, and on-going capital needs including property taxes, tenant improvements, leasing commissions, repairs and maintenance expenditures, and capital improvements. The aggregate loan-to-value (LTV) ratio for the Fund stood at 28.6% at quarter-end, down from 29.4% at the end of Q2 2024.[4] The Fund's in-place weighted-average interest rate was 5.6% at the end of the quarter, up from 5.4% at Q2 quarter-end and 40 basis points[6] higher than it was one year earlier at the end of Q3 2023, when the average in-place interest rate was 5.2%. Approximately 75% of the Fund's debt is at a fixed rate, and 25% is floating.

A LOOK BACK

The Bailard Real Estate Fund took another positive step, admittedly a small one, in the third quarter of 2024. The Fund generated a total quarterly return, including income, of 0.4% (Gross of fee) and 0.2% (Net). The Fund's return last quarter was 0.2% Gross, and 0% Net, after six straight quarters of negative returns starting in Q4 2022. Once again, the Bailard Real Estate Fund's returns bettered the NCREIF Fund Index – Open-End Diversified Core Equity, Equal-Weight (NFI-ODCE (EW)) quarterly returns (0.1%, Gross and -0.1%, Net); this time by 22 basis points (both Gross and Net). Over longer time periods, the Fund's Net returns are substantially better than the benchmark, outperforming the NFI-ODCE (EW) by 56 bps, 314 bps, 253 bps, 309 bps, and 256 bps for the 1-year, 3-year, 5-year, 10-year, and Since Inception periods.

On the operations front, as reflected in the table below, the Fund continues to perform well, and third quarter leasing remained on an encouraging path. Office assets ended the quarter at 77% leased (up 2% from 75% at the end of Q2) after completing 56,000 square feet of leasing. The Fund's retail properties saw the leased percentage stay at 97% after two renewal leases totaling 3,600 square feet. The industrial portfolio ended Q3 at 95% leased (down 4% from 99% at the end of Q2), after no new or renewal leasing activity. And, finally, the leased percentage

*1 Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. **Past performance is no indication of future results. All investments have the risk of loss.** Please see page 15 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%.

of Bailard's multifamily portfolio stayed at 96% during Q3, though the tenant retention ratio improved slightly from 56% to 59% quarter-over-quarter. Another good quarter at the property level, driven by solid market and property fundamentals.

The Fund's recent string of negative returns was the second longest in its 34-year history. The worst streak was seven negative quarters at the height of the Great Financial Crisis, Q3 2008 to Q1 2010. It's been a painful two years, but it feels like the worst is behind us. Unfortunately, as we've said in the past, this correction was overdue.

Following is *The Wall Street Journal*'s take in a recent (August 5) article: "Since the 2008 financial panic, the U.S. economy has been sustained for the most part by government spending and cheap money aimed at supporting consumers and asset prices. But cheap money is never free, and it can't last forever. It builds distortions and excesses that are unsustainable and must eventually be addressed. That's what the Fed had to do by raising rates to arrest inflation..."[6]

And so, 2-½ years ago on March 17, 2022, the Federal Reserve (the Fed) embarked on its own overdue quest to tame the worst inflation in 40 years with its first interest rate adjustment in two years; it bumped interest rates up 25 bps from a range of 0% - 0.25% to a range of 0.25% to 0.5%. After that, the Fed raised rates in increments of 25, 50, and 75 bps at nine consecutive Federal Open Market Committee (FOMC) meetings between May 2022 and May 2023. It paused at its June 2023 meeting and then raised them 25 bps one final time on July 26, 2023. The Fed then paused for eight more FOMC meetings before the universally anticipated cut on September 18. The total aggregate rate increase from March 2022 through July 2023 was 5.25%.

During the Fed's long battle to bring price stability back for the U.S. economy, annual inflation has gone from over 9% to, in recent quarters, approximately 2.5%. While the Fed's inflation rate target is 2%, the path down to the mid-2% range has been mostly a steady one. Even after inflation dipped convincingly below 3% several quarters ago, the central bank remained cautious. It didn't want to begin cutting rates if a hot labor market might put upward pressure on wages or war in the Middle East would imperil oil supplies or geopolitical tensions could inflame supply chain kinks... all of which would have the potential to reignite an inflationary spiral.

And so, to the consternation of investors, Fed-watchers, and a handful of economists, the Fed remained patient. For over a year (July 2023 – September 2024) and eight straight FOMC meetings, the Fed paused. It left interest

BREF Quarterly Leasing Activity[7]

	Q3 2024			Q2 2024			Q1 2024			Q4 2023		
	New	Renewal	% Leased	New	Renewal	% Leased	New	Renewal	% Leased	New	Renewal	% Leased
Office												
Square Feet	36,209	20,150	77%	32,531	6,256	75%	34,089	19,990	75%	8,116	6,957	74%
# of leases	3	2	-	3	1	-	3	4	-	2	2	-
Retail												
Square Feet	0	3,590	97%	20,086	7,440	97%	23,000	4,350	95%	0	3,150	92%
# of leases	0	2	-	1	2	-	1	2	-	0	2	-
Industrial												
Square Feet	0	0	95%	17,764	0	99%	172,640	0	99%	0	5,876	99%
# of leases	0	0	-	1	0	-	1	0	-	0	1	-
Multifamily												
Retention Rate	-	59%	94%	-	56%	94%	-	67%	96%	-	65%	96%

6 The Wall Street Journal Editorial Board. (2024, August 05). The Easy Money Reckoning Arrives. https://www.wsj.com/articles/stock-market-selloff-japan-u-s-nasdaq-economy-interest-rates-federal-reserve-25554b16

7 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.

Key Economic & Market Indicators

	Current Quarter 9/30/2024	One Quarter Ago 6/30/2024	One Year Ago 9/30/2023
Real GDP Growth (y/y)	2.7%	3.0%	3.2%
U.S. Personal Income Growth (y/y)	3.1%	3.2%	4.7%
Monthly Nonfarm Payroll Change (qrtly. avg.)	148,333	147,333	212,333
Retail Sales Growth (y/y)	1.7%	2.0%	5.5%
Labor Participation Rate (20-Yr. avg. = 63.9%)	62.7%	62.6%	62.5%
Unemployment Rate	4.1%	4.1%	3.7%
Consumer Sentiment University of Michigan	70.1%	68.2%	69.7%
Homeowners/Renters	65.6%/34.4%	65.6%/34.4%	65.7%/34.3%
Nondefense Capital Goods Orders (y/y)	0.6%	-2.2%	0.8%
ISM Composite Index	47.2%	48.5%	47.1%
U.S. ISM Services	54.9%	48.8%	50.5%
Trade Deficit ($ Bil.)	-1077.1	-1035.7	-936.7
Consumer Price Index Growth (y/y)	2.4%	3.0%	3.4%
S&P 500 Index	5,762	5,460	4,770
S&P 500 Index (P/E Ratio)	26.29	25.54	23.01
Dow Jones Industrial Average Index	42,330	39,119	37,690
Dow Jones Industrial Average Index (P/E Ratio)	22.95	22.42	22.19
NASDAQ Composite Index	18,189	17,733	15,011
NASDAQ Composite Index (P/E Ratio)	40.31	47.88	40.11
U.S. Corporate Investment Grade Bond	4.72%	5.48%	5.06%
U.S. Corporate High Yield Bond	6.99%	7.91%	7.59%
Ten-Year U.S. Treasury	3.78%	4.40%	3.88%
WTI (West Texas Intermediate) Crude Oil	68.17	81.54	71.65
CBOE Volatility Index (VIX)	16.73	12.44	12.45

Source: Bloomberg. Please note that any published revisions to previous quarters' data have been included. Index returns are presented as total returns. Past performance is no indication of future results. All investments have the risk of loss.

rates alone, though it issued a multitude of statements during that period intended to soothe the market. And it clearly worked because during that time, from the end of July 2023 until late September 2024, the S&P 500 Index grew by over 23%.

An August 21 *Wall Street Journal* article entitled, "The Make-or-Break Moment That Will Determine the Economy's Fate," captured the market's angst with the Fed's ongoing restrictive monetary policy. "There's a saying that economic expansions don't die of old age: They're murdered by the Federal Reserve. Fed Chair Jerome Powell has spent the past two years determined to beat inflation even if it resulted in recession. Now he's on the brink of winning the battle without bringing down the economy, but the next few months will be crucial. If he succeeds and maneuvers the economy to a soft landing that brings inflation down without a big rise in unemployment, it'll be a historic achievement worthy of the central banking Hall of Fame. If he fails, the economy will slide into recession anyway under the weight of higher interest rates—and he'll have proved the old maxim about the Fed."[8]

For Fed officials, sticking a soft landing would offer redemption: three years ago, they had incorrectly predicted that inflation would be "transitory." Success would illustrate that the costs of being too slow to recognize the implications of the government's aggressive stimulus policies in 2021 and then act to try to end them, weren't as disastrous as they might have been.

And then, at the FOMC's September 18, 2024, meeting, it finally happened. "The committee has gained greater confidence that inflation is moving sustainably toward 2%, and judges that the risks to achieving its employment

8 Timiraos, N. (2024, August 21). The Make-or-Break Moment That Will Determine the Economy's Fate. The Wall Street Journal. https://www.wsj.com/economy/central-banking/fed-chair-jerome-powell-inflation-recession-4b978880 and inflation goals are roughly in balance... Officials are strongly committed to supporting maximum employment in addition to maintaining price stability."[9] So said Federal Reserve Bank Chairman Jerome Powell after the Committee voted to lower interest rates by 0.5% from a range of 5.25% - 5.5% to 4.75% - 5%. The rate cut was the most eagerly anticipated in a generation.

The Fed's rate cut on September 18 was widely expected, but market participants weren't sure whether the central bank's first move would be 25 bps or 50 bps. Aaron Back at *The Wall Street Journal* put it this way in a September 19 article ("The Fed Aims to Repeat Greenspan's 1990s Masterpiece"): "Why then has the Fed opted to start its easing program this time around with a more aggressive 50-basis-point cut? It isn't, as some have fretted, that the Fed sees much bigger economic risks than the rest of us in the economy today. In fact, Fed Chair Jerome Powell sounded fairly positive in Wednesday afternoon's press conference. 'The U.S. economy is basically fine,' he said. 'Our intention is really to maintain the strength that we currently see in the U.S. economy.'"[10]

The central bank's pivot, albeit a larger-than-normal 50 bp rate cut, was more symbolic than anything else. It showed that the Federal Reserve Bank believes that its 2-½ year quantitative tightening cycle is winning the battle with inflation. That, in and of itself, is positive for real estate and the broader economy even though its immediate tangible impact will be negligible. It will trigger a psychological move among investors who have been stymied by uncertainty about how high the Fed might go with short term rates before pausing and pivoting. The shift in sentiment, albeit modest, is an important first step to break the transaction logjam.

The Altus Group, in a August 22 research piece entitled "Will Fed Rate Cuts Revive the US CRE Market?," nicely captured the relationship between the economy, real estate, and interest rates this way: "It's also important to note that while commercial real estate is influenced by (and does influence) the economy and financial markets, it doesn't move in lockstep with the broader economy and capital markets. While some market environments are objectively good or bad for CRE, the current market is a bit of both—some shade of grey.

