



# STERLING

MULTIFAMILY TRUST



**ANNUAL REPORT 2024**



## Our Mission

To deliver our investors strong, safe and reliable cash flow and share price appreciation by providing quality homes to our residents.

## Our Vision

To be an exceptional industry leading REIT by enriching our investors and communities through customer focused multifamily real estate ownership and operations.

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## OUR TEAM

Sterling Multifamily Trust operates under the direction of our Board of Trustees. The Board is responsible for the overall management and control of our affairs. Our Trustees have decades of experience in business, real estate, property management, banking and finance. Each Trustee is also a shareholder. The Board is deeply involved in the Trust's risk management. The Board receives regular reports from Management that include consideration of operational, financial, legal, regulatory and strategic risks facing the Trust and Operating Partnership.

## Board of Trustees



Lance Wolf  
CHAIR OF THE BOARD



Kenneth Regan



Gregory Hammes



Timothy Haugen



Timothy Hunt



Michelle Korsmo



Mark Polovitz



James Wieland

## Executive Officers



Kenneth Regan  
CHIEF EXECUTIVE OFFICER



Megan Schreiner  
PRESIDENT



Lisa Reich  
CHIEF FINANCIAL OFFICER  
& TREASURER



Michael Carlson  
GENERAL COUNSEL  
& SECRETARY



Luke Swenson  
CHIEF INVESTMENT OFFICER



David Perkins  
VICE PRESIDENT

## AUDIT AND DISCLOSURE COMMITTEE

Gregory Hammes  
Timothy Haugen  
Timothy Hunt\*  
Michelle Korsmo  
Mark Polovitz

## EXECUTIVE COMMITTEE

Timothy Haugen  
Timothy Hunt  
James Wieland  
Lance Wolf\*

## NOMINATION AND GOVERNANCE COMMITTEE

Michelle Korsmo\*  
Mark Polovitz  
James Wieland  
Lance Wolf

\*Indicates Committee Chair

# Financial Highlights

YEAR-END DECEMBER 31 (IN THOUSANDS)

	2024	2023	PERCENT CHANGE
<b>INCOME STATEMENT</b>			
RENTAL REVENUES	\$159,306	\$143,631	10.9%
TOTAL EXPENSES	\$141,815	\$138,521	2.4%
NET INCOME	\$18,343	\$7,656	139.6%
FUNDS FROM OPERATIONS (FFO)	\$49,283	\$38,103	29.3%
<b>BALANCE SHEET</b>			
TOTAL REAL ESTATE INVESTMENTS	\$1,095,415	\$970,804	12.8%
TOTAL ASSETS	\$937,710	\$854,833	9.7%
TOTAL LIABILITIES	\$608,772	\$553,513	10.0%
SHAREHOLDER EQUITY	\$328,938	\$301,320	9.2%
<b>SHAREHOLDER DATA (WEIGHTED AVERAGE BALANCES)</b>			
COMMON SHARES/LP UNITS OUTSTANDING	30,318	29,723	2.0%
LP UNITS OUTSTANDING	18,670	18,619	0.3%
COMMON SHARES OUTSTANDING	11,648	11,104	4.9%

# Our Values

## RESPECT

WE DEVELOP AND MAINTAIN RELATIONSHIPS BASED ON TRUST, COOPERATION, COLLABORATION AND OPEN COMMUNICATION WITH INVESTORS, STATE AND FEDERAL AGENCIES, BROKERS AND OUR MANY SERVICE PROVIDERS.

## EXCELLENCE

WE ACHIEVE EXCELLENCE BY FOSTERING A WORK ENVIRONMENT THAT SUPPORTS LEARNING, INNOVATION, AND CHANGE. WE STRIVE FOR CONTINUOUS IMPROVEMENT, RECOGNIZING THESE COMPONENTS AS ESSENTIAL TO ACHIEVING EXCELLENCE.

## INTEGRITY

INTEGRITY IS THE FOUNDATION OF OUR CREDIBILITY. WE SET HIGH STANDARDS FOR OUR WORK AND FOLLOW THE HIGHEST ETHICAL AND PROFESSIONAL STANDARDS.

## TRANSPARENCY

TO BEST SERVE OUR INVESTORS, WE PROVIDE ACCURATE, COMPLETE AND CONSERVATIVE INFORMATION. WE PRODUCE REPORTS THAT ARE OBJECTIVE, USEFUL, CLEAR AND CANDID. THE RESULTS OF OUR WORK ARE INTENDED TO ADD VALUE TO OUR INVESTORS.

## STEWARDSHIP

WE DARE TO LEAD WITH A FOCUS BEYOND TODAY. WE ARE COMMITTED TO OUR INVESTORS LONG TERM, WORKING TO BUILD A STRONGER TRUST FOR FUTURE GENERATIONS AND ACTING AT ALL TIMES WITH AN OWNER'S MENTALITY.

# Dear Valued Investors,

On behalf of your Board of Trustees, Officers, and the entire Sterling Management team, we extend our sincerest gratitude for your ongoing faith in us. We do not take lightly the achievement of earning your trust, and we strive to continue demonstrating our values of respect, excellence, integrity, transparency, and stewardship while delivering strong, reliable results for our investors. Thank you for your support.

For more than twenty years, Sterling Multifamily Trust (“SMFT”) has demonstrated consistent financial performance. Thanks to the Sterling Management team, our reputation and track record continue to set us apart from competing opportunities. As SMFT continues to grow, we remain focused on our core values and mission. Once again, we are pleased to present you with strong results from the previous fiscal year.

## A YEAR OF GROWTH

In 2024, our creative and thoughtful approach to investing enabled us to see growth across our portfolio. During a year where many were sidelined due to high interest rates and other economic setbacks, Sterling Multifamily Trust saw its biggest deal-volume year ever, successfully closing nearly \$200 million in deals.

When our team evaluates potential transactions, we are focused on the long-term opportunity of the property and its alignment to our mission. As a result, we made the decision to prune and upgrade our portfolio, including swapping out our older units for newer ones.

As part of this strategy, we also successfully pursued joint-ventures, which culminated in the development and acquisition of two properties: The Emory in Iowa and Lexington Lofts in Minnesota. Meanwhile, to further strengthen our existing portfolio, our team focused on tenant retention and lowering vacancy rates.

Additionally, we made the decision to conduct a new offering, which exceeded its goal of \$30 million. As we welcome new investors to the REIT, we want to extend our gratitude to the Sterling Management team, who has helped us build a strong reputation in our community and marketplace, and each of you, our investors, for your trust in our mission and our team.

## LOOKING AHEAD

In 2025, we continue to see uncertainty in the economy, yet we are strongly positioned to withstand these conditions through our nimble approach to real estate investment. Throughout the year, we will keep building strong relationships with potential joint-venture partners, existing tenants, and our new investors, while continuously evaluating our portfolio and prospects to support long-term growth. Additionally, we plan to make key upgrades to our existing portfolio, bringing older properties up-to-date and investing in classic style choices to help our properties stand the test of time.

As we look forward to our Annual Shareholder Meeting, we remain focused on delivering steady, robust results to our investors for years to come. Thank you for your faith and confidence in our team.

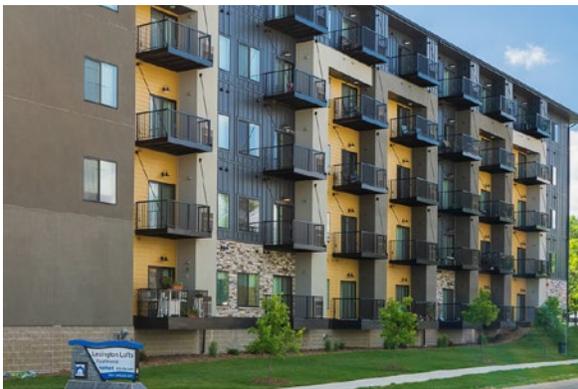
Sincerely,



Lance R. Wolf  
CHAIR OF THE BOARD



Kenneth P. Regan  
CHIEF EXECUTIVE OFFICER



# Our Business

## THE REIT STRUCTURE

A Real Estate Investment Trust (“REIT”) is an investment vehicle created by the United States Congress through the Real Estate Investment Act, enacted in 1960. This Act authorized real estate ownership structures to be treated similar to mutual funds, providing for a tax-exempt pass-through entity with broad-based ownership distributing most of its earnings and capital gains to investors. Investment in a REIT offers diversification benefits since REITs often render differing investment strategies in terms of property type and geographic focus.

## STERLING MULTIFAMILY TRUST

Sterling Multifamily Trust was formed to invest in a portfolio of multifamily (apartment) properties. The Trust elected to be taxed as a Real Estate Investment Trust (“REIT”) under Sections 856-860 of the Internal Revenue Code. The Trust’s mission is to provide investors the opportunity of long-term ownership in lower risk and well-managed income-producing real estate.

## STERLING MULTIFAMILY PROPERTIES, LLLP

Sterling Multifamily Trust is an Umbrella Partnership Real Estate Investment Trust (“UPREIT”) that holds all of its properties in a separate partnership, Sterling Multifamily Properties, LLLP (“Sterling Multifamily Properties”). The Trust controls Sterling Multifamily Properties and acts as its general partner. The Trust uses Sterling Multifamily Properties to acquire properties, including through the exchange of limited partnership units for properties. These “UPREIT” exchanges can be advantageous as the seller may be able to defer taxation of gain until the seller later resells the limited partnership units received in the exchange. By offering sellers the ability to defer taxation, the Trust gains an advantage in acquiring quality properties.

## STERLING MANAGEMENT, LLC

Sterling Multifamily Trust operates under the direction of its Board of Trustees. Sterling Multifamily Trust has no employees and therefore it retains Sterling Management, LLC, to manage its owned real estate and business operations. Sterling Management’s Executive Chairman, EVP & COO, CIO, CFO, General Counsel, and SVP – Commercial Portfolio serve as executive officers of the Trust.

## PUBLIC COMPANY STATUS

From inception through 2010, Sterling Multifamily Trust operated as a private REIT. In 2011, the Trust registered with the Securities and Exchange Commission (“SEC”) and became a non-traded public reporting company. The Trust’s ongoing growth and success necessitated our registration and transition to public company reporting status.

There are two forms of public REITs: Traded and Non-Traded. A traded REIT is a public company whose shares are traded on major stock exchanges such as NYSE or NASDAQ. Non-traded REITs may also be public companies but their shares are not traded on major exchanges and are, instead, offered directly to investors through representatives/broker dealers registered to sell the shares. Sterling Multifamily Trust operates as a public “non-traded” REIT.

The Trust filed its first report on Form 10-Q on May 15, 2011. The Trust’s most recent Annual Report on Form 10-K is contained at the end of this document. The Trust’s registration and reports are available to the public on the Sterling Multifamily Trust and SEC websites.

# Key Performance Indicators

## FUNDS FROM OPERATIONS

Funds from Operations (FFO) is the most commonly accepted and reported measure of REIT operating performance. It is a REIT's net income, excluding gains or losses from sales of property, and adding back real estate depreciation.

## FFO PER WEIGHTED AVERAGE SHARES

2022	\$1.44
2023	\$1.30
2024	\$1.63

## DIVIDEND COVERAGE RATIO

Dividend Coverage Ratio is FFO divided by dividends paid to share and unit holders.

