

Ares Real Estate Income Trust

AREIT

Quarterly Update Letter – 1Q 2024 (Class I Shares)

(as of 03/31/24)

We are pleased to provide you with a performance and portfolio positioning update on Ares Real Estate Income Trust (AREIT) for 1Q 2024.

Market Overview

The U.S. economy entered 2024 on solid footing, with tight labor markets and inflation, ending March at 3.48%¹ year-over-year. Following a year of tremendous interest rate volatility where the 10-year Treasury yield peaked at 4.98%,² interest rates remained fairly volatile in 1Q 2024, and the 10-year Treasury yield ended at 4.20%.² With the Federal Reserve signaling interest rate cuts, we believe we're entering a period with more visibility into inflation and interest rates, which we expect to lead to a reopening of real estate transaction markets.

Performance Overview

In what has been a challenging period for commercial real estate, AREIT continues to deliver on its objective to generate durable income³ with a 5.19%⁴ annualized distribution rate with respect to Class I Shares. Investors would need to earn greater than an 8.24%⁵ yield from a fully taxable investment to earn the same after-tax distribution rate as an investment in AREIT's Class I Shares, providing 4.04% of additional yield above the 10-year Treasury yield.

Over its 11+ year track record, AREIT has delivered historically consistent performance with a 6.29% annualized return and no drawdown of over 8.00%, with respect to Class I Shares. In 1Q 2024, AREIT experienced strong rent growth attributed to a high-quality portfolio and opportunistically increasing exposure to higher yielding asset classes, such as real estate credit. Broadly, commercial real estate returns continued to be pressured by interest rate increases from 2023, causing higher exit capitalization and discount rates. As a result, in 1Q 2024, AREIT returned -2.80%, with respect to Class I Shares,³ ending the quarter with a net asset value (NAV) of \$7.70 per share.⁶

AREIT has taken meaningful write downs over the past +18 months, and we believe our property values reflect the rapid changes in the capital market environment. Increasing interest rate clarity and a pickup in investor and lender appetite for real estate in 1Q 2024 suggest real estate values should be stabilizing, and the impact of rate hikes on pricing appears to be largely behind us. AREIT's underlying fundamentals remain resilient, which should generate compelling performance once exit capitalization and discount rates settle.

Portfolio Overview

AREIT targets the most resilient areas of the market that we believe have the most long-term growth potential. Industrial and multifamily now account for 62% of the portfolio, and adjacent sectors (including data centers and self-storage) and real estate debt investments strategically make up a 16% allocation. Because the "where" matters as much as the "what", AREIT's largest segment of multifamily is 81% located in Sun Belt markets experiencing favorable population growth and demographic trends.

5.19%

ANNUALIZED
DISTRIBUTION RATE⁴

100%

2023 RETURN OF
CAPITAL⁷

6.29%

SINCE INCEPTION
RETURN^{3,8}

**115 out
of 138**

MONTHS POSITIVE
RETURNS SINCE
INCEPTION⁸

36.3%

LEVERAGE⁹

AREIT entered the year from a position of strength with a highly stabilized portfolio that is now 95.3% leased. Throughout 1Q 2024, value creation through tenant retention and accretive leasing continued across sectors. Rent increases on AREIT’s industrial leases signed over the last 12 months averaged 46.1%, meaningfully contributing to cash flow.

Importantly, AREIT is disciplined in its granular approach to asset selection and remains active as a net buyer to grow the portfolio at pricing levels not seen in many years, which we believe can drive future outperformance. In 1Q 2024, AREIT leveraged Ares’ global platform to invest \$33.2 million into the off-market acquisition of a 7-asset portfolio in core logistics markets across the U.K.

Portfolio Outlook

Some of the best returns in real estate have come after repricing periods. We see an exceptional entry point and believe that relationships and market intelligence that come with Ares’ scale will be paramount to participating in recovery and driving success. Also, notably, real estate credit remains an important theme for AREIT, and we are excited about the enhanced returns and potential downside protection that our growing exposure can bring.¹⁰

We believe AREIT is uniquely positioned due to our targeted geographic mix, the quality of our assets, and the resiliency of our balance sheet. Conservative leverage of 36.3%,⁹ of which 100.0% is fixed or hedged,¹¹ and a below-market weighted average effective borrowing rate of 4.46% afford us notable flexibility and access to capital to take advantage of a generational opportunity for deployment.