"Rate cuts also are not going to impact all property sectors the same. A rate reduction of 25 to 50 basis points before the end of the year is not going to fix the problems in the office market. It may boost transaction activity for some of the other sectors, but if there are fundamental problems within a sector's operating performance, lower rates may not be the remedy."[11]

CBRE's research team draws a straighter line between interest rate movements and capitalization rates in its October 10 research brief. A CBRE Econometric Advisors (CBRE EA) review of cap rates since 1995 shows that for every 100-basis-point change in the 10-year Treasury yield, cap rate movements range between 41 basis points (bps) on average for industrial assets, to 78 bps for retail assets. Office cap rate movements averaged 70 bps, while those for multifamily assets averaged 75 bps."[12]

We think their approach is a bit too simplistic. The researchers at CBRE need to be reminded that previous interest rate hiking and cutting cycles started at much different points than the current cycle... and were not preceded by a decade of near-zero interest rates. This time around, cap rates are going to be much more influenced by investment fundamentals, perceptions of risk, and investor confidence.

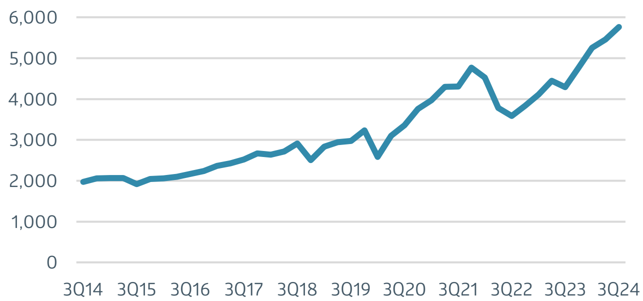
However, the article goes on to say, "Although macro factors determine the direction of cap rate movements, the extent of those movements will be influenced by the relative strength of each market and asset. Consequently, market and asset selection will be even more important considerations for investors during the current cycle."

We agree.

9 Board of Governors of the Federal Reserve System. (2024, October 9). Minutes of the Federal Open Market Committee, September 17-18, 2024. https://www.federalreserve.gov/newsevents/pressreleases/monetary20241009a.htm
10 Back, A. (2024, September 19). The Fed Aims to Repeat Greenspan's 1990s Masterpiece. The Wall Street Journal. https://www.wsj.com/economy/central-banking/the-fed-aims-to-repeat-greenspans-1990s-masterpiece-69613b85
11 Altus Group. (2024, August 22). Will Fed rate cuts revive the US CRE market? https://www.altusgroup.com/insights/will-fed-rate-cuts-revive-the-us-cre-market/
12 CBRE. (2024, October 10). Impact of Interest Rate Cuts on Real Estate Cap Rates. https://www.cbre.com/insights/briefs/impact-of-interest-rate-cuts-on-real-estate-cap-rates#:~:text=In%20the%20long%20term%2C%20we,than%20their%20pre%2DCOVID%20levels

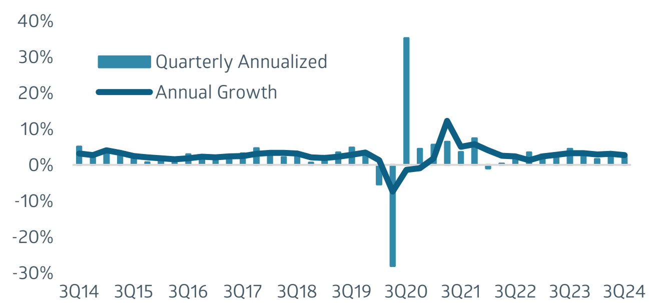
Real Estate Economic & Market Conditions
(as of September 30, 2024)

S&P 500 Index[1]



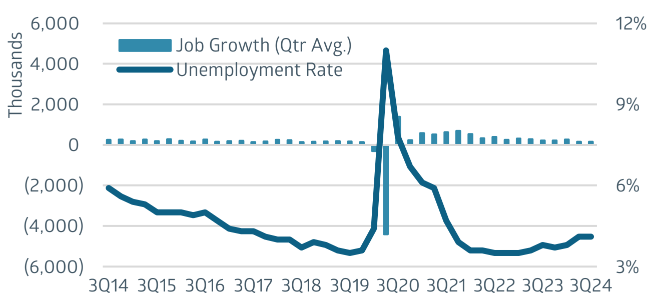
- The S&P 500 finished Q3 2024 at 5,762, up 5.5% from the previous quarter, 20.8% year-to-date, and 34.4% year-over-year.
- The top performing sectors during the quarter included utilities (19.4%), real estate (17.2%), and industrials (11.6%).
- Underperforming sectors during the quarter included energy (-2.3%), information technology (1.6%), and communication services (1.7%).

Real Gross Domestic Product (GDP) Growth



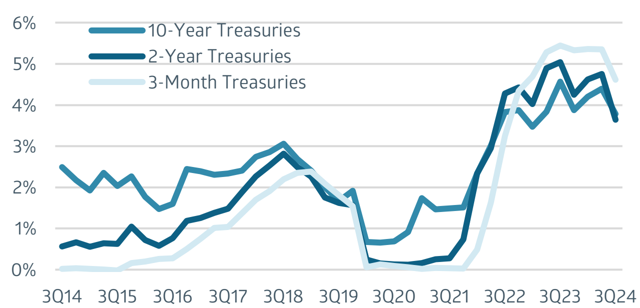
- GDP in Q3 grew at an annualized rate of 2.8%, 20 basis points[2] less than the Quarterly Annualized Q2 rate of 3.0%.
- The quarterly increase in GDP was due to a rise in both consumer spending and government spending. While exports rose during the quarter, so did imports which subtracts from GDP.
- Year-over-year, GDP is up 2.7%, which is down from the rate of growth a year ago at 3.2% in Q3 2023.

Job Growth and Unemployment Rate



- In Q3, non-farm payrolls added 445,000 jobs, averaging ~148,000 per month, a 30.5% decline from the same period a year ago but slightly up (0.7%) from Q2.
- Q3's average pace of job growth is slower than the 10-year average pace at ~162,000 jobs per month highlighting that the Fed's effort to cool the economy without tanking the labor market, appears to be working.
- The unemployment rate was flat at 4.1% from Q2, which is at its highest level since 2021.

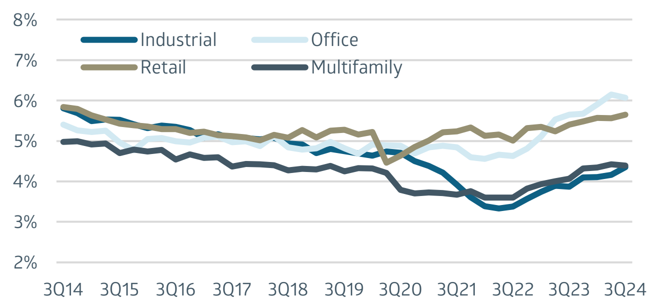
U.S. Treasury Yields



- The 10-Year Treasury finished Q3 at 3.78%, down 62 bps from Q2, and a decrease of 79 bps year-over-year.
- The 2-Year Treasury finished Q3 at 3.64%, down 111 bps quarter-over-quarter and a decrease of 140 bps from a year ago.
- The 3-Month Treasury finished Q3 at 4.62%, a decrease of 74 bps from Q2, and down 83 bps year-over-year.
- The 10-2 yield curve normalized after eight consecutive quarters of being inverted; however, the spread (14 bps) is much lower than the 10-year average at 49 bps.

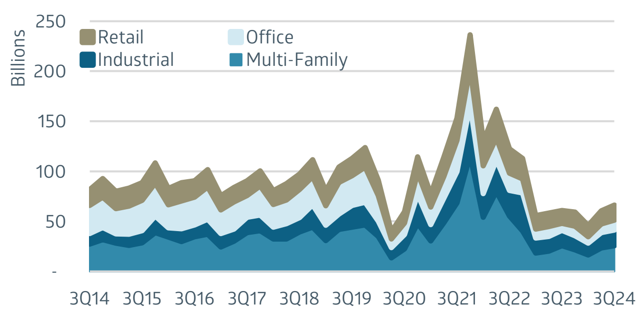
Source: Bloomberg.
1 Returns of the S&P 500 Index are presented as price change only. 2 A basis point (bp) is 0.01%.

Capitalization Rates[3]



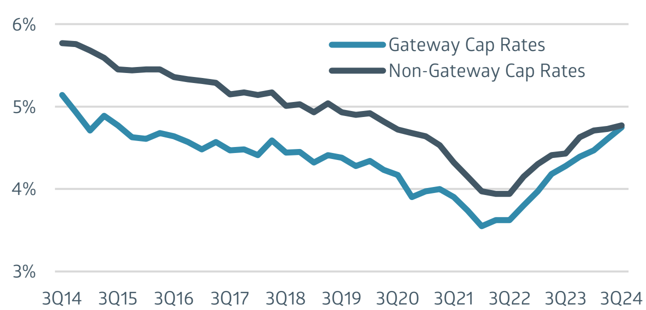
- According to the National Council of Real Estate Investment Fiduciaries (NCREIF), cap rates at the end of Q3 for multifamily, industrial, office, and retail properties were 4.4%, 4.4%, 6.1%, and 5.7%, respectively.
- Multifamily cap rates remained unchanged quarter-over-quarter. Industrial and retail both increased by 50 bps from Q2 to Q3.
- Surprisingly, office cap rates compressed from last quarter by 8 bps, but remained well above the ten-year average of 5.0%.

Investment Volume



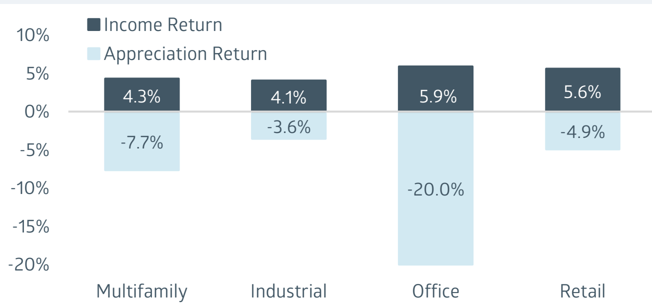
- In Q3, the total transaction volume across the four main property types reached $66.1 billion, a 9.2% increase quarter-over-quarter, and an 8.6% increase year-over-year.
- The multifamily sector contributed the largest share of the total volume with $25.6 billion, although this represents a -0.2% decrease, year-over-year.
- Office and retail transaction volumes were the largest contributors to the rise in total volume compared to a year ago, with office volume at $10 billion (up 48% year-over-year) and retail at $14.9 billion (up 15%).

Cap Rate to Ten-Year Treasury Spreads[4]



- In Q3, the cap rate for U.S. Gateway markets rose 14 bps from last quarter to 4.75%, while Non-Gateway markets rose 4 bps to 4.77%.
- On average, over the last ten years, Non-Gateway cap rates have typically been 55 bps wider than Gateway markets.
- The spread between Gateway and Non-Gateway market cap rates this quarter, at 2 bps, was at its lowest level since 2005.

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



- For Q3, the ODCE EW Index had a 0.1% return, gross of fees, resulting a -7.8% one-year return.
- The worst performing asset class was office, with a -2.0% unlevered property return for the quarter.
- Retail was the top performing asset class within the Index for the quarter, with a 1.6% return.
- Multifamily and industrial had quarterly returns of 1.1% and 1.3%, respectively.