2022	122.76%
2023	108.83%
2024	140.77%

## TOTAL REVENUE

2022	\$135,060,135
2023	\$143,630,555
2024	\$159,306,420

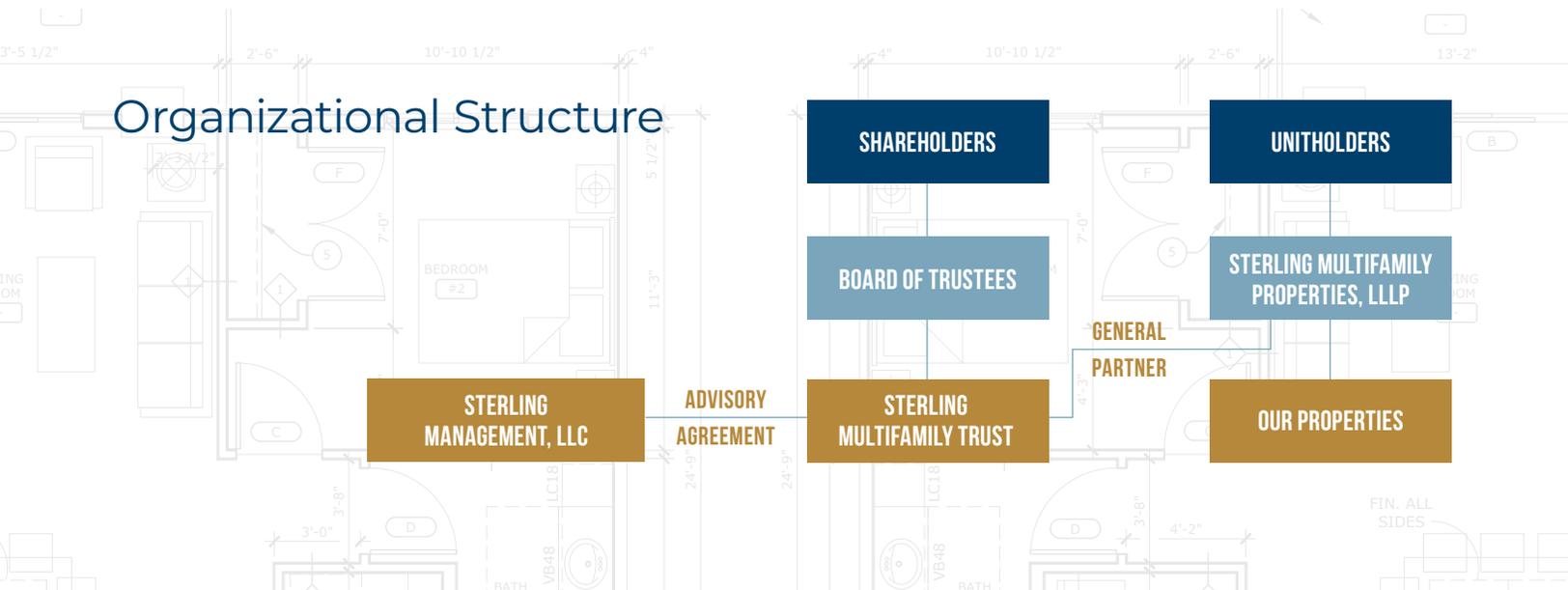
## TOTAL NOI

2022	\$63,921,566
2023	\$59,581,398
2024	\$74,888,205

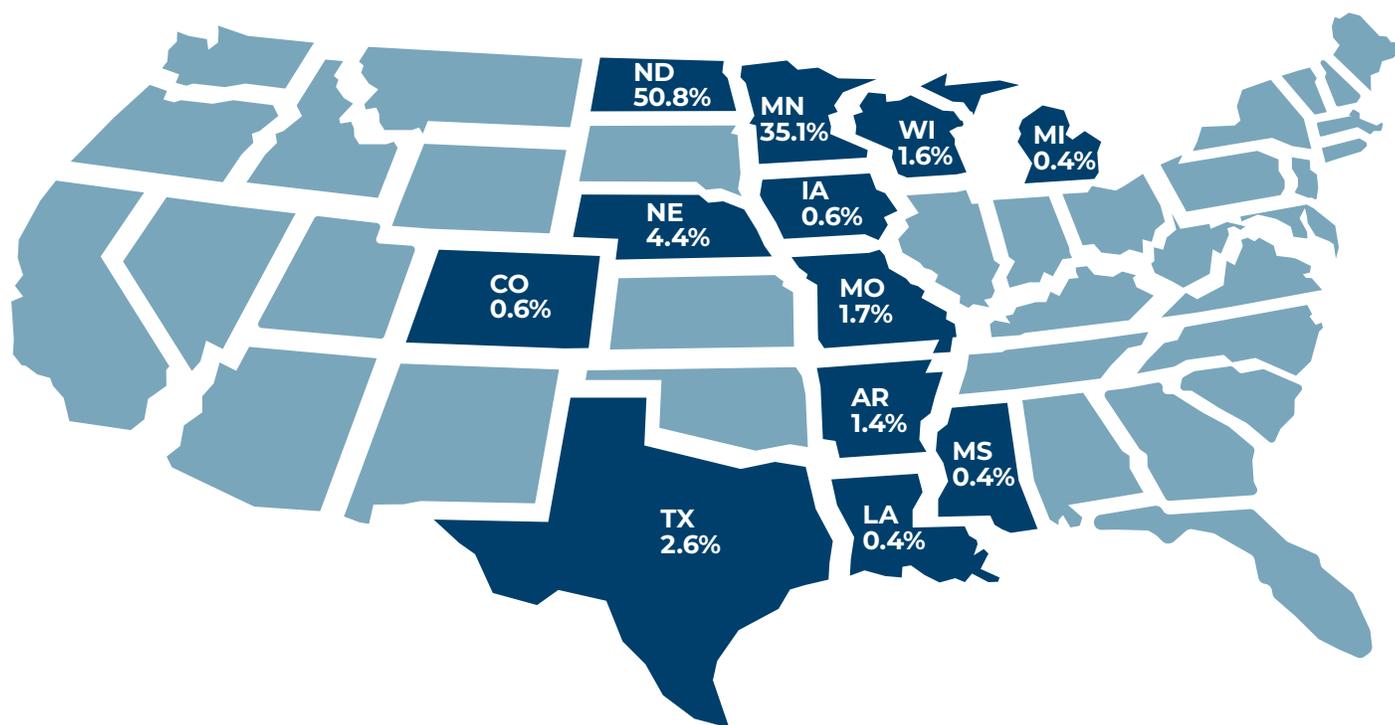
## FFO

2022	\$41,375,649
2023	\$38,101,855
2024	\$49,283,366

## Organizational Structure

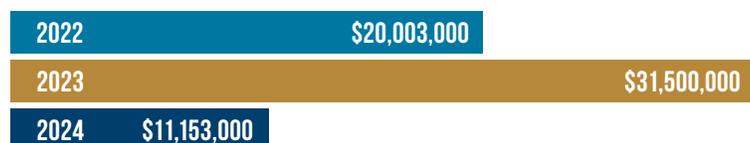


# Net Operating Income by State



ARKANSAS.....	<b>\$1,067,641</b>	MICHIGAN .....	<b>\$288,926</b>	NORTH DAKOTA ....	<b>\$38,096,093</b>
COLORADO.....	<b>\$438,108</b>	MINNESOTA .....	<b>\$26,274,317</b>	NEBRASKA .....	<b>\$3,259,693</b>
IOWA.....	<b>\$452,887</b>	MISSOURI .....	<b>\$1,249,179</b>	TEXAS.....	<b>\$1,917,804</b>
LOUISIANA .....	<b>\$301,100</b>	MISSISSIPPI .....	<b>\$330,015</b>	WISCONSIN .....	<b>\$1,212,442</b>
				TOTAL.....	<b>\$74,888,205</b>

## COMMERCIAL LEASES SIGNED



# Investor Return

## TOTAL ADJUSTED EQUITY

Total adjusted equity for 2024 is \$586,835,000, which adds back accumulated depreciation and amortization for each respective period of time. From 2022 to 2024, Sterling Management Trust experienced a 9.6% increase.

2022	\$535,626,000
2023	\$533,653,000
2024	\$586,835,000

## TOTAL ANNUAL DIVIDENDS AND DISTRIBUTIONS PAID

Sterling Multifamily Trust has consistently increased the dividends and distributions paid out year after year.

2022	\$33,703,533
2023	\$34,171,570
2024	\$35,008,571

## TOTAL ANNUAL SHAREHOLDER RETURN

3 YEAR	10.39%
5 YEAR	9.65%
10 YEAR	10.52%

## DIVIDENDS PER SHARE

2022	\$1.150
2023	\$1.150
2024	\$1.150

## SHARE PRICE

2022	\$23.00
2023	\$23.00
2024	\$23.00

## NET INCOME PER SHARE

2022	\$0.84
2023	\$0.26
2024	\$0.62



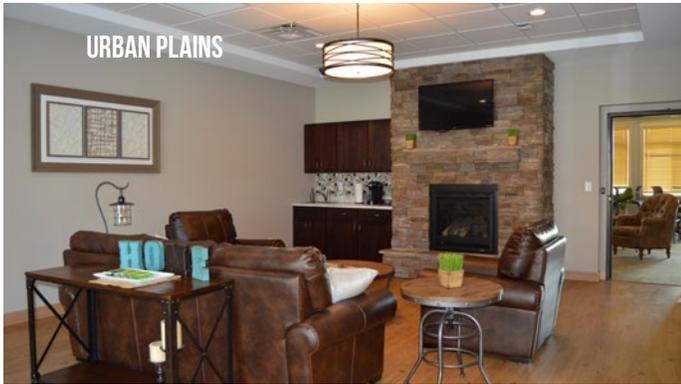
# Acquisitions & Dispositions

ACQUISITIONS	LOCATION	UNITS	CLOSE DATE	PURCHASE PRICE	CAP RATE	
URBAN PLAINS	FARGO, ND	415	4/15/24	\$44,408,287	6.47%	
LEXINGTON LOFTS	FOREST LAKE, MN	355	6/26/24	\$71,000,000	5.64%	
<b>TOTAL</b>		<b>770</b>		<b>\$115,408,287</b>		
DISPOSITIONS	LOCATION	UNITS/SF	CLOSE DATE	SALE PRICE	GAIN ON SALE	
DAIRY QUEEN	APPLE VALLEY, MN	5,348 SF	1/25/24	\$1,607,016	\$(73,011)	
WESTWIND	FARGO, ND	18	3/1/24	\$900,000	\$488,762	
WESTSIDE	HAWLEY, ND	14	3/8/24	\$837,000	\$394,094	
COLUMBIA PARK VILLAGE	GRAND FORKS, ND	12	4/3/24	\$675,000	\$42,597	
GATE CITY BANK	GRAND FORKS, ND	17,407 SF	5/1/24	\$2,950,000	\$971,918	
FIRST INTERNATIONAL BANK & TRUST	MOORHEAD, MN	3,510 SF	5/21/24	\$1,516,250	\$682,823	
JADESTONE	FARGO, ND	18	6/14/24	\$1,039,175	\$136,233	
ESSEX	FARGO, ND	18	6/14/24	\$1,039,175	\$177,858	
CITYSIDE	FARGO, ND	36	7/25/24	\$1,500,000	\$240,788	
<b>TOTAL</b>				<b>\$12,063,616</b>	<b>\$3,062,061</b>	
DEVELOPMENTS	LOCATION	UNITS	DATE ACQUIRED	STERLING OWNERSHIP	TOTAL BUDGETED COST	ANTICIPATED COMPLETION DATE
THE EMORY	NORTH LIBERTY, IA	352	8/1/24	50%	\$73,489,432	Q1 2027

**MULTIFAMILY UNIT INCREASE\***  
**COMMERCIAL SQUARE FEET DECREASE**

**654 UNITS**  
**26,625 SF**

\*INCLUSIVE OF ACQUISITION, DISPOSITION AND COMPLETED DEVELOPMENT ACTIVITY



# Investor Relations

Sterling Multifamily Trust invests in multifamily properties. Our work starts with our Mission:

**To deliver our investors strong, safe and reliable cash flow and share price appreciation by providing quality homes to our residents.**

It declares our purpose and serves as the gold standard against which we weigh our decisions. It is enduring and drives us to consistently look forward.

Sterling Multifamily Trust files periodic and current reports with the Securities and Exchange Commission (SEC). Copies are available on the SEC's website and on Sterling Multifamily Trust's website at [www.smftrust.com](http://www.smftrust.com). To request a hard copy of our financial reports without charge, please call, email or write to:

Investor Relations  
4340 18th Avenue South, Suite 200  
Fargo, ND 58103  
701.353.2720  
[smftir@sretrust.com](mailto:smftir@sretrust.com)

Communications regarding shareholder address changes, stock transfers, changes of ownership, payment of dividends or other account services can also be directed to the contact information listed in the left column.

## ANNUAL MEETING

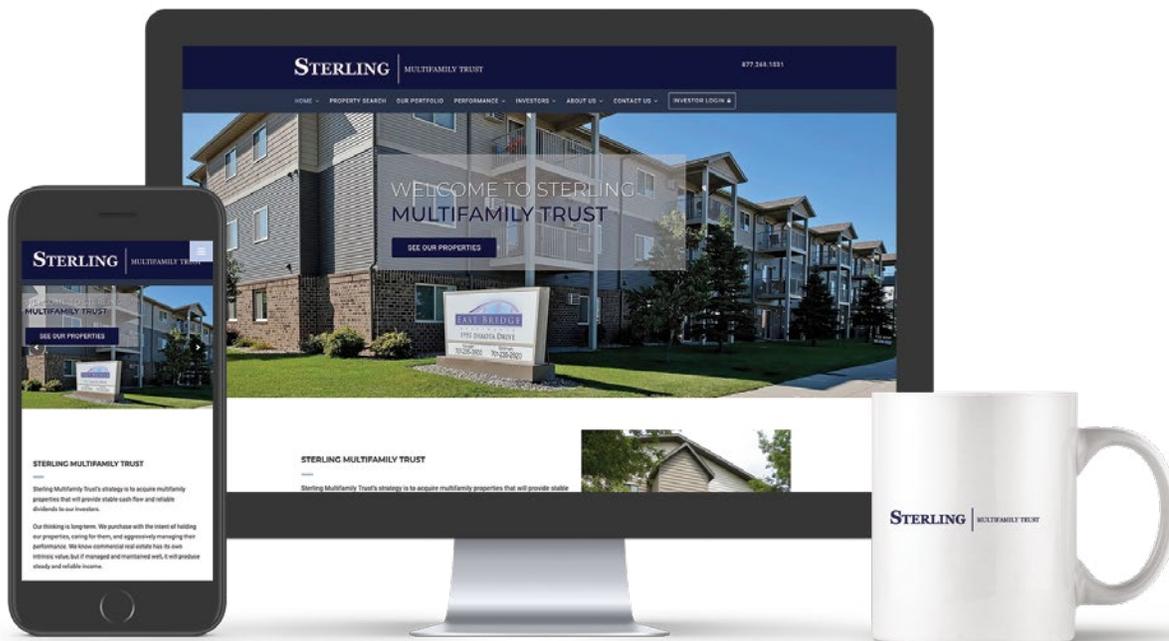
We sincerely hope you can join us for this year's Annual Meeting on June 18, 2025 at 6:00 p.m. at the Avalon Events Center, Fargo, North Dakota.

If you have any questions regarding the annual meeting, please contact our office by calling 701.353.2720.

**We look forward to seeing you in June!**

## VISIT US ONLINE!

For more information about the Trust, visit us online at [www.smftrust.com](http://www.smftrust.com)



# Audited Financial Statements

DECEMBER 31, 2024

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2024

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from to

Commission File Number 000-54295

**Sterling Real Estate Trust**

d/b/a Sterling Multifamily Trust

(Exact name of registrant as specified in its charter)

North Dakota  
(State or other jurisdiction of  
incorporation or organization)

4340 18<sup>th</sup> Ave South Ste. 200  
Fargo, North Dakota  
(Address of principal executive offices)

90-0115411  
(I.R.S. Employer  
Identification Number)

58103  
(Zip Code)

(701) 353-2720

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common Shares of Beneficial Interest, par value \$0.01 per share	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act: none

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.  Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by checkmark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

There is no established public market for the registrant's shares of common stock.