We also have an impactful mark-to-market rent growth opportunity with in-place rents across the portfolio well below market rents on average. Additionally, the long-term fundamentals for our select sectors with favorable supply-demand dynamics are expected to strengthen following a sharp decline in construction starts, down approximately 70-80% for industrial and multifamily since the 2022 peak.¹² Demand tailwinds, including industrial supply chain reconfiguration and a for-sale housing affordability crunch, combined with this construction pullback, should set up a bright rent growth picture in 2024 and beyond.

Investors continue to seek core private real estate for diversification in a less correlated asset class. Looking ahead, we believe AREIT’s differentiated portfolio has been carefully constructed to create long-term value and offer relative downside protection through market cycles. As always, we thank you for your partnership and for giving us the opportunity to invest in the real estate sector on your behalf.

- The Ares Real Estate Team

Positioned For Success in the Current Environment

Revenue Growth	Embedded Value	In-Demand Sectors	Triple-Net Leases	Resilient Balance Sheet
<div>25%</div> <div>TRAILING 12-MONTH RENT INCREASES ON COMMERCIAL LEASES</div> <div>Realizing significant rent growth to support cash flow</div>	<div>21%</div> <div>BELOW MARKET RENT IN INDUSTRIAL PORTFOLIO¹³</div> <div>Opportunity to unlock embedded value over time as leases expire</div>	<div>78%</div> <div>HIGH CONVICTION SECTORS AND ASSET CLASSES¹⁴</div> <div>Demonstrating the ability to evolve with dynamic market conditions</div>	<div>91%</div> <div>TRIPLE-NET LEASES (COMMERCIAL PORTFOLIO)¹⁵</div> <div>Insulated from rising costs by passing expenses through to tenants</div>	<div>100%</div> <div>FIXED OR HEDGED FINANCING¹¹</div> <div>Mitigates exposure to elevated interest rates</div>

Portfolio at a Glance

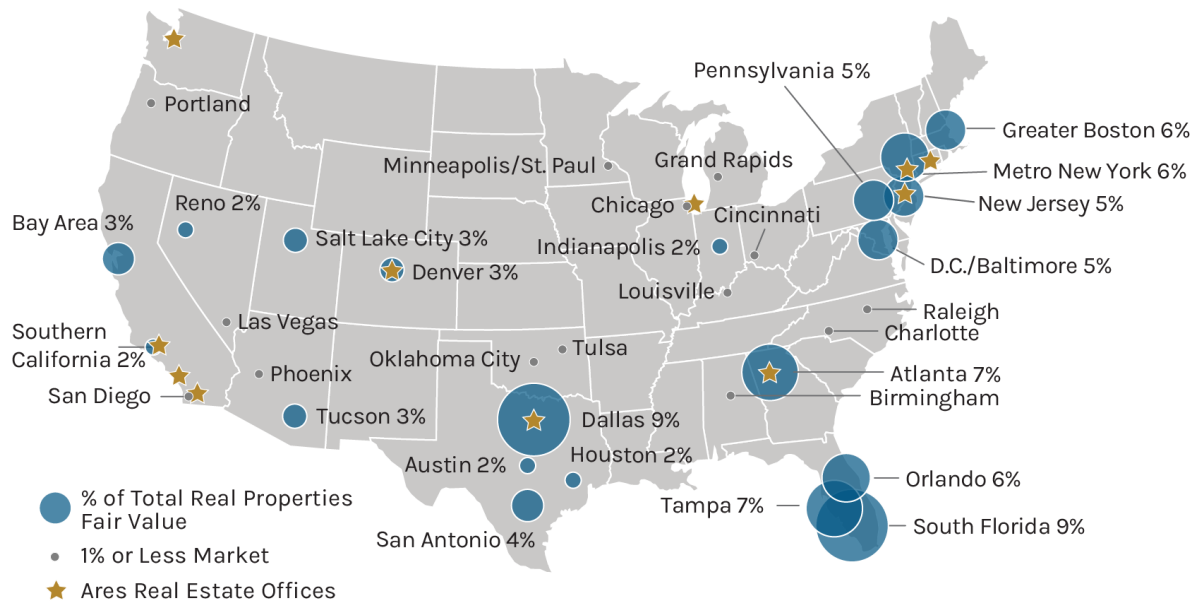


Active Management Highlights



Invested \$33.2 million for the off-market acquisition of a 7-asset industrial portfolio in top-tier submarkets across the U.K.