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. Beginning with this quarter, capitalization rate data switched to reflect an Equal Weight presentation. For comparison, the cap rates on a value-weight basis for the same period were: Multifamily, 4.4%; Industrial, 4.1%; Office, 6.0%; and Retail, 5.4%.
4 Note that this quarter modified the market definitions, so that Gateway Markets include BOS, CHI, DC, LA, NY, and SF in the NCREIF National Property Index, and Non-Gateway reflects all other indexes outside the NPI.
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 10/31/2024; 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, -3.3% (Inc: 4.1%, App: -7.2%); Industrial, -3.6% (Inc: 4.8%, App: -8.1%); Office, -11.8% (Inc: 6.7%, App: -17.6%); and Retail, 5.9% (Inc: 6.5%, App: -0.6%).

Multifamily

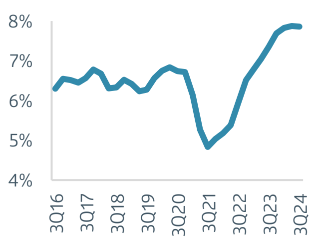
During the quarter, U.S. multifamily demand remained strong, with 169,000 units absorbed, driven by international migration and a robust labor market. Construction deliveries remain elevated and continues to put downward pressure on rents. The national average market rent is down 0.5% from last quarter. Despite high levels of new deliveries, the national vacancy rate held steady from last quarter at 7.9%. New construction activity has decreased to 729,000 units under construction, down 14% from last quarter and down 38% from peak levels in Q1 2023. Certain markets, like Austin and Raleigh, continue to face high vacancy rates and rent corrections, highlighting risks in markets that saw rapid growth during the last few years. As construction continues to pull back, vacancy rates are expected to tighten, and rent growth should resume.

VACANCY

As of Q3, 24: **7.9%**

10-Year Avg: **6.4%**

Qtr/Qtr Change:
0 bps

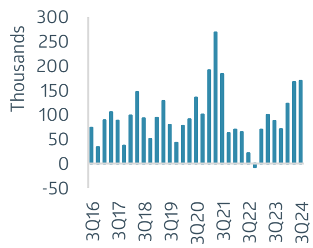


ABSORPTION

As of Q3, 24: **169,000 units**

10-Year Avg: **93,000 units**

Qtr/Qtr Change:
2,000 units

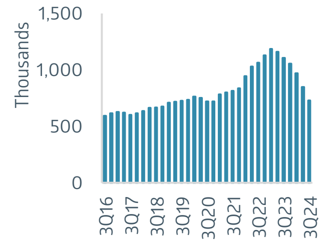


CONSTRUCTION

As of Q3, 24: **729,000 units**

10-Year Avg: **758,000 units**

Qtr/Qtr Change:
-118,000 units

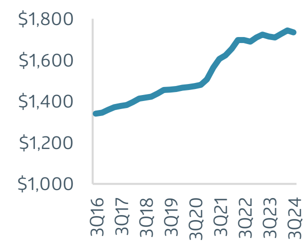


RENT

As of Q3, 24: **$1,734/month**

10-Year Avg: **$1,493/month**

Qtr/Qtr Change:
0.5%



Industrial

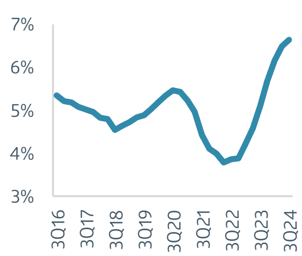
The U.S. industrial market in Q3 2024 showed mixed performance. Net absorption moderated to 30.5 million square feet, down from 35.4 million in Q2, as occupiers shed space amidst cooling demand. Vacancy rose to 6.6%, driven by over 60 million SF of new deliveries. Construction continues to decline, with 341 million SF under construction—its lowest level since before the pandemic (the average since Q1 2020 was 498 million). CBRE noted construction starts fell to a post-pandemic low of 36.4 million square feet, indicating more limited additions to supply once the current stock under construction is complete. Asking rents rose slightly, reaching $12.03/SF annually, NNN, though rent growth moderated with a decade-low quarterly rate of 0.2%. E-commerce, whose growth is linked to demand for industrial space, saw sales share of non-auto sales rise to 23.2%, surpassing the pandemic peak of 22.7% in Q2 2022.

VACANCY

As of Q3, 24: **6.6%**

10-Year Avg: **5.2%**

Qtr/Qtr Change:
10 bps

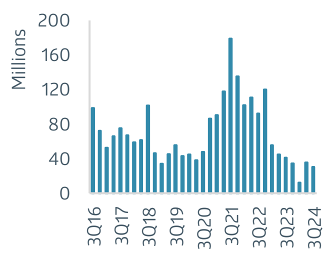


ABSORPTION

As of Q3, 24: **30 million SF**

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

Qtr/Qtr Change:
-5 million SF

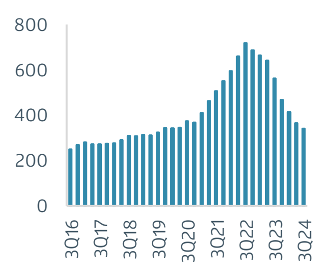


CONSTRUCTION

As of Q3, 24: **341 million SF**

10-Year Avg: **374 million SF**

Qtr/Qtr Change:
-24 million SF

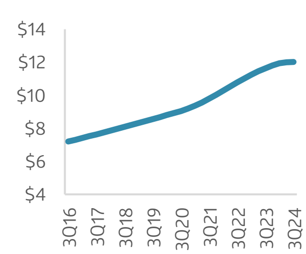


RENT

As of Q3, 24: **$12/SF (NNN)**

10-Year Avg: **$9/SF (NNN)**

Qtr/Qtr Change:
0.2%



Source: CoStar Group. Please note that any published revisions to previous quarters' data have been included.

Office

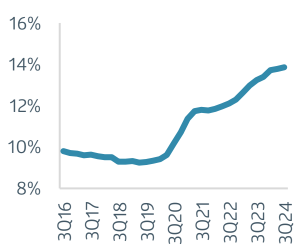
During the quarter, the U.S. office market faced ongoing challenges. Net absorption was at -1.3 million square feet, while the national vacancy rate rose 10 bps to 13.9%, marking the eleventh consecutive quarter of rising vacancy. Despite these headwinds, 27 markets recorded lower vacancy, especially in smaller Sunbelt regions and select non-Sunbelt markets such as the San Francisco Peninsula and Pittsburgh. Occupier demand favored high-quality assets, with occupancy in these assets in Gateway Markets nearly 800 basis points higher than the average. Construction activity continued to slow, with 82 million square feet under construction—the lowest level in over a decade. Average asking rents rose 0.1% quarter-over-quarter, reaching $36/SF annually, gross, though landlords continued offering substantial concessions to attract tenants.

VACANCY

As of Q3, 24: **13.9%**

10-Year Avg: **10.8%**

Qtr/Qtr Change:
10 bps

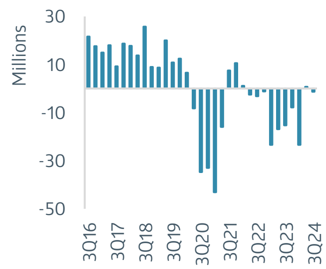


ABSORPTION

As of Q3, 24: **-1 million SF**

10-Year Avg: **4 million SF**

Qtr/Qtr Change:
-2 million SF

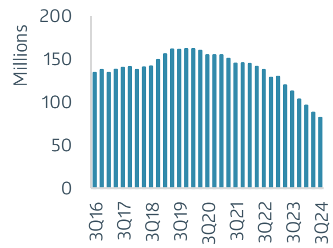


CONSTRUCTION

As of Q3, 24: **82 million SF**

10-Year Avg: **135 million SF**

Qtr/Qtr Change:
-6 million SF

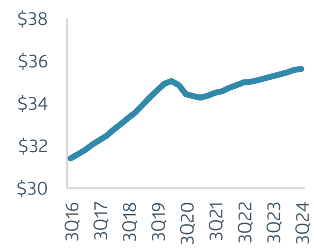


RENT

As of Q3, 24: **$36/SF (Gross)**

10-Year Avg: **$33/SF (Gross)**

Qtr/Qtr Change:
0.1%



Retail

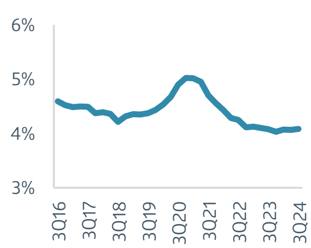
In Q3 2024, the U.S. retail market saw a decline in net absorption, totaling 4 million SF, representing a 4.5 million SF drop in occupancy gains from last quarter. Year-to-date net absorption reached 16.1 million SF, about half of the level achieved in the same period last year. According to CoStar, the softening demand is attributable to a lack of newly delivered preleased space and an uptick in store closures. Vacancy rates held near historic lows at 4.1% while rent growth moderated to 0.3%, down from 0.6% last quarter. New construction remained subdued, with 46 million SF under construction, below the ten-year average of 70 million SF. The retail sector may face a slowdown if the economy cools and consumer spending ebbs. Consumers have heretofore been exceptionally resilient, but retail property owners and investors must remain vigilant as the economy tracks toward a "landing" (soft or hard!).

VACANCY

As of Q3, 24: **4.1%**

10-Year Avg: **4.6%**

Qtr/Qtr Change:
0 bps

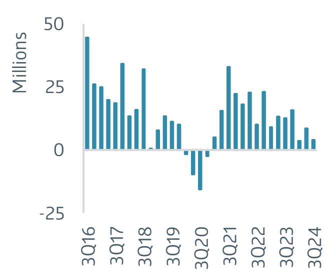


ABSORPTION

As of Q3, 24: **4 million SF**

10-Year Avg: **17 million SF**

Qtr/Qtr Change:
-5 million SF

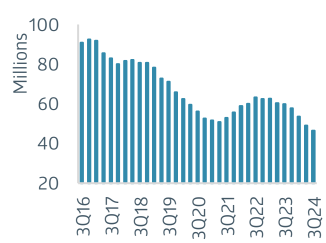


CONSTRUCTION

As of Q3, 24: **46 million SF**

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

Qtr/Qtr Change:
-3 million SF

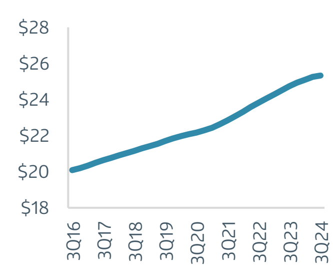


RENT

As of Q3, 24: **$25/SF (NNN)**

10-Year Avg: **$22/SF (NNN)**

Qtr/Qtr Change:
0.3%



Sources: CBRE, CoStar Group.Please note that any published revisions to previous quarters' data have been included.