Indicate the number of shares outstanding of each of the issuer's classes of common shares, as of the latest practicable date.

Class	Outstanding at March 19, 2025
Common Shares of Beneficial Interest, \$0.01 par value per share	12,891,389

Documents Incorporated by Reference: Portions of Sterling's Proxy Statement for its 2024 Annual Meeting of Shareholders, which Sterling intends to file with the Securities and Exchange Commission within 120 days after the end of Sterling's fiscal year ended December 31, 2024, are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K to the extent described herein. If Sterling does not file its Proxy Statement on or before 120 days after the end of its 2024 fiscal year, Sterling will file the required information in an amendment to this Annual Report on Form 10-K.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

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(Zip Code)

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Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common Shares of Beneficial Interest, par value \$0.01 per share	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act: none

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Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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## NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this Annual Report on Form 10-K and the documents incorporated into this document by reference contain certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such forward-looking statements include statements regarding our plans and objectives, including, among other things, our future financial condition, anticipated capital expenditures, anticipated dividends and other matters. Forward-looking statements are typically identified by the use of terms such as “may,” “will,” “should,” “expect,” “intend,” “plan,” “anticipate,” “estimate,” “believe,” “continue,” “predict,” “potential” or the negative of such terms and other comparable terminology. These statements are only predictions and are not historical facts. Actual events or results may differ materially.

The forward-looking statements included herein are based on our current expectations, plans, estimates and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Any of the assumptions underlying the forward-looking statements contained herein could be inaccurate. Although we believe the expectations reflected in such forward-looking statements are based on reasonable assumptions, we cannot assure readers that the forward-looking statements included in this filing will prove to be accurate. The accompanying information contained in this Annual Report on Form 10-K, including, without limitation, the information set forth under the section entitled “Risk Factors” in Item 1A, identifies important additional factors that could materially adversely affect actual results and performance. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of certain unanticipated events or changes to future operating results.

### PART I

*All dollar amounts in this Form 10-K are stated in thousands, with the exception of share and per share amounts, unless otherwise indicated.*

## ITEM 1. BUSINESS

### GENERAL

Sterling Real Estate Trust (“we,” “us,” “our,” “Company,” “Trust” or “Sterling”) is a real estate investment trust (“REIT”). Sterling was registered in North Dakota as an unincorporated business trust in December 2002. References in this Annual Report on Form 10-K to the “Company,” “Sterling,” “Trust,” “we,” “us,” or “our” include consolidated subsidiaries, unless the context indicates otherwise. As a REIT, we are not subject to U.S. federal income taxation as long as we satisfy certain requirements, principally relating to the nature of our income, the level of our dividends and other factors. As of December 31, 2024, we owned directly or through our Operating Partnership, 177 properties in 12 states.

### UPREIT Structure

The Trust operates as an Umbrella Partnership Real Estate Investment Trust (“UPREIT”), which is a REIT that holds all or substantially all of its assets through a partnership which the REIT controls as general partner. Therefore, the Trust conducts substantially all investment activities and holds substantially all of the Trust’s assets through the Operating Partnership Sterling Properties, LLLP. The Trust controls the Operating Partnership as the general partner and owns approximately 40.80% of the Operating Partnership as of December 31, 2024. For purposes of satisfying the asset and income tests for qualification as a REIT for tax purposes, the proportionate shares of the assets and income of the Operating Partnership are deemed to be the assets and income of the Trust.

The UPREIT structure is used to facilitate acquisitions of real estate properties. A sale of property directly to a REIT is generally a taxable transaction to the property seller. However, in an UPREIT structure, if a property seller exchanges the property for limited partnership units, the seller may defer taxation of gain in such exchange until the seller resells its limited partnership units or exchanges its limited partnership units for the REIT’s common stock. By offering the ability

to defer taxation, the Trust may gain a competitive advantage in acquiring desired properties over other buyers who cannot offer this benefit. In addition, investing in the Operating Partnership, rather than directly in the Trust, may be more attractive to certain institutional or other investors due to their business or tax structure. If an investor is interested in making a substantial investment in our Operating Partnership, the structure provides the Trust the flexibility to accommodate different terms for each investment, while applicable tax laws generally restrict a REIT from charging different fee rates among its shareholders. Finally, if the Trust's shares become publicly traded, the former property seller may be able to achieve liquidity for the investment in order to pay taxes.

## **Operating Partnership**

Sterling Properties, LLLP was formed as a North Dakota limited liability limited partnership in April 2003 to acquire, own and operate properties on the Trust's behalf. The Operating Partnership holds a diversified portfolio of multifamily dwellings and commercial properties located principally in the upper and central Midwest United States.

Since formation, the Trust's focus has consisted of owning and operating income-producing real estate properties. In 2006, the Trust held 23 total properties approximating \$56,265 in total assets, in the Operating Partnership. Between 2007 and 2024, the Trust focused extensively on strengthening the multifamily component of the portfolio, acquiring properties directly or through UPREIT transactions. A majority of these multifamily properties are located in North Dakota. The portfolio has grown to 177 properties, approximating \$940,912 in total assets, and book equity, including noncontrolling interests, of approximately \$332,132 as of December 31, 2024. As of December 31, 2024, the portfolio contained approximately 11,955 apartment units and 1,187,000 square feet of leasable commercial space.

## **OUR PEOPLE**

We do not have any employees. Instead, we rely on our external Advisor, Sterling Management LLC, to conduct our day-to-day affairs. The Company's employees are employees of Sterling Management LLC.

### **Advisor to the Trust**

Sterling Management, LLC, a related party to the Trust, is a North Dakota limited liability company formed in November 2002, is the external Advisor to the Trust (the Advisor). The Advisor is responsible for managing our day-to-day affairs and for identifying, acquiring and disposing investments on our behalf. The Advisor is 100% owned by Trustmark Enterprises, Inc., formerly known as Alloy, a North Dakota corporation ("Trustmark"). Trustmark is owned in part by the Trust's Chief Executive Officer and Trustee Kenneth P. Regan, by Trustee James S. Wieland, by the Trust's President Megan E. Schreiner, by the Trust's Chief Financial Officer and Treasurer Elizabeth A. Reich, by the Trust's General Counsel and Secretary Michael P. Carlson, by the Trust's Chief Investment Officer Luke B. Swenson, and by the Trust's Vice President David F. Perkins. Messrs. Regan, Carlson, Swenson, and Perkins and Mmes. Schreiner and Reich all serve as officers of the Advisor. Messrs. Regan, Wieland, Carlson, Swenson, and Perkins and Mmes. Schreiner and Reich also all serve on the Advisor's Board of Governors. The Advisor's employee base has seen considerable growth, both in number and expertise, since its inception.

### **Audit and Disclosure Committee**

The Audit and Disclosure Committee was established by the Board of Trustees to assist the Board in fulfilling its fiduciary duties and oversight responsibilities. The Audit and Disclosure Committee assists the Board by overseeing the integrity of the Trust's financial statements, financial reporting and disclosure processes, internal accounting and financial controls and the annual independent audit of the Trust's financial statements. The Audit and Disclosure Committee also oversees the establishment and maintenance of processes to assure the Trust's compliance with all applicable laws, regulations, and Trust policy, including compliance with filing requirements under the Exchange Act and the rules and regulations promulgated thereunder. In performing its work, it is the Audit and Disclosure Committee's responsibility to foster free and open means of communication between the Trustees, the independent auditors and the Trust's financial managers. Our Audit and Disclosure Committee is currently comprised of Trustees Timothy A. Hunt (Chair of the Committee), Gregory P. Hammes, Timothy L. Haugen, Michelle L. Korsmo, and Mark T. Polovitz.

## Board of Trustees and Executive Officers

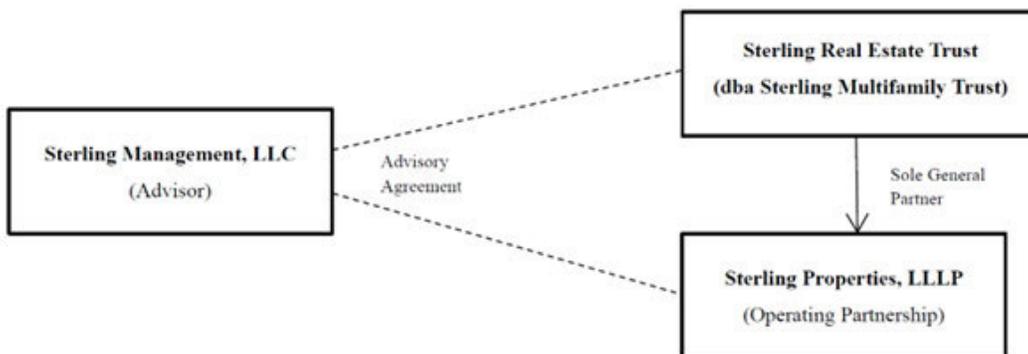
The Trust operates under the direction of our Board of Trustees, the members of which are accountable to both the Trust and its shareholders. The Trustees are elected annually by our shareholders. In addition, the Board has a duty to supervise our relationship with the Advisor and evaluate the performance of and fees paid to the Advisor on an annual basis. The Advisory Agreement was approved by the Board of Trustees (including all the independent trustees) on March 21, 2024, effective April 1, 2024 until December 31, 2024. The Board of Trustees has provided investment guidance for the Advisor to follow and must approve each investment recommended by the Advisor. Currently, the Advisor has eight members on the Board, six of whom are independent.

Although the Trust has executive officers, it does not have any paid employees. The President, Chief Executive Officer, Chief Investment Officer, Chief Financial Officer and Treasurer, General Counsel and Secretary, and Vice President of the Trust, are also officers, employees, and governors of our Advisor. Among others, such executive officers oversee the Advisor's day-to-day operations with respect to the Trust. However, when doing so, such executive officers are acting on behalf of the Advisor in performing the Advisor's obligations under the Advisory Agreement. Generally, the only services performed by the Trust's executive officers are those required by law or regulation, such as executing documents as required by North Dakota law and providing certifications required by the federal securities laws.

## Organizational Structure

On January 1, 2021, the Advisor was acquired by Trustmark Enterprises, Inc. in an equity transfer, and is now the wholly-owned subsidiary of Trustmark Enterprises, Inc.

The following chart shows the relationship structure with the Advisor:



- (1) As of December 31, 2024, the Advisor was owned 100% by Trustmark Enterprises, Inc. Trustmark was owned in part by the Trust's Chief Executive Officer and Trustee Kenneth P. Regan (34.00%), by Trustee James S. Wieland (25.00%), by the Trust's President Megan E. Schreiner (8.00%), by the Trust's Chief Financial Officer and Treasurer Elizabeth A. Reich (5.00%), by the Trust's General Counsel and Secretary Michael P. Carlson (3.00%), by the Trust's Chief Investment Officer Luke B. Swenson (2.00%), and by the Trust's Vice President David F. Perkins (2.00%). Messrs. Regan, Carlson, Swenson, and Perkins and Mmes. Schreiner and Reich all serve as officers of the Advisor. Messrs. Regan, Wieland, Carlson, Swenson, and Perkins and Mmes. Schreiner and Reich also all serve on the Advisor's Board of Governors.
- (2) Sterling Management, LLC serves as Advisor to both the Trust and the Operating Partnership. The Advisor does not own any of our shares. Messrs. Regan and Wieland beneficially own approximately 1.49% and 1.86%, respectively, of our shares as of December 31, 2024.
- (3) The Trust controls the Operating Partnership as the general partner and owns approximately 40.80% of the Operating Partnership as of December 31, 2024. Messrs. Regan and Wieland beneficially owned and had voting power over approximately 17.26% and 5.90%, respectively, of the Operating Partnership as of December 31, 2024.

## **CORE INVESTMENT OBJECTIVES AND STRATEGY**

### **Investment Objectives**

The Trust's primary investment objectives are to:

- Acquire quality real estate properties or interests in real estate properties that can provide stable cash flow for distribution to our shareholders, preservation of capital and realization of long-term capital appreciation upon the sale of such properties;
- Offer an investment option in which the value of the common shares is correlated to real estate as an asset class rather than traditional asset classes such as stocks and bonds; and
- Provide a hedge against inflation through use of month-to-month rentals or short-term and long-term lease arrangements with rental properties tenants.

The Trust may change the investment objectives only with the approval of holders of a majority of the outstanding common shares.

### **Investment Guidance**

The Board of Trustees has provided investment guidance to the Advisor to direct the investment strategy of the Trust. Changes to the investment guidance must be approved by the Board. The Advisor has been authorized to execute:

- Commercial and multifamily real estate property acquisitions and dispositions;
- Investments in other real estate related assets, in each case so long as such investments are approved by our Board;
- Acquisitions of property or land for the purposes of future development; and
- Capital investments in the portfolio's current properties through capital improvements.

The Board will have ultimate oversight over the Trust's investments and may change from time to time the scope of authority delegated to the Advisor with respect to acquisition and disposition transactions.

### **Investment Strategy**

Sterling's current investment strategy and focus is on multifamily properties. Our Advisor monitors industry trends and invests in property believed to provide the most favorable return balanced with risk. We attempt to manage our real estate portfolio by evaluating changes or trends in the industries in which our tenants operate, the creditworthiness of our tenants and changes or trends in the area demographics surrounding our properties for evidence that our properties will continue to meet our investment objectives of cash flow, preservation of capital and capital appreciation. There is no current plan for the existing commercial properties (industrial, medical, office and retail) regarding retention, acquisition, or disposition.