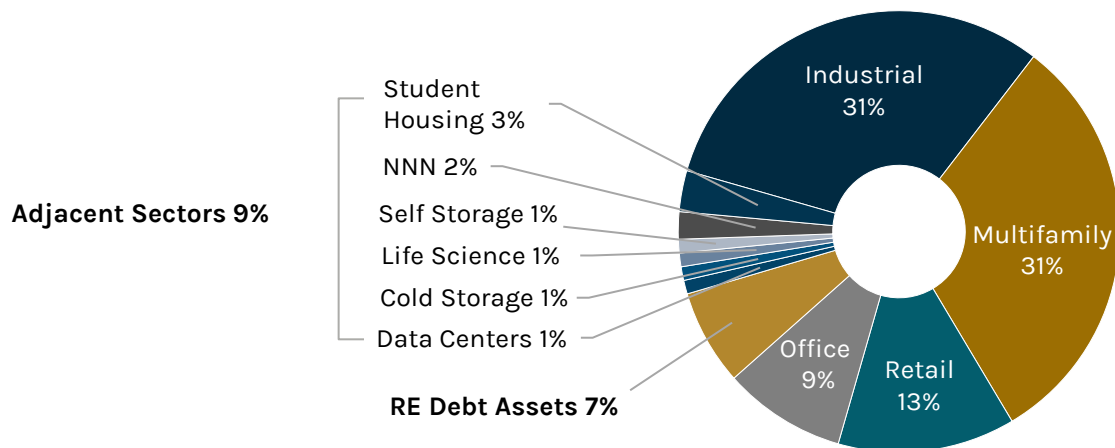
Geographic Diversification



69% invested in the South and West, including 39% in Texas and Florida – Sun Belt metros experiencing outsized population, job, and wage growth

Sector Allocation

Our diversified portfolio is anchored in the four most established property sectors, with strategic allocations to adjacent sectors and real estate debt assets.¹⁷



62%

Industrial and Multifamily Growth & Appreciation Potential

Industrial portfolio benefits from e-commerce and nearshoring tailwinds, and the multifamily portfolio of Class A product is located in high-growth markets that attract quality tenants.

22%

Retail and Office Powerful Income Opportunities

Necessity-based retail centers and boutique suburban office help support our monthly distributions to investors.

9%

Adjacent Sectors Diversified Sources of Income & Appreciation

Student housing, self-storage, cold storage, data centers, life science, and triple-net lease assets further diversify the portfolio's income and potential appreciation sources.

7%

Real Estate Debt Assets Accretive Yield Opportunities

Real estate debt that benefits from elevated interest rates, leveraging Ares' credit-oriented DNA.

Performance Summary³

	Quarter	1-year	3-year	5-year	10-year	Inception-To-Date	Distribution Rate (Ann.) ⁴
Class I	-2.80%	-6.46%	5.20%	5.96%	5.96%	6.29%	5.19%
Class D	-2.86%	-6.69%	4.94%	5.70%	5.61%	5.91%	4.94%
Class T/S at NAV ¹⁸	-3.01%	-7.25%	4.31%	5.07%	5.02%	5.69%	4.34%
Class T/S w/Sales Charges ¹⁸	-6.29%	-10.38%	3.13%	4.35%	4.71%	5.57%	4.20%

Distribution payments are not guaranteed. AREIT may pay distributions from sources other than cash flow from operations, including the sale of assets, borrowings, return of capital or offering proceeds, and AREIT may be required to fund its monthly distributions from a combination of its operations and financing activities, which include net proceeds of this offering and borrowings (including borrowings secured by its assets), or to reduce the level of its monthly distributions. AREIT has not established a cap on the amount of the distributions that may be paid from any of these sources.

Past performance is not a guarantee of future results.

Performance is measured by total return, which includes income and appreciation. Total return represents the compound annual rate of return assuming reinvestment of all distributions.