THE LOOK AHEAD

The big question hanging over the U.S. economy is this: Can the economy keep growing and avoid a recession? Three-quarters of the way through 2024 and the U.S. economy's resilience and consistent ability to surprise to the upside continues to confound economists, market participants, and business leaders. The *Wall Street Journal* put it this way in an October 5 article, "Behind the shockingly robust September jobs report is an economic driver that shows few signs of slowing: consumer spending. Despite high prices and rising home costs, American spending on burgers, drinks and travel powered much of last month's strong hiring even as other economic engines like manufacturing, tech and finance have idled. September saw the economy add 254,000 jobs, defying expectations. Unemployment ticked down for the second straight month to 4.1%, from 4.2% in August."[6]

Many believe that the ongoing economic positivity is a clear sign that the Fed is successfully steering the economy to a soft landing; a rare phenomenon in which inflation moves down without major deterioration in the labor market. In an October 7 research piece Bank of America stated that, "The strong labor report is an encouraging sign of the jobs market's resilience and is a positive sign pointing toward a soft landing."[7]

Though the September jobs report is just one data point, it suggests that the Fed just might pull it off. In an October 5 *Wall Street Journal* article entitled 'Hiring Blows Past Expectations,' Greg Daco, Chief Economist at EY – Parthenon said that ongoing job creation "puts another set of wheels under the plane in terms of assuring a soft landing."[8]

Since World War II, the U.S. has achieved only one soft landing, in 1995. The Greenspan Fed of the mid-90s kept ahead of the curve and prevented an economic contraction. Chairman Powell and his colleagues at the Fed are seeking to do the same. Conditions are much different this time around. In the early 90s, the Fed kept rates low (~3%) while the economy recovered from the late 80's S&L/Banking crisis and a brief recession. Then in 1993 as consumer prices picked-up along with the economy, the central bank raised rates approximately 300 basis point (to 6% by early 1995) to nip inflation in the bud. And then the Fed reversed course and brought rates down (to 5.25% by mid/late 1995) to stave off a recession. It worked, and sealed Greenspan's reputation as a master economy-whisperer. Considering where Chairman Powell is starting from now, many believe that he will have to move farther and faster this time.

The research team at Oxford Economics painted a very optimistic picture in an October 11th report: "We are significantly raising our forecasts for consumer spending growth over the next few years. We remain upbeat about the outlook for real disposable incomes. The labor market is likely to remain resilient, while strong productivity growth will keep inflationary pressures muted. The rise in housing equity, together with falling interest rates, is a key upside risk over the next few years."[9]

In the aftermath of the Fed's larger-than-normal 50 bp rate cut, many wondered whether the central bank was simply trying to get ahead of the curve or if it saw some worrying signs that required quick and decisive action. Chairman Powell said "I don't see anything in the economy right now that suggests that the likelihood of a downturn is elevated" in the post-Committee meeting news conference on 9/18. He went on to cast the half-point rate cut as a show of strength, affirming the Fed's desire to avoid having to make more drastic cuts later if the economy weakens… "You can take this as a sign of our commitment to not get behind"… and an attempt to safeguard the solid labor market, rather than to try to fend off a steep downturn.[10]

In spite of recent positive news on the economy: solid GDP growth, a healthy labor market, and resilient consumers, there are plenty of doubters in the Fed's ability to avoid a recession after its aggressive battle to tame

6 Grossman, M. (2024, October 4). American Consumer Spending Boosts Septemer Hiring. The Wall Street Journal. https://www.wsj.com/business/hospitality/american-consumer-spending-boosts-september-hiring-d5261b07
7 Bank of America. (2024, October 7).
8 Torry, H. (2024, October 5). Hiring Blows Past Expectations. The Wall Street Journal. https://www.wsj.com/public/resources/documents/yZolKH4SYWlmGlZ4uFWW-WSJNewsPaper-10-5-2024.pdf
9 Oxford Economics Research Briefing. (2024, October 11). The US consumer will remain a pillar of strength. https://www.oxfordeconomics.com/resource/the-us-consumer-will-remain-a-pillar-of-strength/
10 Board of Governors of the Federal Reserve System. (2024, September 18). Transcript of Chair Powell's Press Conference. https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20240918.pdf

inflation. Many of those point to an historically reliable predictor of economic contractions: the inverted yield curve, i.e., where short term rates (usually the 2-year Treasury) are higher than the 10-Year Treasury. Jennifer Hughes puts it in perspective in a September 21 *Financial Times* article, "There isn't much that economists agree on, but it's hard to find one who doesn't believe the old investor adage that the phrase 'this time is different' is one of the most dangerous in markets." Before each of the six U.S. recessions since the 1980s, the yield curve inverted. For four of those since 1990, the inversion flipped back to a normal shape just before a recession. After an unusually long 26-months of yield curve inversion, yields on 2-year notes fell below 10-year bonds during the first week of September… and the S&P 500 hit another record high just after the Fed cut rates on September 18. "Could it really be different this time? The key question is, is the dis-inverting because the Fed is likely to engineer a soft landing or is it just because the Fed is behind the curve?"[11]

Only time will tell.

One thing is certain: the recent Fed action to lower rates will not be a catalyst for a quick real estate turnaround. As mentioned earlier, rate cuts, at least at the beginning of an easing cycle, bear more of a psychological impact than a tangible one. And although the FOMC's decision on September 18 was welcome news for consumers and investors, it's important to note that its impact will be felt unevenly. Omar Eltorai, Research Director at Altus Group, put it this way in a September 18th piece: "The Fed Funds Rate is not the rate at which businesses, investors, or consumers borrow or access financing, so these effects will take time to flow through. However, the signal sent by the first cut may be beneficial in the near-term, as this shift in policy stance can be factored into business projections, expectations, and valuations."[12]

Real estate transaction activity has remained muted due to high debt costs. While the Fed's rate cut could boost investor sentiment slightly, the real impact may take time to materialize.

If the Fed lowers rates by at least another 25 bps at each of the next two meetings before year-end (November 6-7 and December 17-18), as is widely expected, there will likely be a bit more real estate transaction activity in early 2025. But the 10-year Treasury is more important for real estate investment activity. It's the benchmark for equity investors as well as an index for setting the cost of long-term fixed rate debt. And hanging over all of it is the U.S. economy. It appears that the Fed may be successfully engineering a soft landing—a positive for investors' confidence in real estate and other asset classes. However, we won't know for several months, or even quarters, if the economy can steer clear of a recession, so most prudent investors will remain cautious with one foot on the gas and one on the brake pedal.

The 10-year Treasury yield is crucial for real estate investors, and recent price changes have caused modest concern. Some recent history: On July 1, the 10-year Treasury stood at 4.48%, and that ended up being the high watermark for the third quarter. From there until September 16, the yield on the 10-year marched down 87 bps to 3.61% (a Q3 low) in anticipation of the Fed's Open Market Committee Meeting on September 18. The 10-year yield edged up modestly (13 bps) in the two weeks following the FOMC meeting and closed at 3.74% on October 1. Between then and November 1, traders drove the yield up another 63 bps to 4.37%, within a whisker of its Q3-high in early July.

Why does that give pause? Two connected reasons: First, because attractively priced debt is the lubricant for a smoothly functioning and active real estate transaction market. In "normal times," debt on high-quality real estate with up to 60% loan-to-value is priced at an approximate 150 bp spread over the "index" (i.e., the 10-year Treasury). That would put a 10-year loan at 5.9%… and that's not going to generate much enthusiasm for buyers who are looking for positive leverage. Second, because over the past 62 years, the 10-year Treasury has, on average, carried a yield 98 bps higher than the Fed Funds rate (and that 62-year average includes periods

11 Hughes, J. (2024, September 21). What is the yield curve really telling us about the odds of recession? Financial Times. https://www.ft.com/content/e73831d9-1fdc-407d-ba34-fe46f4db2564
12 Altus Group. (2024, September 18). Will the Fed's interest rate cut boost US commercial real estate? https://www.altusgroup.com/insights/will-the-fed-interest-rate-cut-boost-us-commercial-real-estate/?utm_source=google&utm_medium=organic

of inversion—in fact, 71% of the time during those 62 years the curve is normal and the spread during those times is 178 bps!). Picking the midpoint for the 62-year average and the average during times of a normal yield curve would put the spread at 138 bps. That would mean that the Fed Funds rate would need to fall below 3% (i.e., 175 bps less than where they are right now) before there would be any real sustainable pressure on 10-year Treasuries to fall below ~4.35%. It's possible that the Fed will stay on track and get the Fed Funds rate to 3% by the end of 2025. It's also possible that they could pause and delay getting to that threshold. Real estate investors are watching and waiting with great interest.

Greg Ip of *The Wall Street Journal* reached a similar conclusion in an October 11 article, where he concluded that recent GDP growth of 2.8% "would suggest that the economy has become less vulnerable to higher interest rates. In Fed-speak, the 'neutral rate' (a Fed Funds rate that keeps inflation and unemployment stable) may have risen. As recently as December, Fed officials thought the neutral rate was 2.5%. By September, it had been raised to 2.9%. Now some officials are pegging it closer to 3.5%. By itself a higher neutral rate is not worrisome because it signals a return to normalcy. But it does mean that the Fed Funds rate may settle in 50 to 100 bps higher than some investors had hoped."[13]

There's one more wild card in the deck that could impact the trajectory of the U.S. economy over the next 12 to 24 months and a real estate recovery: the U.S. election. As of this writing we now know that Donald Trump has won a second term as President. What does that portend?

Ryan Sweet of Oxford Economics in a conversation with the Bailard Real Estate team on November 6 believes that Trump will do everything in his power to pump up the economy early in his term. Sweet expects fiscal stimulus, tax cuts, elevated defense spending, and other measures to be an "adrenaline shot" that would drive strong GDP growth over the next few years.

Unfortunately, Trump's approach to governing is unusual and erratic so his Presidency will pose risks and opportunities for commercial real estate. Following are some expectations for some specific policy areas that will impact the economy and real estate.

Trade: During the campaign Trump advocated for 20% across-the-board tariffs on all imports and 60% on goods coming from China in an effort to protect American jobs and boost manufacturing. Many economists from a broad spectrum of economic schools of thought believe that tariffs are not good for the U.S. economy in the long run and that a trade war could have disastrous consequences. Who knows whether Trump really means what he says on the campaign trail, but he will, as President, have broad authority to impose his will on trade. Changes in trade policy will most certainly impact supply chains, but at this point its too early to tell whether the impact on warehousing & distribution will be positive, negative, or negligible. Most observers expect higher tariffs to put upward pressure on consumer goods and reignite inflation.

Taxes: Trump has consistently been vocal about cutting taxes, and he would likely push for the preservation of his 2017 tax cuts and also potential changes to the cap on SALT (state and local tax) deductions. If he is successful, it could boost consumer spending and the economy.

Federal Spending: Trump's wish list is a long one. And without knowing the exact composition of Congress, it's impossible to know whether he'll have support for his spending spree. Bottom line: the inability of either party to rein in spending has implications for real estate investors' cost of debt and equity capital. The recent rise in the 10-year Treasury yield is due in large part to the market's concerns about deficit spending. The Fed may be hesitant to cut rates to keep inflation in check if it is concerned that the stimulation might cause the economy to overheat. The Fed's concerns might be mollified if the administration and Congress find ways to curb spending and bring down the deficit. In the near term, real estate investors should prepare for bond market volatility. This will likely keep real estate transaction activity muted.