The Trust will primarily invest in existing or newly developed real estate properties. The Trust may also invest in interests in real estate properties by acquiring direct ownership or ownership interests with other investors, including affiliates of the Advisor, through holding company structures or joint ventures, real estate partnerships, tenant-in-common deals, REITs, or other collective investment vehicles. The Trust may also invest in other real estate property types, including undeveloped land or other development opportunities if the land is acquired for the purpose of producing rental or other operating income in the future. The properties the Trust primarily invests in have existing rent and expense schedules, or the properties are newly constructed with predictable cash flows.

Most current acquisitions are in or near metropolitan areas. However, there is no limitation on the geographic areas in which we may acquire targeted investments.

The Trust may also acquire portfolios of real estate properties held by individual owners and real estate properties held by funds, including hedge funds. It is anticipated that such property owners will primarily sell the properties in exchange for limited partnership interests of the Operating Partnership.

## **SEGMENT DATA**

Segment information is presented in accordance with a “management approach,” which designates the internal reporting used by the Company's CODM for making decisions and assessing performance as the source of the Company's reportable segments. The Company's segments are organized in a manner consistent with which discrete financial information is available and evaluated regularly by the CODM in deciding how to allocate resources and assess performance.

An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenue and incur expenses, and about which separate financial information is regularly evaluated by the CODM. The CODM is the Company's chief executive officer.

Each of the operating segments are directly responsible for revenue and expenses related to their operations, including direct segment general and administrative expenses. The CODM assesses the performance of each operating segment using information about operating income (loss) as the primary measure of performance but does not evaluate segments using discrete asset information. There were no material inter-segment transactions during the years ended December 31, 2024, 2023 and 2022, and the Company does not allocate depreciation and amortization, interest, administration of REIT, loss on impairment of property or other income (loss) to the operating segments. The accounting policies for segment reporting are the same as for the Company as a whole.

We report our results in two reportable segments: residential and commercial properties. Our residential properties include multifamily properties. Our commercial properties include retail, office, industrial and medical properties. We assess and measure operating results based on the non-GAAP financial measurement of net operating income (“NOI”), which we define as total real estate segment revenues less real estate expenses (which consist of real estate taxes, property management fees, utilities, repairs and maintenance, insurance and direct administrative costs). Our management team believes that NOI, as a non-GAAP financial measurement, is an important metric of operating performance even though it should not be considered an alternative to net income or cash flow from operating activities. NOI is unaffected by financing, depreciation, amortization, legal and professional fees and certain general and administrative expenses.

## **COMPETITION**

Our properties are located in highly competitive real estate markets. The number of competitive properties in a particular area could have a material adverse effect on our ability to lease space and the amount of rent we can charge at our properties. We compete with many property owners, such as corporations, limited partnerships, individual owners, other real estate investment trusts, insurance companies and pension funds.

Our competition also consists of other owners and developers of multifamily and commercial properties who are trying to attract tenants to their properties. This competition influences our ability to acquire properties and the prices that we may pay for those properties. We believe, however, that the diversity of our investments, the experience and abilities of our management and the quality of our assets affords us some competitive advantages that have in the past, and should in the future, allow us to operate our business successfully despite the competitive nature of our business.

Generally, there are multifamily and other similar commercial properties within relatively close proximity to each of our properties. Our retail properties primarily consist of restaurants, beauty and cosmetics, clothing and home furnishings department stores, and pharmacies. In addition to competitor retail properties with similar business models, we and our tenants face increasing competition from outlet malls, internet shopping websites, discount shopping clubs, catalog companies, direct mail and telemarketing.

## **ENVIRONMENTAL MATTERS AND GOVERNMENT REGULATION**

As an owner of real estate, we are subject to various environmental laws, rules and regulations adopted by various governmental bodies or agencies. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid hazardous materials, the remediation of contaminated property associated with the disposal of solid and hazardous materials and other health and safety-related concerns. Under these laws, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances released at a

property and may be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred in connection with any contamination. We could be subject to liability in the form of fines or damages for noncompliance with these laws and regulations, and some environmental laws create a lien on a contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. Some of these laws and regulations may impose joint and several liability on residents, owners, or operators for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. In addition, the presence of these substances, or the failure to properly remediate these substances, may adversely affect our ability to sell or rent the property or to use the property as collateral for future borrowing. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require material expenditures by us.

In addition, we are subject to many other laws and governmental regulations applicable to our properties, and changes in the laws and regulations, or in their interpretation by agencies and the courts, occur frequently. Under the Americans with Disabilities Act of 1990 (the “ADA”), all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. The Fair Housing Amendments Act of 1988 (the “FHAA”) requires apartment communities first occupied after March 13, 1991, to be accessible to the handicapped and prohibits housing discrimination based upon familial status.

The Housing for Older Persons Act (“HOPA”) provides age-based discrimination exceptions for housing developments qualifying as housing for older persons. Non-compliance with ADA, FHAA or HOPA could result in the imposition of fines, awards of damages to private litigants, payment of attorneys’ fees and other costs to plaintiffs, substantial litigation costs and substantial costs of remediation. We believe our properties which are subject to ADA, FHAA and/or HOPA are substantially in compliance with their present requirements.

Compliance with these laws, rules, and regulations has not had a material adverse effect on our business, assets, or results of operations, financial condition, or ability to pay dividends. We do not believe our existing portfolio as of December 31, 2024 will require us to incur material expenditures to comply with these laws and regulations. However, we cannot assure that future laws, ordinances, or regulations will not impose any material liability, or that the current environmental condition of our properties will not be affected by the operations of tenants, by the existing condition of the land, by operations in the vicinity of the properties, such as the presence of underground storage tanks, or by the activities of unrelated third parties.

## AVAILABLE INFORMATION

We electronically file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy and information statements and all amendments to these filings with the Securities and Exchange Commission (“SEC”). The public may read any materials filed by us with the SEC on the internet site maintained by the SEC at [www.sec.gov](http://www.sec.gov). We also maintain an internet site at [www.smftrust.com](http://www.smftrust.com), which includes the reports and other documents we file with the SEC. These reports are available as soon as reasonably practicable after such material is electronically filed or furnished to the SEC. This reference to our website is not intended to incorporate information found on the website into this filing.

## ITEM 1A. RISK FACTORS

### Risks Related to Sterling Real Estate Trust

*Our results are dependent on amounts received from the leasing and resale of real estate investments, which are subject to market and economic changes. If income is insufficient to meet our capital needs, our ability to carry out our business plans could be adversely affected.*

Our purpose is to acquire and hold real estate investments as long-term investments. The primary income that will be generated by us will be the profits, if any, from the operation or holding of the real estate and upon the resale of the investments. If circumstances arise which cause an investment to become undesirable or remain at its current value or decrease in value, we may generate a loss.

***Our success is based on continuing to locate and hold suitable real estate investments, and failure of our Advisor to locate additional suitable properties or the unsuccessful operation of our existing real estate investments could adversely affect our operations and our ability to pay dividends.***

Our ability to achieve our investment objectives and to pay dividends to our shareholders and distributions to unitholders is dependent upon the performance of our Advisor in locating suitable investments and appropriate financing arrangements for us as well as on the successful management of our properties after acquisition. We currently own, through the Operating Partnership, the properties described under Item 2 — Properties. We cannot be sure our Advisor will be successful in locating suitable investments on financially attractive terms, or be certain that operation of the properties will avoid the risks attendant to real estate acquisitions, such as:

- The risk properties may not perform in accordance with expectations, including projected occupancy and rental rates.
- The risk we may have underestimated the cost of improvements or repairs required to bring or keep an acquired property up to or at standards established for its intended use or its intended market position.

***We may have to make expedited decisions on whether to invest in certain properties, including prior to receipt of detailed information.***

We may be required to make expedited decisions in order to effectively compete for the acquisition of desirable properties and other assets. In such cases, our Advisor and Board of Trustees may not have access to detailed information regarding real estate investments at the time of making an investment decision to pay a non-refundable deposit and to proceed with an acquisition. In addition, the actual time period during which our Advisor will be allowed to conduct due diligence may be limited. Therefore, there can be no assurance our Advisor and Board of Trustees will have knowledge of all circumstances that may adversely affect an investment.

***We may change our investment and operational policies without shareholder consent, and such changes could increase our exposure to additional risks.***

Generally, the Board of Trustees may change our investment and operational policies, including our policies with respect to investments, acquisitions, growth, operations, indebtedness, capitalization and distributions, at any time without the consent of our shareholders, which could result in our making investments different from, and possibly riskier than, investments made in the past. A change in our investment policies may, among other things, increase our exposure to interest rate risk, default risk and commercial real estate market fluctuations, all of which could materially affect our ability to achieve our investment objectives.

***There can be no assurance dividends or distributions will be paid or increase over time.***

There are many factors that can affect the availability and timing of cash dividends to our shareholders and distributions to unitholders. Dividends and distributions will be based principally on cash available from our real estate and other investments. The amount of cash available for dividends will be affected by many factors, such as our ability to acquire profitable real estate investments, successfully manage our real estate properties, our operating expenses, and general economic conditions. We can give no assurance we will be able to pay or maintain dividends or distributions or that dividends or distributions will increase over time.

***Dividends may include a return of capital, and shareholders may be required to recognize capital gain on distributions.***

Dividends payable to shareholders may include a return of capital. To the extent dividends exceed cash flow from operations, a shareholder's basis in our shares will be reduced and, to the extent dividends exceed a shareholder's basis, the shareholder may recognize capital gain and be required to make tax payments.

***We depend on certain executive officers and trustees, and the loss of such persons may delay or hinder our ability to carry out our investment strategies.***

Our future success substantially depends on the active participation of our executive management team, including Kenneth Regan (Chief Executive Officer and trustee), Megan Schreiner (President), Elizabeth Reich (Chief Financial Officer and Treasurer), Luke Swenson (Chief Investment Officer), Michael Carlson (General Counsel and Secretary), David Perkins (Vice President), and other members of the Advisors management team. These individuals hold extensive experience in the commercial real estate industry, and have been instrumental in setting our strategic direction, operating our business, locating desirable real estate investments, arranging necessary financing, and managing our properties. Losing the services of individuals without replacing their position with someone of the same competence and experience could have a material adverse effect on our ability to successfully carry out our investment strategies and achieve our investment objectives. There can be no guarantee they will remain affiliated with us. See “Risks Related to Conflicts of Interest.”

***Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.***

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data, or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation, and damage to our investor relationships. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by the Advisor and service providers. Our and our Advisor’s processes, procedures and internal controls that are designed to mitigate cybersecurity risks and cyber intrusions do not guarantee that a cyber incident will not occur or that our financial results, operations, or confidential information will not be negatively impacted by such an incident.

***We are not required to comply with certain reporting requirements, including those relating to auditor’s attestation reports on the effectiveness of our system of internal control over financial reporting, accounting standards and disclosure about our executive compensation, that apply to other public companies.***

So long as our shares of common stock are not traded on a securities exchange, we will be deemed to be a “non-accelerated filer” under the Exchange Act, and as a non-accelerated filer, we will be exempt from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. In addition, so long as we are externally managed by the Advisor and we do not directly compensate our executive officers, or reimburse the Advisor or its affiliates for salaries, bonuses, benefits and severance payments for persons who also serve as one of our executive officers or as an executive officer of the Advisor, we do not have any executive compensation.

***Many of our costs, such as operating and general and administrative expenses, real estate acquisition, and construction costs, could be adversely impacted by periods of heightened inflation.***

A sustained or further increase in inflation could have an adverse impact on our operating expenses incurred in connection with, among others, the property-related services such as repairs and maintenance, janitorial, utilities, security and insurance. Our operating expenses may be recoverable through commercial lease arrangements.

### **Risks Related to Our Structure**

***Our shareholders may experience dilution if we or our Operating Partnership issues additional securities.***

Our shareholders do not have preemptive rights to any shares issued by us in the future. If we sell or issue additional shares in the future to raise capital, pursuant to a dividend reinvestment plan or in exchange for limited partnership units pursuant to our Operating Partnership’s Limited Liability Limited Partnership Agreement (“LLLP Agreement”), our shareholders will experience dilution of their equity investment. In addition, if our Operating Partnership sells additional securities or

issues additional securities in connection with a property acquisition transaction, we would, and indirectly our shareholders would, experience dilution in their equity position.

***Our securityholders have limited control over our operation, and the Board of Trustees has the sole power to appoint and terminate the Advisor.***

Our Board of Trustees has the authority to determine our major policies, including our policies regarding financing, growth, investment strategies, debt capitalization, REIT qualification, distribution, and to take certain actions including acquiring or disposing of real estate and real estate related investments, dividend declaration and the election or removal of the Advisor. Our securityholders do not have the right to remove the Advisor but have the right to elect and remove trustees. Under our Third Amended and Restated Declaration of Trust, our trustees may not do the following without the approval of the holders of a majority of the outstanding common shares of beneficial interest:

- Amend the Third Amended and Restated Declaration of Trust, except for amendments which do not adversely affect the rights, preference and privileges of shareholders.
- Sell all or substantially all of our assets other than in the ordinary course of business or in connection with a liquidation and dissolution.
- Conduct a merger or other reorganization of the trust; or
- Dissolve or liquidate us.

Our shareholders have the right, without the concurrence of the Board of Trustees, to terminate the trust and liquidate our assets or amend the Third Amended and Restated Declaration of Trust.