1. Bureau of Labor Statistics, as of March 2024.
2. Bloomberg, data as of March 31, 2024.
3. Past performance is not a guarantee of future results. Performance data quoted above is historical. Current performance may be higher or lower than the performance data quoted. All returns are net of all AREIT expenses, including general and administrative fees, management fees, and performance allocation fees, but exclude the impact of early redemption deductions for shares held less than one year. NAV-based calculations involve significant professional judgments and the calculated value of our assets and liabilities may differ from our actual realizable value or future value. An incorrect judgment will affect the NAV as well as any returns derived from that NAV, and ultimately the value of your investment. As return information is calculated based on NAV, return information presented will be impacted should the assumptions on which NAV was determined prove to be incorrect. We have recorded approximately \$83,213,000 in net loss for the year ended December 31, 2023. For the year ended December 31, 2023, approximately 68.4% of our total gross distributions were paid in cash and approximately 31.6% of our total gross distributions were funded with proceeds from shares issued pursuant to our distribution reinvestment plan. Of the total gross distributions paid in cash, 22.5% of our total gross cash distributions were paid from cash flows from operations and 77.5% were paid from borrowings, as determined on a GAAP basis.
4. The amount of distributions AREIT may make is uncertain, may be modified at the program's discretion, and is subject to board approval. Distribution rate represents the net annualized distribution rate which is calculated as the gross annualized distribution rate less annual distribution fees if applicable and divided by NAV. Net annualized distribution rate assumes the NAV per share at the end of each month remains the same. Distributions have been declared to stockholders of record as of October 31, 2023, November 30, 2023, and December 29, 2023 at the new monthly rate of \$0.0333 per share, which is the equivalent of an annualized rate of \$0.40 per share, if the new rate is maintained for a 12-month period. Our total distributions declared, including distributions related to OP Units, during the years ended December 31, 2023, 2022 and 2021 were \$103.7 million, \$87.4 million and \$65.3 million, respectively, which includes \$32.7 million, \$29.9 million and \$23.6 million, respectively, of distributions reinvested in our shares pursuant to our distribution reinvestment plan. Our cash flow from operations for the years ended December 31, 2023, 2022, and 2021 was \$16.0 million, \$62.5 million and \$49.4 million, respectively. Accordingly, in certain years and certain individual quarters, total distributions were not fully funded by cash flows from operations. In such cases, the shortfalls were funded from proceeds from our distribution reinvestment plan, borrowings or sale of DST Interests.
5. Tax-equivalent yield was calculated using AREIT's Class I share annualized distribution yield as of March 31, 2024 and the 2023 tax year reallocations. Calculations account for the 20% deduction to REIT dividend income and assume a federal tax rate of 37%. Tax-equivalent yields for all other share classes were as follows: 7.84% for Class D, 6.89% for Class T/S (without sales charge) and 6.67% for Class T/S (with sales charge). State taxes could lower after-tax yield. Tax-equivalent yield will vary based on the current yield, nondividend distributions during any given tax year, and an investor's state and federal tax brackets. As a result, actual tax-equivalent yields may be lower. Tax-equivalent yield does not take into account other taxes that may be owed by the investor upon redemption on sale of the investments. At that time, the investor may be subject to higher capital gains taxes as a result of depreciating cost basis due to the return of capital portion of distributions. Investors should consult their own tax advisors.
6. See AREIT's Current Report on Form 8-K, filed with the SEC on April 15, 2024 for important additional information concerning the calculation of our NAV as of March 31, 2024. NAV is calculated in accordance with valuation procedures adopted by AREIT's board and is not subject to accounting principles generally accepted in the United States ("GAAP"). NAV will likely differ from the GAAP value of our equity reflected in our financial statements. As of December 31, 2023, our total equity under GAAP was approximately \$1,111,416,000 and our GAAP total equity per share/unit was approximately \$4.01. GAAP total equity per share/unit is presented on a "blended" share class/unit basis and is calculated as total equity divided by the aggregate number of outstanding shares issued by AREIT and units issued by AREIT Operating Partnership LP. Please click here for a reconciliation of our GAAP total equity to our NAV. Investors should review this information prior to making an investment decision.
7. Distributions to stockholders are characterized for U.S. federal income tax purposes as: (i) ordinary income; (ii) non-taxable return of capital; or (iii) long-term capital gain. Distributions that exceed our current and accumulated tax earnings and profits constitute a return of capital and reduce the stockholders' basis in the common shares.
8. NAV inception is September 30, 2012. The historical returns presented show share performance since September 30, 2012, which is when AREIT first sold Class A, W and I shares after converting to an NAV REIT on July 12, 2012. Subsequently, as a result of a share restructuring effective as of September 1, 2017, AREIT's outstanding Class A, W and I shares changed to Class T, Class D and a new version of Class I shares, respectively. AREIT also created a new Class S share, with the same NAV per share and class-specific expenses as Class T shares. Accordingly the presented returns of Class I, D, S and T shares reflect the performance of the Class I, W, A and A shares since NAV inception through the restructuring date, respectively. In connection with the restructuring, AREIT also revised its fee structure with its advisor and dealer manager and its NAV methodology, which will affect returns going forward. Please see AREIT's definitive proxy statement filed with the Securities and Exchange Commission on June 7, 2017, for more information about the fee changes and our pro forma estimates of how those fee changes would have affected returns on AREIT shares in the years 2013-2016. Investors in AREIT's fixed price offerings prior to NAV inception on September 30, 2012 are likely to have a lower return.
9. Leverage is calculated as outstanding principal balance of our borrowings less cash and cash equivalents, divided by the fair value of our real property, net investments in unconsolidated joint venture partnerships, investments in real estate-related securities and debt-related investments not associated with the DST Program, as determined in accordance with our valuation procedures. The use of leverage magnifies the potential for gain or loss on the amount invested and may increase the risk of investment.
10. References to "downside protection" or similar language are not guarantees against loss of investment capital or value.
11. Incorporates direct fixed rate financings, floating rate financings hedged with interest rate caps or swaps and floating rate financings on floating rate debt investments that are effectively match funded. Excludes the line of credit and asset level financing on investments whereby AREIT is investing through preferred equity, if any.
12. CoStar, as of Q1 2024.
13. Below market rent percentage derived from our current in-place rents vs the current market rents for each industrial property.
14. Includes industrial, multifamily, adjacent sectors, and real estate debt assets.
15. Triple Net Lease percentage is calculated as: Number of leases in the portfolio structured as a triple-net lease / total number of leases in the portfolio.
16. Total asset value is calculated as fair value of investments in real estate properties, fair value of debt-related investments not associated with the DST Program, fair value of investments in unconsolidated joint venture partnerships, fair value of investments in real estate-related securities, as applicable, plus cash and cash equivalents.
17. Diversification does not ensure a profit or protect against loss.
18. The Class T/S Share with Sales Charge returns shown are based on the maximum up-front sales commission and ongoing distribution/dealer manager fees that were in effect for the time period indicated. Performance shown at NAV does not include maximum up-front sales charge at initial subscription.