13 Ip, G. (2024, October 10). Interest Rates Will Be Higher in the Future, Especially if Trump Is President. The Wall Street Journal. https://www.wsj.com/economy/central-banking/interest-rates-higher-trump-president-c3010e8a

Immigration: Trump has been vocal in his insistence on strict border controls and implementing mass deportation. Both parties seem to agree that something needs to be done to better secure the border with Mexico. It remains to be seen what policies get implemented and what impact that might have on the labor market. Ironically, even after the massive influx of undocumented immigrants into the United States over the past several years, there are still approximately eight million jobs that need to be filled. The Fed will certainly factor in labor market dynamics in its fight against inflation.

CBRE in a November 6 research piece—entitled "Potential Impacts of Trump Presidency on Commercial Real Estate"—did a nice job of summarizing the current state of play:

> The second Trump presidency will usher in both opportunities and risks for commercial real estate. The industrial and retail sectors will be particularly affected by trade policy and shifting consumer spending patterns. The fiscal policy mix will also have some bearing on the cost of capital. Prospects for unrestrained federal spending and historically high budget deficits could further drive-up long-term interest rates, weighing on the nascent recovery in investment activity.[14]

Some areas, such as tax policy, should be favorable for commercial real estate, while tariffs will likely boost short-term industrial leasing activity as companies build inventory ahead of increased tariffs. However, tariffs may constrain demand over a longer period. Additionally, a rise in long-term interest rates will exacerbate homeownership affordability issues, forcing more people to rent out of necessity.

We also expect that Trump will loosen regulatory burdens on industry, much as he did in his first term. Finance and energy companies stand to especially benefit from this approach, which can also aid economic growth, providing a tailwind for leasing activity.

The Bailard team agrees with CBRE's conclusions and will remain ever-vigilant to spot attractive investment opportunities for the Fund. However, uncertainty reigns, so caution will prevail. 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 or service, and utilizing conservative/low risk capitalization strategies.

14 CBRE Brief. (2024, November 6). Potential Impacts of Trump Presidency on Commercial Real Estate. CBRE Research. https://view.cbrecommunications.com/?qs=3cd770b0d82d74c445bfec28a60f014c292cb46957e3e980c5afb2bcd9332e8783a1f6f1069d4ff2073428cd8a86ae23a189d04c58c0c07cc96efd0123593fce33d8701d73a5cb35267425c90d45beeb

Fund Performance

The Fund's Net Asset Value (NAV) at September 30, 2024 was $30.70 per share, following a $0.10 per share quarterly distribution. The Fund's quarterly NCREIF-based return was 0.4% (gross) and 0.2% (net of management fee). For the year ended September 30, 2024, the Fund earned a -7.1% gross return and -7.9% net return.[1]

During the third quarter, 18 of the Fund's 35 properties experienced value declines of between 0.1% and 6.2%, 11 saw increases in value of 0.2% to 27.8%, while six remained unchanged.

The largest (percentage) write-down occurred at Highland Pointe in Lombard, IL, which suffered a diminution in value of 6.2% due to a major tenant downsizing and continued difficulties in Chicago's west suburban office markets. South Mountain Industrial in Phoenix, AZ decreased in value by 4.4% due to a 25-basis point increase in yield rates. Gwinnett Apartments in Lawrenceville, GA dropped in value by 4.3% due to increased vacancy and concessions incorporated into the valuation model to better reflect the ongoing impact of a significant supply overhang in the broader Atlanta multifamily market, in general, and in Gwinnett's submarket, specifically.

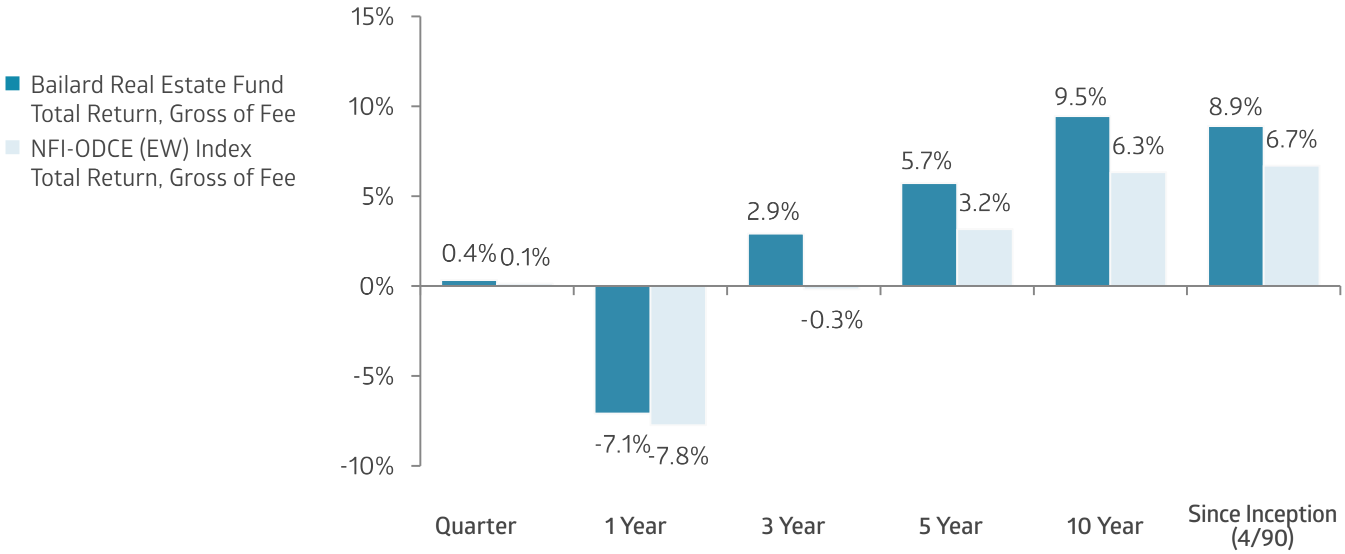
M Street in Washington, DC enjoyed the largest write-up of the quarter, increasing in value by 27.8% due to the anchor tenant, Wells Fargo, signing a ten-year extension while increasing base rent from $70/SF to $220/SF. Fairview Park in Falls Church, VA rose in value by 4.7% due to the signing of a new 7,400 SF tenant. Poplar Glen Apartments in Columbia, MD experienced a value increase of 3.3% 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. The Fund's underlying performance results 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. 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. ***Past performance is no indication of future results. All investments have the risk of loss.***

Bailard Real Estate Fund Total Returns[1, 2]

FOR PERIODS ENDING 9/30/2024



	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (4/90)
Total Return						
Bailard, Net of Fee	0.2%	-7.9%	2.1%	4.9%	8.5%	8.3%
ODCE (EW), Net of Fee	-0.1%	-8.4%	-1.1%	2.3%	5.5%	5.8%
Income Return						
Bailard, Gross of Fee	0.9%	3.2%	3.3%	3.7%	4.0%	5.1%
ODCE (EW), Gross of Fee	1.0%	3.9%	-3.8%	3.9%	4.2%	6.3%
Bailard, Net of Fee	0.7%	2.4%	2.4%	2.8%	3.1%	4.6%
ODCE (EW), Net of Fee	0.8%	3.1%	2.9%	3.0%	3.4%	5.3%

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. ***Past performance is no indication of future results. All investments have the risk of loss.***

Fund Overview

As of September 30, the Fund's property portfolio was 92% leased, down from 93% at Q2 quarter-end and up from 89% one year ago.[1]

At the portfolio's multifamily assets, total Net Operating Income (NOI) declined by 5.6%, year-over-year (Q3 2024 vs. Q3 2023). Measured on a "same-store" basis, multifamily NOI decreased by 11.5%, year-over-year. (The same-store calculation excludes Grand at Saginaw and Beck46, which were in development during Q3 2023.) La Morada at Weston in Weston, FL and Plantation Colony in Plantation, FL contracted by 24.8% and 17.7% respectively, stemming from a large increase in Florida property insurance rates. Gwinnett Apartments in Lawrenceville, GA shrank by 15.0%. Partially offsetting these declines was C&E Lofts in St. Paul, MN, which grew by 35.0% due to lower taxes after a successful appeal and an insurance expense accrual adjustment.

On a quarterly basis (Q3 2024 vs. Q2 2024), NOI at the Fund's multifamily properties increased by 3.9% in total and decreased by 5.0% on a same-store basis (excluding Grand at Saginaw and Beck46). Lowa46 in Minneapolis, MN and Plantation Colony rose by 31.4% and 20.4%, respectively. In contrast, C&E Lofts dropped by 54.6%, while Gwinnett Apartments contracted by 12.1%.

Year-over-year, total NOI at the Fund's office properties decreased by 25.6% (the same-store decrease was identical). Fairview Park in Falls Church, VA dropped by 134.2% after United Health (UHG) vacated its space. Highland Pointe in Lombard, IL contracted by 66.9%, while 150 Pierce Road in Itasca, IL declined by 13.4%. Positive NOI changes occurred at Flying Cloud in Eden

Fund Summary

AS OF 9/30/2024[2]

Property Portfolio	$1,397.6 mil.
Cash and Cash Equivalents[3]	$48.4 mil.
Restricted Cash[4]	$8.7 mil.
Other Assets	$7.5 mil.
Gross Asset Value[5]	$1,462.2 mil.
Debt[6]	$423.4 mil.
Dividends Payable	$3.1 mil.
Other Liabilities	$26.1 mil.
Net Asset Value (NAV)	$1,009.6 mil.
Noncontrolling Interests in Joint Ventures	$42.1 mil.
Fund's Net Asset Value	$967.5 mil.
Current NAV/Share	$30.70
Dividends Paid/Share (Quarter)[7]	$0.10
Dividends Paid/Share (Trailing Twelve Months)[7]	$0.40
Number of Properties	35
% Core / Operating	100%
% Leased[1]	92%
Multifamily	94%
Office	77%
Industrial	95%
Retail	97%
Other	59%
Weighted Average Remaining Lease Term (SF)	5.1 years
Office	3.7 years
Industrial	5.0 years
Retail	7.6 years
Other	7.4 years

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 $42.1 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.

Prairie, MN and Town & Country in Orange, CA, which expanded by 40.4% and 11.1%, respectively.

Measured quarterly, office NOI decreased 31.6% on both a total and same-store basis. Fairview Park declined by 132.5%, while Highland Pointe and 150 Pierce Road shrank by 69.3% and 37.6%, respectively. In contrast, Flying Cloud increased by 172.4%.

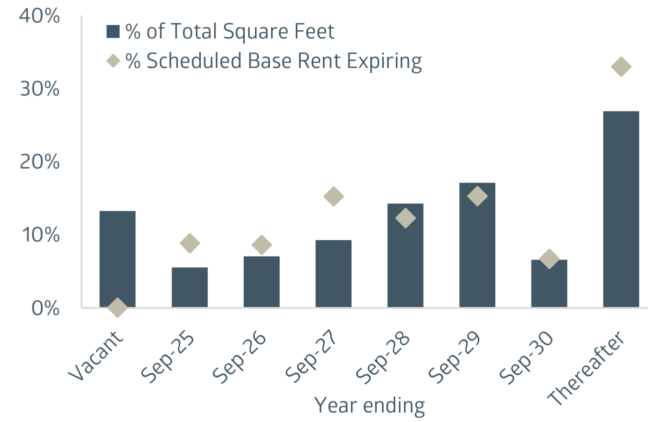
At the portfolio's industrial assets, total year-over-year NOI grew by 19.7%. Same store industrial NOI rose by 12.1% year-over-year. The same-store calculation excludes one property: South Logistics Center in West Valley City, UT, purchased in August 2023. Fullerton Industrial in Fullerton, CA increased by 56.6% and Georgia Trade Center in Savannah, GA expanded by 16.9%. Meadowville Distribution Center in Chester, VA rose by 16.3%. Partially offsetting these increases was Westport Industrial Portfolio in St. Louis, MO, which dropped by 6.4%.