***Shareholders have no role in determining our investments and must rely on our Advisor and oversight by the Board of Trustees.***

For future acquisitions or dispositions, the Board of Trustees has the authority to approve investment acquisitions or dispositions without shareholder approval. Therefore, shareholders will not be able to evaluate the terms of future investment acquisitions or dispositions, their economic merit or other relevant financial data before we acquire or sell investments. Shareholders must rely entirely on the oversight of our Board of Trustees, the management ability of our Advisor and the performance of the property managers.

***We may issue securities with more favorable terms than the outstanding shares without shareholder approval.***

Under our Third Amended and Restated Declaration of Trust, our Board of Trustees has the authority to establish more than one class or series of shares and to fix the relative preferences and rights regarding conversion, voting powers, restrictions, limitations as to dividends and other distributions, and terms or conditions of redemption of such different classes or series without shareholder approval. Thus, our Board could authorize the issuance of a class or series of shares with terms and conditions that could have priority as to dividends and amounts payable upon liquidation over the rights of the holders of our outstanding common shares of beneficial interest. Such class or series of shares could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might otherwise provide a premium price to holders of our shares, even if it would be in the best interest of our shareholders.

***Shareholders could incur current tax liability on dividends they elect to reinvest in our shares, and may have to use separate funds to pay their tax liability.***

Shareholders that participate in our dividend reinvestment plan will be deemed to have received, and for income tax purposes will be taxed on, the amount reinvested in shares to the extent the amount reinvested was not a tax-free return of capital. In addition, our shareholders will be treated for tax purposes as having received an additional dividend to the extent the shares are purchased at a discount to fair market value. As a result, unless shareholders are a tax-exempt entity, they may have to use funds from other sources to pay their tax liability on the value of the shares received.

***There may be conflicts of interest between us and our shareholders on one side and our Operating Partnership and its limited partners on the other side.***

Our trustees and officers have duties to us and our shareholders in connection with their management of us. At the same time, we, as general partner will have duties to our Operating Partnership and its limited partners in connection with the management of the Operating Partnership. Our duties as general partner of the Operating Partnership may come into conflict with the duties of our trustees and officers to us and our shareholders. The LLLP Agreement of our Operating Partnership expressly limits our liability for monetary damages by providing we will not be liable for losses sustained, liabilities incurred or benefits not derived if we acted in good faith. In addition, our Operating Partnership is required to indemnify us and our trustees and officers from and against any and all claims arising from operations of our Operating Partnership, unless it is established: (1) the act or omission was material and committed in bad faith or was the result of active and deliberate dishonesty; (2) the indemnified party received an improper personal benefit in money, property or services; or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe the act or omission was unlawful. The LLLP Agreement also provides that we will not be held responsible for any misconduct or negligence on the part of any agent appointed by us in good faith.

***There is no public trading market for our shares, nor do we expect one to develop, which may negatively impact our shareholders' ability to sell their shares and the price at which shares may be sold.***

There is no public market for our shares and there is no assurance one may develop. In addition, the price shareholders may receive for the sale of their shares is likely to be less than the proportionate value of our investments. If our shareholders are able to find a buyer for their shares, they may have to sell them at a substantial discount from the price they purchased the shares. Consequently, shareholders may not be able to liquidate their investments in the event of emergency or for any other reason. Therefore, shareholders should consider our securities as illiquid and a long-term investment and should be prepared to hold their shares for an indefinite period of time.

***The estimated value of our common stock is based on a number of assumptions and estimates that may not be accurate and is also subject to a number of limitations.***

The current estimated value of our common stock as of January 1, 2025, is \$24.00 per share. The methodology used by our Board to determine this value was based on estimates of the value of our real estate investments, cash and other assets and debt and other liabilities as of a date certain and certain additional information. No formal valuation has been undertaken by us. Our valuation process involves a number of estimates, assumptions and subjective judgments that may not be accurate and complete. Further, different parties using different assumptions and estimates could derive a different estimated value per share, which could be significantly different from our estimated value per share. The estimated value per share may not represent current market values or fair values as determined in accordance with U.S. generally accepted accounting principles. A shareholder should not rely on the estimated value per share as being an accurate or precise measure of the then-current value of the shares of our common stock in making a decision to buy or sell shares of our common stock, including whether to reinvest dividends by participating in the dividend reinvestment plan and whether to request redemption pursuant to our share redemption program.

#### **Risks Related to Our Status as a REIT and Related Federal Income Tax Matters**

***If we fail to continue to qualify as a REIT, we would incur additional tax liabilities that would adversely affect our operations and our ability to make distributions and could result in a number of other negative consequences.***

Although our management believes we are organized, have operated, and will be able to continue to be organized and to operate in such a manner to qualify as a real estate investment trust (REIT), as that term is defined under the Internal Revenue Code, we may not have been organized, may not have operated, or may not be able to continue to be organized or to operate in a manner to have qualified or remain qualified as a REIT. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations. Even a technical or inadvertent mistake could endanger our REIT status.

The determination that we qualify as a REIT requires an ongoing analysis of various factual matters and circumstances, some of which may not be within our control, regarding our organization and ownership, distributions of our income and the nature and diversification of our income and assets. The fact we hold substantially all of our assets through our Operating Partnership and our ongoing reliance on factual determinations, such as determinations related to the valuation of our assets, further complicates the application of the REIT requirements for us.

If we lose our REIT qualification, we will face income tax consequences that will reduce substantially our available cash for dividends and investments for each of the years involved because:

- We would be subject to federal corporate income taxation on our taxable income, including any applicable alternative minimum tax, and could be subject to increased state and local taxes.
- We would not be allowed a deduction for dividends paid to shareholders in computing our taxable income; and
- Unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

The increased taxes could reduce the value of the shares as well as cash available for dividends to shareholders and investments in additional assets. In addition, if we fail to continue to qualify as a REIT, we will not be required to pay dividends to shareholders. Our failure to continue to qualify as a REIT also could impair our ability to expand our business and to raise capital.

***As a REIT, we may be subject to tax liabilities that reduce our cash flow.***

Even if we continue to qualify as a REIT for federal income tax purposes, we may be subject to federal and state taxes on our income or property, including the following:

- To continue to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income (which is determined without regard to the dividends-paid deduction or net capital gains) to our shareholders. If we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to corporate income tax on the undistributed income. In such situation, shareholders will be treated as having received the undistributed income and having paid the tax directly, but tax-exempt shareholders, such as charities or qualified pension plans, will receive no benefit from any deemed tax payments.
- We may be subject to state and local taxes on our income or property, either directly or indirectly, because of the taxation of our Operating Partnership or of other entities through which we indirectly own our assets.
- If we have net income from the sale of foreclosure property we hold primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.
- If we sell a property, other than foreclosure property, we hold primarily for sale to customers in the ordinary course of business, our gain will be subject to the 100% “prohibited transaction” tax.
- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which the distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income, and 100% of our undistributed income from prior years.

***We may be forced to borrow funds on a short-term basis, to sell assets or to issue securities to meet the REIT minimum distribution requirement or for working capital purposes.***

To qualify as a REIT, in general, we must distribute to our shareholders at least 90% of our net taxable income each year, excluding capital gains. However, we could be required to include earnings in our net taxable income before we actually receive the related cash. If we do not have sufficient cash to pay the necessary dividends to preserve our REIT status for any year or to avoid taxation, we may need to borrow funds, to sell assets or to issue additional securities even if the then-prevailing market conditions are not favorable for such actions. In addition, we will require a minimum amount of cash to fund our daily operations. Due to the REIT distribution requirements, we may be forced to make distributions when we otherwise would use the cash to fund our working capital needs. Therefore, we may be forced to borrow funds, to sell assets or to issue additional securities at certain times for our working capital needs.

***If our Operating Partnership does not qualify as a partnership, its income may be subject to taxation, and we would no longer qualify as a REIT.***

The Internal Revenue Code classifies “publicly traded partnerships” as associations taxable as corporations (rather than as partnerships), unless substantially all of their taxable income consists of specified types of passive income. We structured our Operating Partnership to be classified as a partnership for federal income tax purposes. However, no assurance can be given the IRS will not challenge our position or will classify our Operating Partnership as a “publicly traded partnership” for federal income tax purposes. To minimize this risk, we have placed certain restrictions on the transfer and/or redemption of partnership units in the LLLP Agreement. If the IRS would assert successfully our Operating Partnership should be treated as a “publicly traded partnership” and substantially all of the Operating Partnership’s gross income did not consist of the specified types of passive income, the Internal Revenue Code would treat the Operating Partnership as an association taxable as a corporation. In such event, we would cease to qualify as a REIT. In addition, the imposition of a corporate tax on the Operating Partnership would reduce the amount of distributions the Operating Partnership could make to us and, in turn, reduce the amount of cash available to us to pay dividends to our shareholders.

***We have transfer restrictions on our shares that may limit offers to acquire substantial amounts of the Trust’s shares at a premium.***

To qualify as a REIT, our shares must be beneficially owned by 100 or more persons and no more than 50% of the value of our issued and outstanding shares may be owned directly or indirectly by five or fewer individuals. Currently, Third Amended and Restated Declaration of Trust prohibits transfers of our shares that would result in: (1) our shares being beneficially owned by fewer than 100 persons, (2) five or fewer individuals, including natural persons, private foundations, specified employee benefit plans and trusts, and charitable trusts, owning more than 50% of our shares, applying broad attribution rules imposed by the federal income tax laws, or (3) before our shares qualify as a class of publicly-offered securities, 25% or more of our shares being owned by ERISA investors. If a shareholder acquires shares in excess of the ownership limits or in violation of the restrictions on transfer, we:

- May consider the transfer to be void *ab initio*.
- May not reflect the transaction on our books.
- May institute legal action to enjoin the transaction.
- May redeem such excess shares.
- Automatically transfer any excess shares to a charitable trust for the benefit of a charitable beneficiary.

If such excess shares are transferred to a trust for the benefit of a charitable beneficiary, the charitable trustee shall sell the excess shares and the shareholder will be paid the net proceeds from the sale equal to the lesser of: (1) the price paid by the shareholder or the “market price” of our shares if no value was paid or (2) the price per share received by the charitable trustee.

If shares are acquired in violation of the ownership limits or the restrictions on transfer described above:

- Transferee may lose its power to dispose of the shares; and
- Transferee may incur a loss from the sale of such shares if the fair market price decreases.

These limitations may have the effect of preventing a change of control or takeover of us by a third party, even if the change in control or takeover would be in the best interest of our shareholders.

***Complying with REIT requirements may restrict our ability to operate in a way to maximize profits.***

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders, and the ownership of our common shares. For example, we may be required to pay dividends to our shareholders at disadvantageous times, including when we do not have readily available funds. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

***Complying with REIT requirements may force us to forego or liquidate otherwise attractive investments which could negatively impact shareholder value.***

To qualify as a REIT, at the end of each calendar quarter, at least 75% of our assets must consist of cash, cash items, government securities and qualified real estate assets. The remainder of our investments in securities (other than government securities and qualified real estate assets), in general, cannot include more than 10% of the voting securities of any one issuer or more than 10% of the value of the outstanding securities of any one issuer. In addition, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our assets may be represented by securities of one or more taxable REIT subsidiaries. Therefore, we may be required to liquidate otherwise attractive investments or may be forced to forego attractive investments to satisfy these requirements. Such action or inaction could be adverse to our shareholder interests.

***Gains from asset sales may be subject to a 100% prohibited transaction tax, which tax could reduce the Trust's available assets and reduce shareholder value.***

We may have to sell assets from time to time to satisfy our REIT distribution requirements and other REIT requirements or for other purposes. The IRS may posit one or more asset sales may be "prohibited transactions." If we are deemed to have engaged in a "prohibited transaction," our gain from such sale would be subject to a 100% tax. The Internal Revenue Code sets forth a safe harbor for REITs that wish to sell property without risking the imposition of the 100% tax, but we cannot assure you we will be able to qualify for the safe harbor. We will use reasonable efforts to avoid the 100% tax and we do not intend to hold assets in a manner to cause their dispositions to be treated as "prohibited transactions," but we cannot assure you the IRS will not challenge our position, especially if we make frequent sales or sales of assets in which we have short holding periods. Payment of a 100% tax would adversely affect our results of operations.

***Ordinary dividends payable by REITs generally are taxed at the higher ordinary income rate which could reduce the net cash received by shareholders.***

The maximum U.S. federal income tax rate for "qualified dividends" payable by U.S. corporations to individual U.S. shareholders currently is 20%. In addition, the 3.8% tax on net investment income may apply to such dividends. In general, ordinary dividends payable by REITs to its individual U.S. shareholders, however, are generally not eligible for the reduced rates and generally are taxed at ordinary income rates (for REIT dividends received after December 31, 2017, the maximum individual income tax rate currently is 37%, but the current maximum, effective federal income tax rate as to REIT dividends may be reduced to 29.6% because of a partial deduction that may apply with respect to REIT dividends; in addition, the 3.8% tax on net investment income may apply to REIT dividends). It is also possible tax legislation that has or may be enacted might increase this rate differential. The differing treatment of dividends received from REITs and other corporations might cause individual investors to view an investment in REITs as less attractive related to other corporations which might be detrimental to our ability to raise additional funds through the sale of our common shares.

***Changes in legislative or other actions affecting REITs may adversely affect our status as a REIT.***

The rules dealing with U.S. federal income taxation are constantly under review by the legislative process, the IRS and the U.S. Treasury Department. Changes to tax laws (which changes may apply retroactively) could adversely affect us or our shareholders. Furthermore, new legislation, regulations, administrative interpretations or court decisions could change the federal income tax laws with respect to our qualification as a REIT or the federal income tax consequences of our qualification. We cannot predict whether, when, in what forms, or with what effective dates, the laws applicable to us or our shareholders may be changed.