Forward Looking Statement

This communication includes certain statements that are intended to be deemed "forward-looking statements" within the meaning of, and to be covered by the safe harbor provisions contained in, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," "continue," or other similar words or terms. These statements are based on certain assumptions and analyses made in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate. Such statements are subject to a number of assumptions, risks and uncertainties that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements. Among the factors that may cause results to vary are the negative impact of increased inflation, changes in interest rates, the conflict between Russia and Ukraine, and/or the ongoing conflict in the Middle East on our financial condition and results of operations being more significant than expected, general economic and business (particularly real estate and capital market) conditions being less favorable than expected, the business opportunities that may be presented to and pursued by us, changes in laws or regulations (including changes to laws governing the taxation of real estate investment trusts ("REITs")), risk of acquisitions, availability and creditworthiness of prospective customers, availability of capital (debt and equity), interest rate fluctuations, competition, supply and demand for properties in current and any proposed market areas in which we invest, our customers' ability and willingness to pay rent at current or increased levels, accounting principles, policies and guidelines applicable to REITs, environmental, regulatory and/or safety requirements, customer bankruptcies and defaults, the availability and cost of comprehensive insurance, including coverage for terrorist acts, and other factors, many of which are beyond our control. For a further discussion of these factors and other risk factors that could lead to actual results materially different from those described in the forward-looking statements, see "Risk Factors" under Item 1A of Part 1 of our Annual Report on Form 10-K for the year ended December 31, 2023 and subsequent periodic and current reports filed with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