On a quarterly basis, total industrial NOI increased by 3.6%. Excluding South Logistics Center, same store NOI decreased by 0.6%. Market Street Industrial in Houston, TX grew by 35.5%, and Meadowville Distribution Center expanded by 7.1%. In contrast, Westport Industrial Portfolio decreased by 11.1% and Georgia Trade Center declined by 9.3%.

The portfolio's retail properties rose by 10.3% year-over-year on both a total and same store basis. Lowa46 Retail in Minneapolis, MN expanded by 57.0%, while Shoppes at Knightdale in Knightdale, NC increased by 16.8% after Academy Sports moved into its space and began paying rent. Charter Colony in Midlothian, VA declined by 9.4% because of higher repairs and maintenance expenses from painting the property in Q2. Total retail NOI expanded by 2.1% on a quarterly basis, identical to the same store measurement. Charter Colony rose by 14.0%, while C&E Flats Retail in St. Paul, MN decreased by 28.2%.

The portfolio contains two properties classified as "Other": Perimeter East Data Center in Dunwoody, GA and Junction Drive in Annapolis Junction, MD, also a data center. Perimeter East is currently vacant. Junction Drive is 100% leased and experienced a year-over-year NOI increase of 1031.3%. This outsized growth occurred because the tenant was in a free-rent

Upcoming Lease Expirations
EXCLUDING MULTIFAMILY



Top 10 Tenants
AS OF 9/30/2024[8]

Tenant	Property Name	% of Portfolio Revenue
CDK Global	District 237	2.8%
Engineered Floors & Pentz Str	Fullerton Industrial	2.8%
Stop & Shop	Mansfield Stop & Shop; Norwell Stop & Shop	2.6%
Lowe's Home Centers	Georgia Trade Center	2.6%
BAE Systems	South Mountain Industrial	2.2%
CCBCC Operations	Meadowville Distribution Center	2.1%
Jewel Food Stores	150 Pierce Road	1.9%
SFC Global Supply Chain	Fullerton Industrial	1.9%
Lone Star Integrated Distribution	Market Street Industrial	1.7%
Northrop Grumman	Junction Drive	1.5%
Total Top 10 Tenants		**22.1%**

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.

period during Q3 2023. On a quarterly basis, Junction Drive's NOI dropped by 1.4%.

LEVERAGE

As of September 30, the Fund had leverage totaling $425.9 million at par ($423.4 million at fair value), amounting to an aggregate Debt-to-Gross Asset Value ratio of 28.6%, down from 29.4% at the end of the previous quarter.[9] Individual property Loan-to-Value (LTV) ratios ranged from 37% to 100%, with the average LTV on encumbered properties at 48%, unchanged from the end of the third quarter one year ago. The Fund's in-place weighted average interest rate was 5.6% at the end of the quarter, up from 5.4% at Q2 quarter-end and up from 5.2% one year ago. The quarter's impact of marking debt to market was -0.2%.

During the third quarter, the Fund paid off the full balances on three fixed rate loans at their maturity dates:

- Town & Country ($12.0 million at 3.33%, matured July 2024)
- C&E Flats ($14.5 million at 3.82%, matured August 2024)
- C&E Lofts ($11.7 million at 4.23%, matured August 2024)

The Bailard Real Estate Fund has six loans—with a principal balance of ~$128 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 Loan

- Grand at Manor ($18.5 million at SOFR + 2.75%, maturing November 2024): The Fund plans to sell this asset and pay off the loan 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 over $300,000 per year in debt service.

2024 Fixed Rate Loan

- Highland Pointe ($24.5 million at 7.11%, maturing October 2024): Subsequent to quarter-end, on October 8 the Fund assigned its 75% partnership interest in this asset to its joint venture partner, Hamilton Partners, following the write-off of the remaining equity.

Leverage Statistics

AS OF 9/30/2024[9]

Debt Outstanding (Fund's Economic Share)	$391.6 mil.
Debt to Gross Asset Value	29%
% Fixed Rate Debt	76%
Property Portfolio Debt Service Coverage Ratio	2.9x
Weighted Avg. Interest Rate	5.6%
Fixed Rate: Weighted Avg. Remaining Term	2.8 years
Floating Rate: Weighted Avg. Remaining Term	1.0 years
# of Unencumbered Properties	18

2025 Fixed Rate Loans

- Gwinnett Apartments ($27.0 million at 3.67%, maturing January 2025): The Fund is considering a 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 45% LTV, this loan is easily refinanced. Assuming the loan is refinanced at a fixed rate of 6%, that would result in an additional $700,000 per year in debt service for the Fund.

2025 Floating Rate Loans

- 150 Pierce Road ($12.5 million at SOFR + 2.11%, maturing April 2025): Given the fundamentals at this asset, we do not foresee difficulty refinancing this loan in 2025 at similar or better terms.
- Beck46 ($22.0 million at SOFR + 2.4%, maturing May 2025): This floating rate construction loan will be refinanced as soon as this asset reaches stabilization. The current floating rate is approximately 7.6%, and if it is refinanced at a current fixed rate of 6%, that would save the Fund ~$325,000 per year in debt service.

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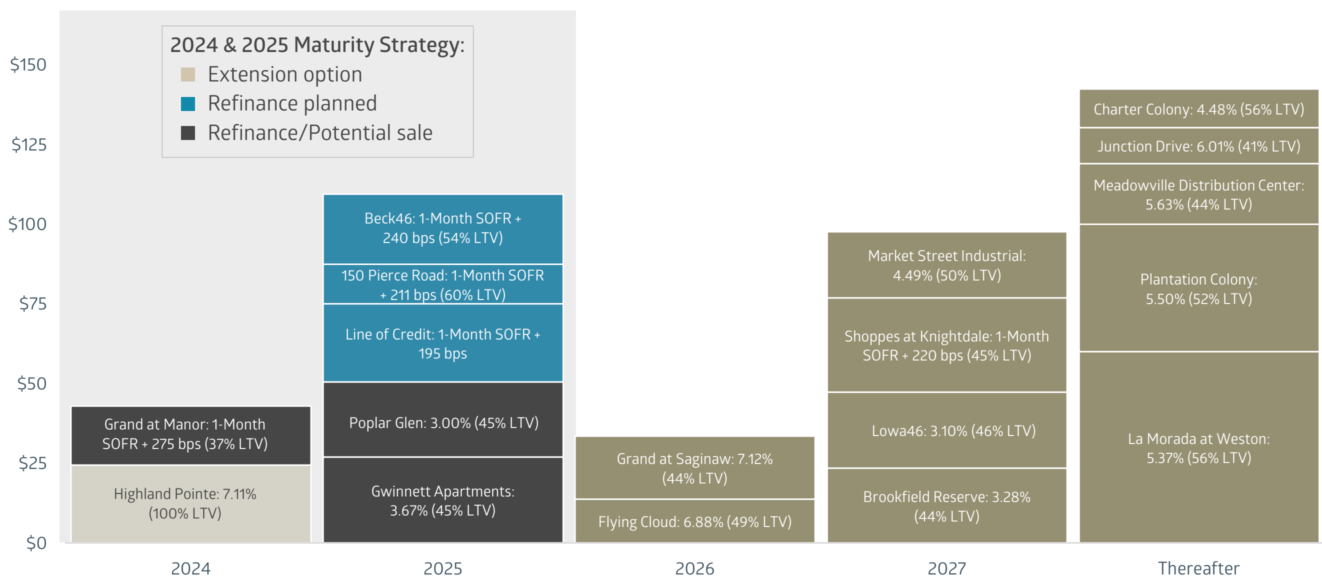
9 Per the NCREIF PREA Reporting Standards, leverage percentage is calculated as follows: the Fund's economic share of outstanding debt at par divided by the Fund's total gross assets (the Fund's economic share of gross real estate, cash and cash equivalents, and other assets).

Debt Maturity Schedule[9] AT PAR, AS OF 9/30/2024

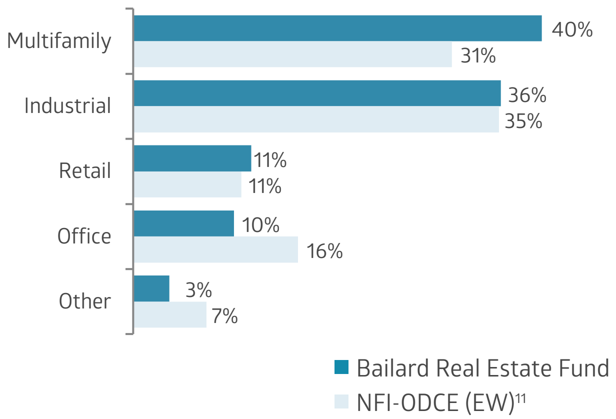
Property Name	Full Market Value (millions) Debt Balance	Economic Share (millions) Debt Balance	Maturity Date
Highland Pointe	$24.5	$18.4	Oct-2024
Grand at Manor	$18.5	$18.5	Nov-2024
Gwinnett Apartments	$27.0	$25.4	Jan-2025
Fund-Level Line of Credit	$24.5	$24.5	Mar-2025
Poplar Glen	$23.5	$23.5	Apr-2025
150 Pierce Road	$12.5	$10.0	Apr-2025
Beck46	$22.0	$16.9	May-2025
Flying Cloud	$13.8	$13.1	May-2026
Grand at Saginaw	$19.8	$13.2	Sep-2026
Brookfield Reserve	$23.5	$18.2	Jan-2027
Lowa46	$23.9	$21.5	Jan-2027
Shoppes at Knightdale	$29.6	$25.5	Feb-2027
Market Street Industrial	$20.7	$20.7	Oct-2027
La Morada at Weston	$60.0	$60.0	Jun-2028
Plantation Colony	$40.0	$40.0	Sep-2028
Meadowville Distribution Center	$19.0	$19.0	Mar-2030
Junction Drive	$11.3	$11.3	Aug-2030
Charter Colony	$12.1	$12.1	Jun-2032
Total	$425.9	$391.6	



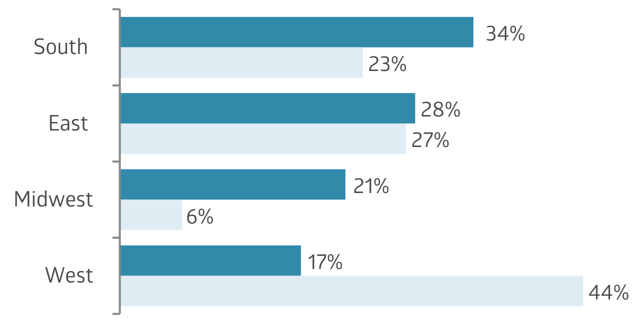
9 Per the NCREIF PREA Reporting Standards, leverage percentage is calculated as follows: the Fund's economic share of outstanding debt at par divided by the Fund's total gross assets (the Fund's economic share of gross real estate, cash and cash equivalents, and other assets).
Chart reflects shaded areas 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 9/30/2024)

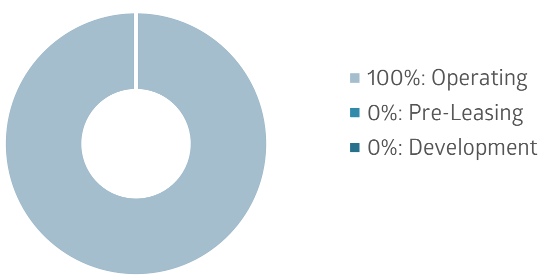
Property Type



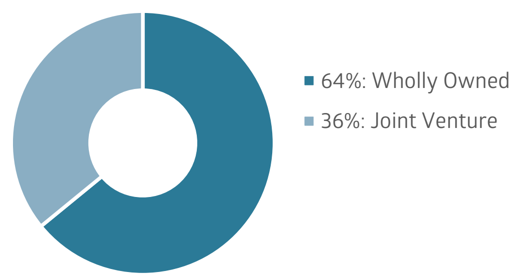
Geography



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 dedicated to the broad integration of Sustainable, Responsible & Impacting Investing (SRII) practices across acquisition, asset management, and portfolio management. Through portfolio-wide policies and processes, SRII considerations are embedded as a vital component of the Fund's strategies and actions. This approach not only supports return enhancement and risk management, but also aims to "future-proof" the Fund.