***Our Board of Trustees may revoke our REIT election without shareholder approval, and we would no longer be required to make distributions of our net income.***

Our Board of Trustees can revoke or otherwise terminate our REIT election without the approval of our shareholders if our Board determines it is not in our best interest to continue to qualify as a REIT. In such case, we would become subject to U.S. federal income tax on our taxable income, and we no longer would be required to distribute most of our net income to our shareholders, which may reduce the total return to our shareholders and affect the value of the shares.

## **Risks Related to Tax-Exempt Investors**

***Common shares may not be a suitable investment for tax-exempt investors.***

There are special considerations that apply to investing in common shares on behalf of a trust, pension, profit sharing or 401(k) plans, health or welfare plans, trusts, individual retirement accounts (IRAs), or Keogh plans. If you are investing the assets of any of the above in common shares, you should satisfy yourself:

- Your investment is consistent with your fiduciary obligations under applicable law, including common law, ERISA and the Internal Revenue Code.
- Your investment is made in accordance with the documents and instruments that govern the trust, plan or IRA, including any investment policy.
- Your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA and other applicable provisions of ERISA and the Internal Revenue Code.
- Your investment will not impair the liquidity of the trust, plan or IRA.
- Your investment will not produce “unrelated business taxable income” for the trust, plan or IRA.
- You will be able to value the assets of the trust, plan or IRA annually in accordance with ERISA requirements and applicable provisions of the trust, plan, or IRA; and
- Your investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

We have not evaluated, and will not evaluate, whether an investment in us is suitable for any particular trust, plan, or IRA.

***Under certain circumstances, tax-exempt shareholders may be subject to unrelated business taxable income, which could adversely affect such shareholders.***

Neither ordinary nor capital gain distributions with respect to our common shares nor gain from the sale of our common shares, in general, should constitute unrelated business taxable income to tax-exempt shareholders. The following, however, are some exceptions to this rule:

- Under certain circumstances, part of the income and gain recognized by certain qualified employee pension trusts with respect to our common shares may be treated as unrelated business taxable income if our common shares are held predominately by qualified employee pension trusts (which we do not expect to be the case).
- Part of the income and gain recognized by a tax-exempt shareholder with respect to common shares would constitute unrelated business taxable income if the tax-exempt shareholder incurs debt to acquire the common shares; and
- Part or all of the income or gain recognized with respect to our common shares held by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from federal income taxation under Sections 501(c)(7), (9), (17), or (20) of the Internal Revenue Code may be treated as unrelated business taxable income.

Therefore, tax-exempt shareholders are not assured all dividends received from the trust will be tax-exempt.

## **Risks Related to Our Relationship with the Advisor and Its Affiliates**

***We depend on our Advisor for the day-to-day management and successful operations of the REIT, and if required, we may not be able to find a suitable replacement advisor.***

Our ability to achieve our investment objectives is dependent upon the successful performance of our Advisor in locating attractive acquisitions, advising on dispositions of real estate properties and other real estate related assets, advising on any financing arrangements and other administrative tasks to operate our business. If the Advisor suffers or is distracted by adverse financial and operational problems in connection with its operations unrelated to us or for any reason, it may be unable to allocate a sufficient amount of time and resources to our operations. If this occurs, our ability to achieve our investment objectives or pay dividends to our shareholders may be adversely affected. Any adversity experienced by the

Advisor or problems in our relationship with the Advisor could also adversely impact the operation of our properties and, consequently, our cash flow and ability to pay dividends to shareholders.

Either we or the Advisor can terminate the Advisory Agreement upon 60 days written notice to the other party for any reason, or we can terminate the Advisory Agreement immediately for cause or material breach of the Advisory Agreement. In addition, the Board of Trustees may determine not to renew the Advisory Agreement in any year. If this occurs, we would need to find another advisor to provide us with day-to-day management services or engage employees to provide these services directly to us, which would likely be difficult to do and may be costly. There can be no assurances we would be able to find a suitable replacement advisor or suitable employees or enter into agreements for such services on acceptable terms.

***The termination or replacement of the Advisor could trigger a default or repayment event under financings.***

Lenders providing financing for our acquired properties may include provisions in the mortgage loan documentation that state the termination or replacement of the Advisor is an event of default or an event triggering acceleration of the repayment of the loan in full. Even though we will attempt to have such provisions excluded from the loan documents, the lenders may still require them to be included. In addition, the termination or replacement of the Advisor could trigger an event of default under any credit agreement governing a line of credit we may obtain. If an event of default or repayment event occurs with respect to any of our properties, our ability to achieve our investment objectives could be materially adversely affected.

***The Advisor may not be able to retain its key employees, which could adversely affect our ability to carry out our investment strategies.***

We depend on the Advisor's key officers, employees and governors. However, none of these individuals have an employment agreement with the Advisor and the loss of any or all of such person's services and the Advisor's inability to find, or any delay in finding, replacements with equivalent skills and experience, could adversely impact our ability to successfully carry out our investment strategies and achieve our investment objectives.

Our future success also depends on the Advisor's and its affiliates' ability to identify, hire, train and retain highly qualified real estate, managerial, financial, marketing, and technical personnel to provide the services to us pursuant to the Advisory Agreement and any other written services agreement, including any property management agreements. Competition for such personnel is intense, and the Advisor or its affiliates may not be able to attract, assimilate or retain such personnel in the future. The inability to attract and retain the necessary personnel could have a material adverse effect on our business and results of operations.

### **Risks Related to Investments in Real Estate**

***Insufficient geographic diversity of our real estate investments could adversely affect our operating results if economic changes impact real estate markets where we own significant assets.***

Geographic concentration of our properties may expose us to economic downturns in those areas where our properties are located. A recession in any area where we own several properties or interests in properties could adversely affect our ability to generate or increase operating revenues, locate, and retain financially sound tenants or dispose of unproductive properties. In addition, it could have an adverse impact on our tenant's ability to meet their obligations to us. Likewise, we may be required to lower our rental rates to attract desirable tenants in such an environment. Currently, the majority of our properties are located in North Dakota and Minnesota, and we hold several properties in Fargo, North Dakota and Moorhead, Minnesota. To the extent weak economic or real estate conditions affect North Dakota, Minnesota, or other markets in which we own properties more severely than other areas of the country, our financial performance could be negatively impacted.

***We may invest in and develop undeveloped real property, which requires us to pay expenses prior to receiving any income on the property.***

Under our Third Amended and Restated Declaration of Trust, we have the discretion to invest up to 10% of our total assets in undeveloped property. When we invest in undeveloped property, such property does not generate operating revenue while costs are incurred to develop the property and may generate other expenses including property taxes and insurance. In addition, construction and development of such properties may not be completed within budget or as scheduled and projected rental levels may not be achieved. In addition to the risks of real estate investments in general, an investment in undeveloped property is subject to additional risks, including the expense and delay which may be associated with rezoning the land for a higher use and the development and environmental concerns of governmental entities and/or community groups. Therefore, we will not generate income on such property until development is completed and we begin leasing the property.

***We may acquire multiple properties in a single transaction, which may adversely affect our operations through the inclusion of less desirable investments or financing requirements greater than we would otherwise be willing to incur.***

Periodically, we may acquire multiple properties in a single transaction. Portfolio acquisitions are more complex and expensive than single property acquisitions, and the risk a multiple property acquisition does not close may be greater than in a single property acquisition. Portfolio acquisitions may also result in us owning investments in geographically dispersed markets, placing additional demands on our ability to manage the properties in the portfolio. In addition, a seller may require a group of properties be purchased as a package even though we may not want to purchase one or more properties in the portfolio. In these situations, if we are unable to identify another person or entity to acquire the unwanted properties, we may be required to operate or attempt to dispose of these properties. To acquire multiple properties in a single transaction we may be required to accumulate a large amount of cash. We would expect the returns we can earn on such cash to be less than the ultimate returns in real property and therefore, accumulating such cash could reduce the funds available for dividends. Any of the foregoing events may increase the risk of adverse business results and negatively affect our results of operations.

***We may invest in co-ventures, where our co-venture partners, co-tenants or other partners in co-ownership arrangements could take actions that decrease the value of a real estate investment and lower our overall return.***

We may enter into joint ventures, tenant-in-common investments or other co-ownership arrangements with our Advisor, its affiliates, our trustees, or third parties having investment objectives similar to ours in the acquisition of real estate investments. In such arrangements, we may be acquiring non-controlling interests in or sharing responsibility for managing the affairs of the investment. In such event, we would not be in a position to exercise sole decision-making authority. Investments such as these may, under certain circumstances, involve risks not present where another party is not involved, including the possibility that partners or co-investees might become bankrupt or fail to fund their required capital contributions. Co-investees may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives.

Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the co-investee would have full control over the joint venture. Disputes between us and co-investees may result in litigation or arbitration that would increase our expenses and prevent our management and the Advisor from focusing their time and effort on our business. Consequently, actions by or disputes with co-investees might result in subjecting additional risk to properties owned by the investment. In addition, we may in certain circumstances be liable for the actions of our co-investees. Any of these risks could subject us to liabilities in excess of those contemplated and reduce our returns on that investment.

***We could experience difficulties or delays renewing leases or re-leasing space, which will increase our costs to maintain such properties without receiving income.***

We derive a significant portion of our net income from rent received from our tenants. Our properties include both residential as well as commercial properties. If a tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments. If lease defaults occur, we may experience delays in enforcing

our rights as landlord. Also, if our tenants decide not to renew their leases, terminate early or default on their lease, we may not be able to re-let the space or may experience delays in finding suitable replacement tenants. Even if tenants decide to renew or lease new space, the terms of renewals or new leases, including the cost of required renovations or concessions to tenants, particularly commercial tenants, may be less favorable to us than current lease terms. As a result, our net income and ability to pay dividends to shareholders could be materially adversely affected. Further, if one of our properties cannot be leased on terms and conditions favorable to us, the property may not be marketable at a suitable price without substantial capital improvements, alterations, or at all.

***We could face potential adverse effects if a commercial tenant is unable to make timely rental payments, declares bankruptcy or become insolvent.***

If a commercial tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments. Delayed rental payments could adversely affect cash flow available for dividends. If a commercial tenant declares bankruptcy or becomes insolvent, it may adversely affect the income produced by our properties. If a tenant defaults, we may experience delays and incur substantial costs in enforcing our rights as landlord. However, if a tenant files for bankruptcy, we cannot evict the tenant solely because of such bankruptcy. If a court authorizes the commercial tenant to reject and terminate its lease with us, our claim against the tenant for unpaid future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease. In addition, it is unlikely a bankrupt tenant would pay in full amounts it owes us under a lease. Additionally, we may be required to incur additional costs in the form of tenant improvements and leasing commissions in our efforts to lease the space to a new tenant, as well as lower our rental rates to reflect any decline in market rents. This shortfall could adversely affect our cash flow and results of operations.

***Investments in real estate are illiquid, and we may not be able to resell a property on terms favorable to us.***

We intend to hold real estate properties until such time as our Advisor determines a sale or other disposition appears to be advantageous or when our shareholders approve our termination and liquidation. Because real estate investments are relatively illiquid, it could be difficult for us to promptly sell one or more of our real estate properties on favorable terms. This may be a result of economic conditions, availability of financing, interest rates and other factors beyond our control. This may limit our ability to change our portfolio promptly in response to adverse changes in the performance of any such property or economic or market trends. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Real estate investments by their nature are often difficult or time consuming to liquidate. In addition, federal tax laws imposing a 100% excise tax on gains from sales of certain types of property sales by a REIT (generally, property viewed as being purchased for resale, rather than investment) could limit our ability to sell properties and may affect our ability to sell properties without adversely affecting returns to our shareholders. These restrictions could adversely affect our ability to achieve our investment objectives.

***Valuations and appraisals of our investments may not necessarily correspond to realizable value.***

We value our real estate properties initially at cost, which we expect to represent fair value at that time. After acquisition, valuations may include appraisals of our properties periodically. The valuation methodologies used to value our real estate properties will involve subjective judgments regarding such factors as comparable sales, rental and operating expense data, the capitalization and/or discount rate and projections of future rent and expenses based on appropriate analysis. Although we believe our valuation procedures are designed to determine the accurate fair value of our assets, appraisals and valuations of our real estate properties and other investments assets will be only estimates of fair value and therefore may not correspond to realizable value upon a sale of those assets.

***Uninsured losses related to real estate investments may adversely affect our results of operation.***

We purchase, and we may be required by lenders of mortgage loans or other financings to obtain, certain insurance coverage on our real estate investments. Either the property manager or the Advisor selects policy specifications and insured limits which it believes to be appropriate and adequate given the risk of loss, the cost of the coverage and industry practice. The nature of the tenants at the properties we hold may expose us and our operations to an increase in liability for personal injuries or other losses. There can be no assurance that such insurance will be sufficient to cover potential

liabilities. Some of our policies may be subject to limitations involving large deductibles or co-payments and policy limits which may not be sufficient to cover losses. Furthermore, insurance against certain risks, such as terrorism, flood, and toxic mold, may be unavailable or available at commercially unreasonable rates or in amounts less than the full market value or replacement cost of the properties. There can be no assurance particular risks that are currently insurable, will continue to be insurable on an economical basis or current levels of coverage will continue to be available. If a loss occurs that is partially or completely uninsured, we may lose all or part of our investment in a property as well as the anticipated future cash flows from such properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. We may also be liable for any uninsured or underinsured personal injury, death, or property damage claims, which could result in decreased dividends to shareholders.