Risk Factors

• **Past performance is not a guarantee of future results. Investing in shares of Ares Real Estate Income Trust (AREIT) common stock involves a high degree of risk.**

- Investing in real estate assets entails certain risks, including changes in: the economy, supply and demand, laws, tenant turnover, interest rates (including periods of high interest rates), availability of mortgage funds, operating expenses and cost of insurance. This investment will offer limited liquidity options to investors. There is no guarantee of any return on investment and stockholders may lose the amount they invest. Real estate investment trusts (REITs) are not suitable for all investors.
- An investment in AREIT is not a direct investment in commercial real estate, but rather an investment in a REIT that owns commercial real estate.
- Further, investing in AREIT stock involves additional and substantial risks specific to AREIT, including, among others, that:
 - i. There is no public trading market for shares of AREIT's common stock, and AREIT does not expect that there will ever be a public trading market for its shares, so redemption of shares by them will likely be the only way to dispose of your shares.
 - ii. AREIT's redemption program imposes limits on redemptions. AREIT may modify or suspend its share redemption program at any time. As a result, AREIT's shares have only limited liquidity and may become illiquid.
 - iii. The purchase and redemption price for shares of AREIT's common stock will be generally based on the NAV of each class of common stock and will not be based on any public trading market. AREIT's NAV will not represent AREIT's enterprise value and may not accurately reflect the actual prices at which AREIT's assets could be liquidated on any given day, the value a third party would pay for all or substantially all of AREIT's shares, or the price that AREIT's shares would trade at on a national stock exchange. The board of directors may amend AREIT's NAV procedures from time to time.
 - iv. Some of AREIT's executive officers and directors and other key personnel are also officers, directors, managers, key personnel and/or holders of an ownership interest in its advisor, its dealer manager and/or other entities related to its advisor. As a result, they face conflicts of interest, including but not limited to conflicts arising from time constraints, allocation of investment opportunities and the fact that the fees its advisor will receive for services rendered to AREIT will be based on AREIT's NAV, the procedures for which its advisor will assist its board of directors in developing, overseeing, implementing and coordinating.

- v. If AREIT fails to maintain its status as a REIT, it would adversely affect its results of operations and its ability to make distributions to its stockholders.
- vi. The amount of distributions AREIT may make is uncertain, is not guaranteed, may be modified at the program's discretion, and is subject to board approval. AREIT may pay distributions from sources other than cash flow from operations including, without limitation, the sale of assets, borrowings or offering proceeds. The use of these sources for distributions would decrease the amount of cash AREIT has available for new investments, repayment of debt, share redemptions and other corporate purposes, and could reduce your overall return and dilute the value of your investment in shares of AREIT common stock.
- vii. The payment of fees by AREIT to its advisor and its dealer manager will reduce the cash available for distribution and will increase the likelihood that investors are unable to recover the amount of their investment in AREIT.
- viii. In connection with AREIT's offering, it incurs fees and expenses. In particular, AREIT expects to incur a dealer manager and distribution fee which are expected to reduce the amount of distributions received by certain investors and as a result will lower the overall return to such investors. Also, AREIT has and expects to continue to incur organizational and offering related expenses which reduce the overall cash flow of AREIT and negatively impact its NAV and could negatively impact your overall return.

This material must be read in conjunction with the AREIT [prospectus](#) in order to understand fully all of the implications and risks of the offering of securities to which it relates. This document must be preceded or be accompanied by a [prospectus](#), which contains important information about AREIT. This is neither an offer to sell nor a solicitation of an offer to buy the securities described in the AREIT [prospectus](#). The offering is being made only by the AREIT [prospectus](#).

Neither the Securities and Exchange Commission nor any other state securities regulator has approved or disapproved of the securities or determined if the prospectus is truthful or complete. In addition, the Attorney General of the State of New York has not passed on or endorsed the merits of the offering. Any representation to the contrary is unlawful. AREIT is not an investment company registered under the Investment Company Act of 1940.

Not a Deposit | Not FDIC Insured | Not Guaranteed by the Bank | May Lose Value | Not Insured by any Federal Government Agency

Ares Wealth Management Solutions, LLC, Distributor | Member FINRA

REF: RE-04275

AREIT-6003-0424