The Bailard team applies best practices both at the Fund and individual property levels. With a focus on tenant safety and community building, the Fund actively tracks energy and water usageto help ensure responsibile resource management.

Property Spotlight: Flying Cloud

Located in Eden Prairie, MN, Flying Cloud is a 201,951 SF office building that the Fund acquired in April of 2016.

ENVIRONMENTAL – Flying Cloud received an Energy Star rating of 83 out of 100, reflecting the high standards in place for property systems and energy management.

SOCIAL – The Fund has continually invested in the common spaces at Flying Cloud to provide its tenants with healthy food and lifestyle options including a recent cafe refresh, gym updates, and new lounge space. All third-party vendors for both onsite projects as well as ongoing maintenance, security and cleaning are local, responsible contractors.

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

- 100% of the Fund's properties are now being monitored via Measurabl.
- All multifamily properties and commercial properties where the Fund controls utilities 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 remains focused on communication by offering housing resources for residents, CDC guidance for commercial tenants, and 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, onsite staff, and visitors by focusing on health and safety initiatives.
- Sustained focus on enhancing tenant satisfaction through building programs and amenities designed for 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

- A continued commitment to high standards in Board management and transparency with shareholders through 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%	-4.3%
Austin	The Grand at Manor	270 units	96%	-2.8%
Baltimore	Poplar Glen	191 units	97%	3.3%
Dallas/Ft. Worth	The Grand at Saginaw	235 units	75%	0.0%
Ft. Lauderdale	La Morada at Weston	367 units	94%	-0.6%
Ft. Lauderdale	Plantation Colony	255 units	96%	-0.9%
Milwaukee	Brookfield Reserve	193 units	98%	0.2%
Minneapolis-St. Paul	Beck46	142 units	79%	-0.8%
Minneapolis-St. Paul	C&E Flats - Multifamily	118 units	99%	0.7%
Minneapolis-St. Paul	C&E Lofts	103 units	96%	-0.2%
Minneapolis-St. Paul	Lowa46 - Multifamily	147 units	97%	-0.5%
		2,259 units	**94%**	**-0.7%**
Industrial				
Houston	Market Street Industrial	395,725 SF	100%	0.0%
Orange County	Fullerton Industrial	254,750 SF	100%	-0.1%
Philadelphia	Highland Business Park	569,893 SF	100%	0.0%
Phoenix	South Mountain Industrial	188,140 SF	100%	-4.4%
Richmond	Meadowville Distribution Ctr	353,044 SF	100%	0.2%
Salt Lake City	South Logistics Center	328,607 SF	53%	-1.1%
San Diego	Waterville Industrial	101,435 SF	100%	3.2%
Savannah	Georgia Trade Center	416,450 SF	100%	0.8%
St. Louis	Westport Industrial Portfolio	651,009 SF	95%	-0.3%
		3,259,053 SF	**95%**	**-0.2%**
Office				
Baltimore	Nottingham 7941	57,782 SF	100%	-1.4%
Chicago	150 Pierce Road	181,228 SF	91%	-1.6%
Chicago	Highland Pointe	376,571 SF	64%	-6.2%
Columbus	Easton Commons	135,485 SF	0%	-3.1%
Minneapolis-St. Paul	Flying Cloud	201,495 SF	80%	1.0%
Orange County	Town & Country	90,191 SF	77%	-2.6%
San Jose	District 237	76,410 SF	100%	-1.7%
Washington, DC	Fairview Park	117,065 SF	47%	4.7%
		1,236,227 SF	**77%**	**-1.6%**
Retail				
Boston	Mansfield Stop & Shop	74,383 SF	100%	0.0%
Boston	Norwell Stop & Shop	59,519 SF	100%	0.0%
Minneapolis-St. Paul	C&E Flats - Retail	11,636 SF	76%	0.0%
Minneapolis-St. Paul	Lowa46 - Retail	49,545 SF	93%	0.6%
Raleigh	Shoppes at Knightdale	323,113 SF	100%	1.5%
Richmond	Charter Colony	71,741 SF	100%	-0.6%
Washington, DC	M Street	10,806 SF	68%	27.8%
		600,743 SF	**97%**	**2.2%**
Other				
Atlanta	Perimeter East Data Center	88,000 SF	0%	0.0%
Baltimore	Junction Drive	96,666 SF	100%	1.1%
		184,666 SF	**59%**	**0.6%**
TOTAL PROPERTY PORTFOLIO: $1,397,554,000			**92%**	**-0.3%**

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 $42.1 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

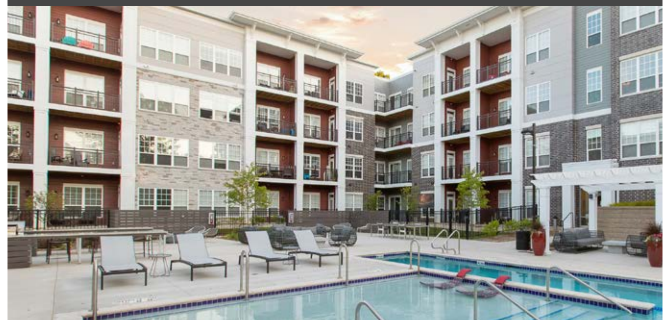
Beck46

4020 Nawadaha Blvd, Minneapolis, MN 55406
Acquired May 2022

Beck46 continued its smooth lease-up, reaching 79% leased at quarter-end. With multifamily leasing in Minneapolis being highly seasonal, tour traffic is expected to slow during Q4 and into Q1 2025. Despite this, the Fund anticipates the property will reach stabilization (approx. 94% leased) by year-end. Residents are actively using the building's amenities and remain very satisfied with the onsite property manager.

The Fund plans to revisit refinancing in early 2025 when the property achieves stabilization, expecting a broader pool of prospective lenders.

Multifamily



Brookfield Reserve

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

Brookfield Reserve continues to achieve positive rent growth while also maintaining a satisfied resident base. With desirable unit finishes, extensive community amenities, and an exceptional onsite management team, the property is well-positioned for continued strong performance. The Fund is monitoring a new development in the neighborhood as well as a few projects in the development pipeline. The property manager remains focused on gathering feedback to enhance the resident experience at the property.

Multifamily/Retail

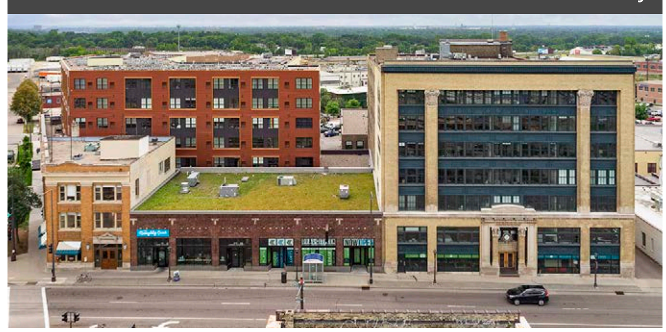
C&E Flats

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

C&E Flats finished the quarter at 99% leased. The Fund is focused on maintaining high resident retention upon lease rollover as traffic will decrease in the colder winter months. Unfortunately, rent growth at the property and broader market remains muted. Both retail tenants appear to be performing well.

The Fund paid off the mortgage loan at maturity and is in the process of adding the property to the collateral pool for the Fund's recently upsized Line of Credit.

Multifamily



C&E Lofts

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

Lofts remained well-leased during the quarter, with minimal concessions utilized. The property remains an attractive alternative to new developments in the neighborhood. The Fund is working with property management to identify minor capital projects to enhance resident satisfaction. As with C&E Flats, the Fund paid off the mortgage loan at maturity and Lofts has also been added to the collateral pool for the Fund's Line of Credit.

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.

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%, unchanged from Q2. Despite the increasing supply of apartments in Austin—which is softening market fundamentals—the asset continues to perform well, maintaining occupancy and leasing activity without offering concessions.

The property remains on the market for sale. The buyer selected last quarter was unable to proceed with its original capital partner. However, they have since secured a new capital partner with a higher likelihood to perform. The Purchase and Sale Agreement has been negotiated and is scheduled for execution in early November.

Multifamily

The Grand at Saginaw

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

The Grand at Saginaw is a 235-unit garden-style apartment community being developed on 9.8 acres north of Ft. Worth, Texas. During the quarter, Building Three (the final building under construction at the project) was completed, marking the end of construction for the six-building project. By the end of Q3, 75% of the units were leased, up from 58% in Q2, with 65% of the units physically occupied, an increase from 49%. Despite reaching substantial completion, there are still damages to pursue related to the general contractor's lack of performance in delivering the project on time. The Fund is actively addressing these issues.

Multifamily

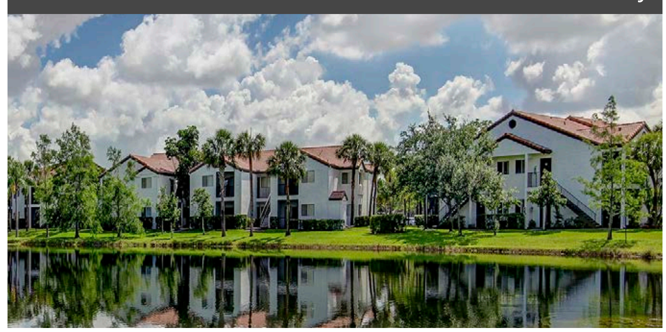
Gwinnett Apartments

1760 Lakes Parkway, Lawrenceville, GA 30043
Acquired December 2017

Gwinnett Apartments ended the quarter at 95% leased but property management had to utilize significant concessions in order to maintain occupancy. The submarket has been overwhelmed with new supply in 2024 and it has become common place for residents to jump around to different properties to take advantage of significant concession offers.

The Fund and its Joint Venture partner are currently negotiating a Purchase and Sale Agreement with a large institutional investor. The transaction is expected to close in Q4.