***We may acquire a property or properties “AS IS,” which increases the risk of an investment that requires us to remedy defects or costs without recourse to the prior owner.***

We may acquire real estate properties “as is” with only limited representations and warranties from the property seller regarding matters affecting the condition, use and ownership of the property. As a result, if defects in the property (including any building on the property) or other matters adversely affecting the property are discovered, we may not be able to pursue a claim for any or all damage against the property seller. Such a situation could negatively affect our results of operations.

***We rely on affiliated and outside property managers to properly manage and lease our properties.***

The Advisor and an affiliate of the Advisor serve as our principal property managers, and the Advisor has hired and intends to hire other affiliates and/or third parties to serve as additional property managers, to manage our properties and act as leasing agents to lease vacancies in our real estate properties. These property managers will have significant decision-making authority with respect to the management of our properties. Our ability to direct and control how our properties are managed may be limited. We will not, and the Advisor will not as to its affiliates and third-party property managers, supervise any of the property managers or any of their respective personnel on a day-to-day basis. Thus, the success of our business may depend in large part on the ability of our property managers to manage the day-to-day operations and their ability to lease vacancies in our properties. Any adversity experienced by our property managers could adversely impact the operation and profitability of our properties and, consequently, our ability to achieve our investment objectives.

### **Risks Related with Our Indebtedness and Financing**

***Market conditions could adversely affect our ability to obtain financing.***

As a REIT, we are required to distribute at least 90% of our taxable income (excluding net capital gains) to our shareholders in each taxable year, and thus our ability to retain internally generated cash is limited. Accordingly, our ability to acquire properties or to make capital improvements to or remodel properties can depend on our ability to obtain debt or equity financing from third parties or the sellers of properties or to sell other properties. Market fluctuations and disruptions in the credit markets could significantly affect our ability to access capital. Reductions in our available borrowing capacity, or inability to establish a credit facility when required or when business conditions warrant, could then limit the number, size and quality of properties we could acquire or the amount of improvements we could make on acquired properties, which could materially affect our ability to achieve our investment objectives and may result in price or value decreases of our real estate assets.

***Derivatives and hedging activity could adversely affect cash flow.***

In the normal course of business, we use derivatives to manage our exposure to interest rate volatility on debt instruments, including hedging for future debt issuances. At other times we may utilize derivatives to decrease our exposure to floating interest rates. There can be no assurance that these hedging arrangements will have the desired beneficial impact. These arrangements, which can include a number of counterparties, may expose us to additional risks, including failure of any of

our counterparties to perform under these contracts, and may involve extensive costs, such as transaction fees or breakage costs, if we terminate them. No strategy can completely insulate us from the risks associated with interest rate volatility.

***We could face difficulties in refinancing loans involving balloon payment obligations.***

Some of our mortgage loans require us to make a lump-sum or “balloon” payment at maturity. Our ability to make a balloon payment at maturity could be uncertain and may depend upon our ability to obtain additional financing, to refinance the debt or our ability to sell the particular property. If we try and refinance the debt, we may not be able to obtain terms as favorable as the original loan. Based on current market interest rates, the interest rate obtained upon refinancing in subsequent years may be higher than the original loan. If we are not able to refinance the debt, or obtain acceptable terms, we may be required to sell the mortgaged property at a time which may not permit realization of the maximum return on such property. The effect of a refinancing or sale could affect the rate of return to shareholders and the projected time of disposition of our assets.

***Lenders may require restrictive covenants relating to our operations, which may adversely affect our flexibility and our ability to achieve our investment objectives.***

Mortgage loans obtained by us could impose restrictions that affect our distribution and operating policies, our ability to incur additional debt and our ability to resell interests in the property. Loan documents may contain covenants that limit our ability to further mortgage the property, discontinue insurance coverage, replace the Advisor or the property manager, or terminate certain operating or lease agreements related to the property. Such restrictions may limit our ability to achieve our investment objectives.

***Increases in interest rates on variable rate debt incurred and new financings by us will reduce cash available for dividends.***

Increases in interest rates on any variable rate debt incurred or new financings would increase our interest costs, which could reduce our cash flows and our ability to pay dividends to our shareholders. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments.

***Complying with REIT requirements may limit our ability to hedge liabilities through tax-efficient means, which may adversely affect our results of operations.***

We have entered into a number of hedging transactions and may enter into additional such transactions. Hedging transactions could take a variety of forms, including interest rate swaps or cap agreements, options, futures contracts, forward rate agreements, or similar financial instruments. The REIT provisions of the Code substantially limit our ability to hedge liabilities. Because we conduct substantially all of our operations through our Operating Partnership, any income from a hedging transaction entered into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets will not constitute gross income to us for purposes of the 75% or 95% gross income test. As a result, we may be required to limit the Operating Partnership’s use of advantageous hedging techniques or to implement hedges through certain taxable corporations. This could increase the costs and risks of hedging activities. We intend to structure any hedging transaction in a manner that does not jeopardize our ability to qualify as a REIT.

### **Risks Related to Other Investments**

***Investments in other real estate related investments could involve higher risks than investment in real estate properties, which could adversely affect our operations and ability to make dividend payments.***

We are permitted to invest in other real estate assets. We can invest in real estate equity, debt, and derivative securities. These assets can be quite risky, illiquid, and volatile and the value of these assets could cause the value of our shares to fluctuate and could result in losses that materially adversely affect our results of operations.

## **Risks Related to Conflicts of Interest**

We are subject to several conflicts of interest arising out of our relationships with our affiliates, including our Advisor and its affiliates.

*There are conflicts of interest in our relationship with the Advisor and its affiliates and several trustees, which could adversely affect our operations and business operations.*

We are subject to potential conflicts of interest arising out of our relationships with the Advisor, its affiliates, and certain trustees. Conflicts of interest may arise among a trustee or the Advisor and its respective affiliates, on the one hand, and us and our shareholders, on the other hand. As a result of these conflicts, the trustee or Advisor may favor its own interests or the interests of its affiliates over the interest of our shareholders or Operating Partnership.

### ***Division of Loyalty/Allocation of time and effort***

Several of our officers and/or trustees serve as officers, governors, and owners of one or more entities (certain of which are affiliated with our Advisor or trustees), property managers, tenants of our properties, brokerage companies and other real estate entities owning real estate investments. As a result, these individuals owe duties to these other entities and their investors, which may conflict with the duties that they owe to us and our shareholders. Their loyalties to these other entities and investors could result in action or inaction detrimental to our business or result in conflicts relating to the allocation of their time and services, which could harm implementation of our business strategy and investment and leasing opportunities.

### ***Allocation of investment opportunities***

The Advisor and its affiliates are or may become committed to the management of other business ventures. Accordingly, there may be conflicts of interest between our investments and other investments or business ventures in which the Advisor and its affiliates are participants. In addition, the Advisor and its officers will advise other investment programs that invest in commercial real estate properties and real estate related assets in which we may be interested. Therefore, the Advisor could face conflicts of interest in allocating and determining which programs will have the opportunity to acquire and participate in such investments as they become available. As a result, other investment programs advised by the Advisor may compete with us with respect to investors and certain investments we may want to acquire.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 1C. CYBERSECURITY**

With oversight from the Board of Trustees, the Advisor is responsible for managing all cyber risks and overseeing our security programs. Cybersecurity risk management has been delegated to the Advisor's executive officers, with day-to-day management carried out by the Advisor's Chief Financial Officer (CFO), Elizabeth Reich.

The Advisor's cybersecurity risk oversight includes: (i) reviewing and approving technology security policies and internal cybersecurity controls, (ii) monitoring cybersecurity and information security exposures, (iii) confirming the Advisor has adequate procedures in place to not only control and limit these exposures but also to timely respond to any cyber incident, and (iv) mandatory cyber security trainings for all Advisor personnel.

The Advisor partners with several third-party technology providers to monitor and protect internal IT infrastructure and data. The Advisor has hired Marco Technologies as the organization's Managed IT provider with tools that systematically update hardware and software while also monitoring uptime to ensure seamless business operations. Marco Technologies also provides cyber security trainings, which all Advisor personnel are required to complete on a monthly basis. The Advisor utilizes Red Canary to provide 24/7 monitoring on all end points with triggers to isolate and mitigate any suspicious cyber activity. Finally, High Point Networks provides physical and cloud-based network data backup solutions for the Advisor. In collaboration with the Advisor, an extensive data back-up plan is in place with Return to Operations objectives of less than 24 hours. Although our CFO does not come from an information technology background, she relies on her extensive organization and project management experience to coordinate and manage the third-party providers who perform our cybersecurity function and to implement our cybersecurity incident response plan described below.

The Board of Trustees and Advisor are aware that preventive measures cannot prevent all cyber incidents. When a cyber incident occurs, our actions are guided by an incident response plan decision tree to (i) detect, contain and eradicate any threats, (ii) assess materiality, (iii) notify internal parties, (iv) recover any compromised data and information systems, (v) limit impacts of any such incident on the Trust's operations, and (vi) report any such incident as required by law or as otherwise necessary.

Our business strategy, results of operations or financial condition have not been materially impacted by cybersecurity threats, including as a result of any previous cybersecurity incidents. Although we cannot predict the cybersecurity incidents we may face in the future, we believe we have implemented reasonable cybersecurity protections and do not have reason to believe our business strategy, results of operations or financial condition will be materially impacted by cybersecurity incidents in the future.

For a discussion of risks from cybersecurity threats, please see "Item 1A. Risk Factors."

## **ITEM 2. PROPERTIES**

### **General**

Our policy is to acquire assets with an intention to hold these assets as long-term investments seeking income and capital appreciation through an increase in value of our real estate portfolio, as well as increased revenue as a result of higher rent. These types of investments are the core of our strategy of creating shareholder value. We currently own and maintain a portfolio of real estate diversified by geographical location and by type and size.

The majority of our real estate investments are managed by a third party. Property management firms usually receive between 2% and 5% of gross rent collection for their services. Substantially all of our commercial revenues consist of base rents received under leases having terms ranging from month-to-month to over 25 years. Additionally, commercial revenue may also include the reimbursement of operating costs such as common area maintenance expenses, utilities, insurance and real estate taxes. More than half of our existing commercial property leases as of December 31, 2024 contain "step up" rental clauses providing for annual increases in the base rental payments of approximately 1.0% to 3.0% each year during the term of the lease.

## Properties

As of December 31, 2024, we owned 177 properties located in 12 states, containing approximately 11,955 apartment units and 1,187,000 square feet of leasable commercial space. The residential and commercial portfolio of properties includes a diversified mixture of multifamily, single, and multi-tenant retail and office buildings as well as industrial and medical facility properties. The majority of the properties are located in the largest cities in the states of North Dakota and Minnesota.

As of December 31, 2024, approximately 82.7% (based on cost) of the properties were apartment communities. Most multifamily dwelling properties are leased to a variety of tenants under short-term leases of less than a year.

As of December 31, 2024, approximately 17.3% (based on cost) of the properties were comprised of industrial, office, retail and medical commercial properties. Most commercial properties are leased to a variety of tenants under long-term leases.

The following information applies to all of our operating properties:

- We believe all of our properties are adequately covered by insurance and suitable for their intended purposes.
- Our properties are located in markets where we are subject to competition in attracting new tenants and retaining current tenants; and
- Depreciation is provided on a straight-line basis over the estimated useful lives of the buildings.

The below table sets forth certain information regarding each of our properties owned, including unconsolidated affiliates, as of December 31, 2024 (in thousands, except units or leasable sq. ft.).