Multifamily



La Morada at Weston

1201 Fairlake Boulevard, Weston, FL 33326
Acquired March 2000

La Morada ended the quarter at 94% leased. Demand in South Florida remains robust and the property continues to achieve sizable rental growth. The City has finally granted approval for the stair landing replacement project which will allow the contractor to commence on the first building. Depending on permit approvals and fabrication timing, work on other buildings will also begin before the end of the year. The Fund is working closely with the construction manager to ensure there are minimal disruptions for residents once work begins.

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.

Multifamily/Retail

Lowa46

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

The property has rebounded from its earlier leasing challenges, and ended Q3 at 97% leased. The leasing and management team's high-touch customer service has completely changed the tenant experience at the property.

The Fund and its JV partner are monitoring a leak issue occurring in some of the units, which might require further inspections to determine the underlying cause.

Multifamily

Plantation Colony

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

Plantation Colony continues to be a strong performer and had the portfolio's highest resident retention over the last twelve months. Despite ample new supply delivered in the neighborhood over the last few years, the property continues to be a unique garden style offering with spacious units and a beloved onsite property management team. The electrical panel replacement project has been slightly delayed due to scheduling issues with the city inspector. Work will proceed through the end of the year, with completion now anticipated for early 2025. A few additional minor capital projects are underway at the property.

Multifamily

Poplar Glen

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

Poplar Glen had another strong quarter of rent growth with portfolio leading resident retention. Limited new development in the submarket positions the property well for continued rent growth heading into 2025. The onsite property management team has diligently worked to reduce delinquency issues.

The mortgage at the property matures in April 2025 and the Fund is confident in its ability to refinance the loan given the low leverage and strong fundamentals at the property.

Industrial

Fullerton Industrial

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

Fullerton remains fully leased, backed by a seven-year weighted average lease term from two creditworthy tenants. However, rent growth remains subdued, and concessions are rising in Southern California as industrial fundamentals weaken. The Mid-Counties submarket has high barriers to new construction due to limited land availability, which mitigates the risk of oversupply. Furthermore, infill locations like this property will continue to experience strong demand, given their proximity to the ports and the major population centers of Los Angeles and Orange County.

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

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. In spite of significant and historical levels of additions to supply the past few years, leasing fundamentals in the Savannah market remain solid, with property values showing signs of stabilization.

Industrial

Highland Business Park

300 Highland Drive, Westampton, NJ 08060
Acquired June 1999

Highland Business Park maintained 100% occupancy, unchanged from Q2. The portfolio of industrial buildings boasts a weighted average lease term of five years.

During the quarter, the Fund completed its capital improvement initiatives, including replacing most of the building roofs and upgrading the monument signage to enhance curb appeal and increase brand visibility for tenants. While industrial market fundamentals in the Northeast are softening, the Fund remains optimistic about this asset's long-term performance potential.

Industrial

Market Street Industrial

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

Market Street Industrial remains fully leased (unchanged from Q2), with a weighted average lease term of just over four years. Leasing fundamentals for industrial properties in the Port of Houston submarkets remain strong relative to competing industrial nodes in Houston and other industrial markets in Texas with significant oversupply.

During the quarter, the Houston market was hit by a hurricane that was downgraded to a tropical storm, Hurricane Beryl. Fortunately, aside from some interruption to the utility services, the property suffered no significant damage.

Industrial

Meadowville Distribution Center

1400 Digital Drive, Chester, VA 23836
Acquired March 2023

Meadowville Distribution 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.

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

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 industrial building in the Northwest Quadrant of Salt Lake City, is 53% leased, unchanged from Q2. The Fund continues to market the remaining vacancy, but activity has remained slow. Salt Lake City's industrial market has softened, impacted by declining demand and an unprecedented increase in new supply. To enhance the property's marketability, the Fund is adding a small increment of office space to the available warehouse and installing decorative/security fencing at the entrance on the west side of the property.

Industrial

South Mountain Industrial

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

South Mountain Industrial remains fully leased to BAE Systems, through 2027. The Fund attempted to sell the property last year without success and brought it to market again this year. The Fund has selected a buyer who is now under contract to purchase the property and is currently performing its due diligence on the property. If the buyer completes due diligence without any issues, the Fund expects to close the transaction prior to year-end.

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. Honeywell initially planned to vacate the property once its new facility in Tijuana reached a similar production capacity. However, as the new facility has been slow to ramp-up its production capacity, Honeywell has postponed its move and extended the lease term at Waterville by an additional six months, with a new expiry of September 2025.

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 95% leased, unchanged from Q2. Despite a slowdown in industrial leasing fundamentals in St. Louis, this asset remains well-leased. Additionally, the property's value has remained largely stable as the yields are comfortably aligned with the current cost of debt and equity capital.

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

150 Pierce Road

150 Pierce Road, Itasca, IL 60143
Acquired May 2015

One new lease totaling 1,800 square feet was signed during the quarter bringing occupancy to 91%. Given the limited lease rollover over the next 12 months, the Fund's main focus is on generating tour activity and leasing the remaining vacant suites. Leasing activity at the property and in the submarket has remained slow for majority of the year.

Office

District 237

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

District 237 remains fully leased to CDK Global, Inc. through March 2027. Although CDK does not physically occupy the building, the property is available for sublease. While the Bay Area office market has yet to reach pre-COVID levels, it is showing signs of recovery, driven by return-to-office mandates from major tech companies and potential job growth from generative AI advancements. The Fund is exploring options to increase power capacity at the property to enhance its appeal to prospective research and development tenants.

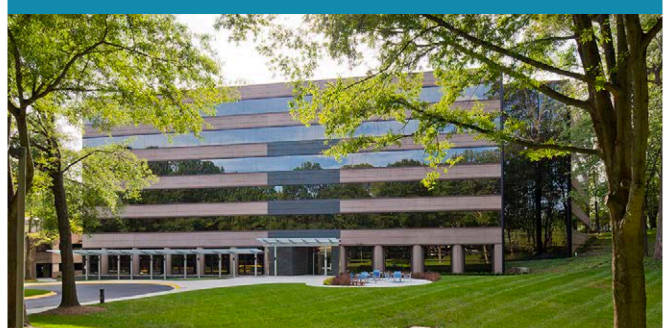
Office

Easton Commons

3344 Morse Crossing, Columbus, OH 43219
Acquired December 2017

Easton Commons remains vacant, as in Q2. The Fund re-evaluated designs for new amenity spaces and floor layouts to attract smaller tenants; however, converting the building to a multi-tenant layout involves substantial capital costs. Additionally, user-buyers prefer a single-tenant configuration. As a result, the Fund continues to market the space for lease or sale in its current condition for a larger occupier.

Office



Fairview Park

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

Fairview Park ended the quarter 47% leased, down from 53% leased in Q2. The slight decrease in occupancy stems from United Healthcare Group's final vacation of the building at the beginning of the quarter. The Fund was successful in backfilling a portion of the space, limiting the impact on overall occupancy. The Fund continues to actively market the building, and while the suburban Washington D.C. market remains slow, the Fund is confident in its ability to attract users to the building.

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Office

Flying Cloud

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

Leasing activity at 7500 Flying Cloud was strong in Q3, with three leases signed, bringing the property to 80% leased. The fourth quarter will be busy onsite as tenant improvement work begins on multiple suites. Leasing efforts will focus on the remaining vacant suites, most of which are under 7,000 square feet. Work on two first-floor spec suites is set to begin in the fourth quarter, providing an attractive option for prospects seeking move-in ready space. There is no tenant rollover expected for the next 18 months at the property.

Office

Highland Pointe

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

Highland Pointe ended the quarter at 64% leased, a 10% reduction from Q2 after the building's largest user contracted significantly. Due to vacancy and leasing difficulties, failed loan modification negotiations, and a limited buyer pool for office assets, the Fund decided to transfer its interest in the Property to its Joint Venture partner, Hamilton Partners. The transaction closed subsequent to quarter-end on October 8th.

Office

Nottingham 7941

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

The property remains 100% leased to Prometric through 2025. Prometric has requested a proposal to lease half of the building come lease expiry. The charter school interested in the property has shifted focus to purchasing a building but is unlikely to make a compelling offer. The Fund has also been approached by an operator interested in purchasing the building. The Fund will continue to explore both leasing and disposition options, but all interested parties are moving slowly.

Office

Town & Country

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

Town & Country ended the quarter 77% leased, unchanged from Q2. The property remains on the market for sale. The buyer identified last quarter did not materialize. However, users in the market remain interested in purchasing the asset for their own business use, and the Fund continues efforts to secure one of these buyers.

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Retail

Charter Colony

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

Charter Colony remained fully leased throughout Q3, boasting a strong weighted average lease term of 12 years. The anchor tenant, Publix, has over 16 years remaining on its lease. Given the asset's stability, the Fund is focused on enhancing tenant relationships and undertaking 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 Q3, unchanged from Q2. During the quarter, the Fund extended its anchor tenant, Wells Fargo, for an additional ten years of term, now expiring in August 2035. Wells Fargo's new lease will start at $220 per square foot per year, NNN, which is a substantial increase from its current rent at around $80 per square feet. The new lease generated significant value appreciation at the property.

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 through March 2033. Stop & Shop manages all utilities and maintenance, minimizing landlord involvement. The Fund continues to focus on maintaining a cooperative and collaborative relationship with the tenant.

Retail

Norwell Stop & Shop

468 Washington Street, Norwell, MA 02061
Acquired August 2022

Norwell Stop & Shop is a standalone neighborhood grocery store covering 59,519 square feet, fully leased to Stop & Shop through 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 remains focused on actively strengthening its relationship with the tenant.

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

Shoppes at Knightdale

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

Shoppes at Knightdale remains 100% leased with a strong roster of national credit tenants. HomeGoods and Burlington Stores will both open ahead of the busy holiday season. OfficeMax has given notice that it plans to vacate the property upon lease expiry in March 2025. A national retailer has already submitted a proposal to backfill the entirety of that space and the property's leasing broker is in conversations with multiple other prospects who may be interested in all or part of the space. The Fund and its JV partner are also trading proposals with a restaurant user interested in a smaller inline shop space.

Other (Data Center)

Junction Drive

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

The property is fully leased to Northrop Grumman through January 2032. The tenant continues to heavily utilize its space.

Other (Data Center)

Perimeter East Data Center

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

Perimeter East remains vacant. The Fund and its JV partner are working with JLL to market the property for sale. They are awaiting confirmation from Georgia Power on potential power availability, which is expected in the fourth quarter.

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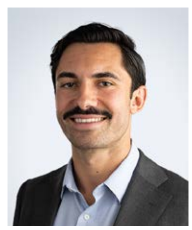

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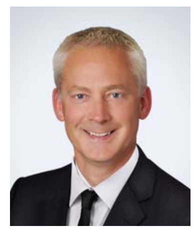

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Ronald Kaiser, CRE, Independent Director
Sonya Mughal, CFA, Director
Preston Sargent, Director

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 prospective accredited investors. It does not constitute advice or a recommendation or offer to sell or a solicitation to deal in any security or financial product. It is provided for information purposes only and on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of the proposals and services described herein, any risks associated therewith and any related legal, tax, accounting, or other material considerations. To the extent that the reader has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, prospective investors are encouraged to contact Bailard or consult with the professional advisor of their choosing.

The information provided in this report with respect to the Fund is as of September 30, 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.

Past performance is no indication of future results. All investments have the risk of loss.

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