Property	Location	Year Acquired	# of Units or Leasable Sq. Ft	Total Investment	Physical Occupancy at December 31, 2024
Amberwood Court	Grand Forks, ND	2016	96	\$ 4,300	98.96 %
Arbor	Bismarck, ND	2013	12	696	100.00 %
Arbor II	Bismarck, ND	2013	12	700	100.00 %
Arbor III	Bismarck, ND	2013	12	760	91.67 %
Ashbury	Fargo, ND	2013 & 2016	61	4,139	96.72 %
Auburn II	Fargo, ND	2007	24	1,111	95.83 %
Autumn Ridge	Grand Forks, ND	2004	144	10,418	93.75 %
Barrett Arms	Crookston, MN	2014	24	1,281	95.83 %
Bayview	Fargo, ND	2007	100	6,151	94.00 %
Bell Plaza* (FKA Northland Plaza)	Bloomington, MN	2015	299,671	46,908	79.00 %
Belmont	Bismarck, ND	2020	26	1,601	92.31 %
Berkshire	Fargo, ND	2008	12	525	83.33 %
Betty Ann	Fargo, ND	2009	24	1,056	87.50 %
Biolife Plasma Center	Bismarck, ND	2008	11,737	2,695	100.00 %
Biolife Plasma Center	Grand Forks, ND	2008	13,165	2,847	100.00 %
Biolife Plasma Center	Janesville, WI	2008	12,225	2,230	100.00 %
Biolife Plasma Center	Mankato, MN	2008	12,965	3,935	100.00 %
Biolife Plasma Center	Marquette, MI	2008	11,737	3,128	100.00 %
Biolife Plasma Center	Onalaska, WI	2008	12,180	2,384	100.00 %
Biolife Plasma Center	Oshkosh, WI	2008	12,191	2,143	100.00 %
Biolife Plasma Center	Sheboygan, WI	2008	12,965	2,482	100.00 %
Biolife Plasma Center	Stevens Point, WI	2008	13,190	2,425	100.00 %
Birchwood I	Fargo, ND	2017	12	564	75.00 %
Birchwood II	Fargo, ND	2017	54	3,014	90.74 %
Bluemont Lakes Financial Center	Fargo, ND	2004	31,307	5,321	88.51 %
Bradbury	Bismarck, ND	2018	96	6,170	95.83 %
Briar Pointe	Fargo, ND	2021	30	1,935	93.33 %
Bridgeport	Fargo, ND	2016	120	8,561	88.33 %
Bristol Park	Grand Forks, ND	2016	80	5,959	93.75 %
Brookfield	Fargo, ND	2008	72	2,680	87.50 %
Brownstone	Fargo, ND	2021	72	4,458	90.28 %
Cambridge (FKA 44th Street)	Fargo, ND	2013	42	2,575	95.24 %
Candlelight	Fargo, ND	2012	66	2,452	90.91 %
Carling Manor	Grand Forks, ND	2008	12	891	83.33 %
Carlton Place	Fargo, ND	2008	213	9,441	86.85 %
Carr	Fargo, ND	2017	18	878	88.89 %
Cedars 4	Fargo, ND	2018	18	1,294	72.22 %
Chandler 1802	Grand Forks, ND	2014	24	1,434	95.83 %
Chandler 1834	Grand Forks, ND	2018	12	722	83.33 %
Chandler 1866	Grand Forks, ND	2005	12	384	100.00 %
Chandler 1898	Grand Forks, ND	2022	12	587	100.00 %
Cherry Creek (FKA Village)	Grand Forks, ND	2008	35	2,282	94.29 %
Cobalt Apartments	Fort Worth, TX	2022	270	54,955	92.96 %
Columbia West	Grand Forks, ND	2008	70	4,512	98.57 %
Country Club	Fargo, ND	2011	40	1,843	90.00 %
Countryside	Fargo, ND	2011	24	1,072	91.67 %
Courtyard	St. Louis Park, MN	2013	152	9,303	88.16 %
Dairy Queen	Dickinson, ND	2012	2,811	988	100.00 %
Dairy Queen	Moorhead, MN	2011	2,712	1,033	100.00 %
Dakota Manor	Fargo, ND	2014	54	3,251	96.30 %
Danbury	Fargo, ND	2007	134	8,042	90.30 %
Deer Park	Hutchinson, MN	2022	138	14,879	91.30 %
Dellwood Estates	Anoka, MN	2013	132	12,416	90.15 %
Desoto Estates	Grand Forks, ND	2022	68	5,992	94.12 %
Desoto Townhomes	Grand Forks, ND	2022	24	3,292	100.00 %
Diamond Bend	Mandan, ND	2022	78	10,751	94.87 %
Eagle Run	West Fargo, ND	2010	144	7,354	90.97 %
Eagle Sky I	Bismarck, ND	2016	20	1,643	100.00 %
Eagle Sky II	Bismarck, ND	2016	20	1,719	100.00 %
East Bridge	Fargo, ND	2017	58	6,490	94.83 %

Eastbrook	Bismarck, ND	2020	24	1,500	91.67 %
Echo Manor	Hutchinson, MN	2014	30	1,198	100.00 %
Eide Bailly Building***	Fargo, ND	2007	74,646	11,839	100.00 %
Emerald Court	Fargo, ND	2008	24	1,188	79.17 %
Emory North Liberty***	North Liberty, IA	2024	148	33,017	49.32 %
Evergreen Terrace	Omaha, NE	2020	144	9,515	90.28 %
Fairview	Bismarck, ND	2008	84	5,499	98.81 %
Family Dollar Store	Mandan, ND	2010	9,100	870	100.00 %
Flagstone	Fargo, ND	2021	120	7,795	90.91 %
Flickertail	Fargo, ND	2008	180	8,480	89.44 %
Forest Avenue	Fargo, ND	2013	20	830	90.00 %
Four Points Office Building	Fargo, ND	2007	12,681	1,494	100.00 %
Foxtail Creek Townhomes	Fargo, ND	2020	30	1,488	100.00 %
Galleria III	Fargo, ND	2010	18	1,210	88.89 %
Garden Grove	Bismarck, ND	2016	95	7,274	96.84 %
Georgetown	Fridley, MN	2014	468	37,479	92.09 %
Glen Pond	Eagan, MN	2011	528	44,859	93.18 %
Goldmark Office Park	Fargo, ND	2007	127,238	23,479	100.00 %
Grand Forks Marketplace**	Grand Forks, ND	2003	182,588	28,603	100.00 %
Granger Court	Fargo, ND	2013	59	4,595	91.53 %
Great American Insurance Building	Fargo, ND	2005	14,796	2,270	100.00 %
Guardian Building Products	Fargo, ND	2012	100,600	3,340	100.00 %
Hannifin	Bismarck, ND	2013	14	860	100.00 %
Harrison Richfield	Grand Forks, ND	2007	140	8,564	100.00 %
Hartford	Fargo, ND	2018	30	1,421	86.67 %
Hawn	Fargo, ND	2020	48	2,929	89.58 %
Highland Meadows	Bismarck, ND	2011	144	10,865	96.53 %
Hunter's Run I	Fargo, ND	2007	12	483	91.67 %
Hunter's Run II	Fargo, ND	2008	12	518	100.00 %
Huntington	Fargo, ND	2015	10	448	90.00 %
Islander	Fargo, ND	2011	24	1,419	91.67 %
Kennedy	Fargo, ND	2013	12	818	75.00 %
Lexington Lofts 1****	Circle Pines, MN	2024	223	42,705	92.83 %
Lexington Lofts 2****	Circle Pines, MN	2024	132	27,104	84.85 %
Library Lane	Grand Forks, ND	2007	60	3,024	95.00 %
Madison (FKA Columbine)	Grand Forks, ND	2015	12	792	100.00 %
Maple Ridge	Omaha, NE	2008	174	11,018	87.36 %
Maplewood	Maplewood, MN	2014	240	18,312	94.17 %
Maplewood Bend	Fargo, ND	2009 and 2010	183	7,764	91.80 %
Martha Alice	Fargo, ND	2009	24	1,102	95.83 %
Mayfair (FKA Colony Manor)	Grand Forks, ND	2008	24	1,511	87.50 %
Midtown Plaza	Minot, ND	2004	17,808	1,342	64.98 %
Monticello	Fargo, ND	2013	18	989	77.78 %
Montreal Courts	Little Canada, MN	2013	444	31,270	91.89 %
Morningside	Fargo, ND	2018	17	803	88.24 %
Newgate	Bismarck, ND	2022	46	2,480	97.83 %
Oak Court	Fargo, ND	2008	81	3,321	91.36 %
Oakview Townhomes (FKA Arrowhead)	Grand Forks, ND	2017	82	6,442	96.34 %
O'Reilly Auto Store	Mandan, ND	2010	6,300	591	100.00 %
Oxford	Fargo, ND	2021	145	10,374	91.03 %
Pacific Park I	Fargo, ND	2013	30	1,064	80.00 %
Pacific Park II	Fargo, ND	2013	39	1,182	92.31 %
Pacific South	Fargo, ND	2013	15	635	80.00 %
Park Circle	Fargo, ND	2017	18	937	94.44 %
Parkview Arms	Bismarck, ND	2015	62	4,904	88.71 %
Parkway Office (FKA Echelon Building)	Fargo, ND	2006	16,937	1,893	- %
Parkwest Gardens	West Fargo, ND	2014	143	8,548	90.28 %
Parkwood	Fargo, ND	2008	40	1,587	87.50 %
Pebble Creek	Bismarck, ND	2008	70	2,881	97.14 %
Pinehurst	Fargo, ND	2021	210	15,077	89.05 %
Plumtree	Fargo, ND	2017	18	941	94.44 %
Prairiewood Court I & II	Fargo, ND	2006 and 2007	60	2,526	95.00 %
Prairiewood Meadows	Fargo, ND	2012	88	6,361	93.18 %
Quail Creek	Springfield, MO	2015	164	11,283	91.38 %
Robinwood	Coon Rapids, MN	2014	120	8,399	94.17 %
Rosedale Estates	Roseville, MN	2014	360	35,074	95.00 %
Rosegate	Fargo, ND	2008	90	4,026	85.56 %
Rosser	Bismarck, ND	2020	24	1,515	95.83 %

Roughrider	Grand Forks, ND	2016	12	759	91.67 %
Saddlebrook	West Fargo, ND	2008	60	1,804	86.67 %
Sage Park (FKA Brighton Village)	New Brighton, MN	2014	240	18,050	93.33 %
Sargent	Fargo, ND	2017	36	1,801	94.44 %
Schrock	Fargo, ND	2013	18	811	88.89 %
SE Brooklyn Park****	Brooklyn Park MN	2022	144	30,933	96.60 %
SE Maple Grove, LLC****	Maple Grove, MN	2021	161	32,101	95.70 %
SE Rogers, LLC****	Rogers, MN	2022	165	32,504	95.20 %
SE Savage, LLC****	Savage, MN	2021	190	36,823	95.30 %
Sheridan Pointe	Fargo, ND	2013	48	2,969	93.75 %
Sierra Ridge	Bismarck, ND	2006 and 2011	136	11,257	95.59 %
Somerset	Fargo, ND	2008	75	4,340	89.33 %
Southgate	Fargo, ND	2007	162	6,667	91.36 %
Southview III	Grand Forks, ND	2011	18	778	94.44 %
Southview Village	Fargo, ND	2007	72	3,805	94.44 %
Spring	Fargo, ND	2013	25	1,053	80.00 %
ST Fossil Creek*	Fort Worth, TX	2023	228	49,977	84.65 %
ST Oak Cliff*	Dallas, TX	2023	318	49,102	95.91 %
Stanford Court	Grand Forks, ND	2013	96	5,040	96.88 %
Stonefield	Bismarck, ND	2014	192	29,079	90.10 %
Stony Brook	Omaha, NE	2009	148	12,048	90.54 %
Summerfield	Fargo, ND	2015	18	862	88.89 %
Summit Point	Fargo, ND	2015	87	6,983	97.70 %
Sunchase	Fargo, ND	2017	36	1,974	94.44 %
Sunset Ridge	Bismarck, ND	2008 and 2010	180	12,485	95.51 %
Sunview	Grand Forks, ND	2008	36	2,085	100.00 %
Sunwood Estates	Fargo, ND	2007	80	4,667	91.25 %
Thunder Creek	Fargo, ND	2018	57	5,476	94.74 %
Titan Machinery	Bismarck, ND	2015	22,293	2,376	100.00 %
Titan Machinery	Dickinson, ND	2012	17,760	1,850	100.00 %
Titan Machinery	Fargo, ND	2012	29,800	3,243	100.00 %
Titan Machinery	Marshall, MN	2011	67,600	4,029	100.00 %
Titan Machinery	Minot, ND	2012	23,690	2,272	100.00 %
Titan Machinery	North Platte, NE	2016	18,910	1,593	100.00 %
Titan Machinery	Sioux City, IA	2013	36,332	2,787	100.00 %
Trustmark	Fargo, ND	2020	43,253	13,560	100.00 %
Twin Oaks	Hutchinson, MN	2014	80	4,476	96.25 %
Twin Parks	Fargo, ND	2008	66	2,625	96.97 %
Urban Plains	Fargo, ND	2024	415	44,021	94.70 %
Valley Home Duplexes	Grand Forks, ND	2015	24	2,621	91.67 %
Valley View	Golden Valley, MN	2014	72	7,831	95.83 %
Village Park	Fargo, ND	2008	60	2,582	95.00 %
Village West	Fargo, ND	2008	80	3,024	86.25 %
Walgreens	Alexandria, LA	2009	14,560	4,063	100.00 %
Walgreens	Batesville, AR	2009	14,820	6,877	100.00 %
Walgreens	Denver, CO	2011	17,228	4,706	100.00 %
Walgreens	Fayetteville, AR	2009	13,650	5,368	100.00 %
Walgreens	Laurel, MS	2010	14,820	4,264	100.00 %
Washington	Grand Forks, ND	2016	17	745	93.75 %
Wells Fargo Building	Duluth, MN	2007	98,068	6,035	74.09 %
West Oak	Fargo, ND	2017	18	913	88.89 %
Westcourt	Fargo, ND	2014	64	4,112	89.06 %
Westwood Estates	Fargo, ND	2008	200	9,027	90.50 %
Willow Park	Fargo, ND	2008	102	6,897	90.20 %
Wolf Creek	Fargo, ND	2020	54	5,364	85.19 %
Woodland Pines (FKA Fredericksburg)	Omaha, NE	2018	173	14,128	94.22 %

\* 70.00% ownership interest

\*\* 66.67% ownership interest

\*\*\* 50.00% ownership interest

\*\*\*\* 60% ownership interest

## Geography

Of our 177 properties, 137 are located in North Dakota, with 83 being located in the greater Fargo, North Dakota and Moorhead, Minnesota metropolitan statistical area. The North Dakota region generated approximately 52.2% of our rental revenue for the year ended December 31, 2024.

The following table presents the total real estate investment amount by state and annual rental revenue by state, as of the year ended December 31, 2024 (in thousands):

State	Real Estate		Rental	
	Investment	%	Revenue	%
North Dakota	\$ 558,681	51.0 %	\$ 83,415	52.4 %
Minnesota	378,665	34.6 %	56,710	35.6 %
Other	158,069	14.4 %	19,181	12.0 %
	<u>\$ 1,095,415</u>	<u>100.0 %</u>	<u>\$ 159,306</u>	<u>100.0 %</u>

## Economy

The North Dakota workforce is concentrated in agricultural, energy, information technology, aerospace sciences and medical sciences. According to the U.S. Census Bureau, the 2024 estimated combined population of the Fargo, West Fargo and Moorhead metro area was 218,790 people.

The following chart depicts the difference in unemployment rates between North Dakota and the national average for 2024:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
National <sup>(1)</sup>	3.7 %	3.9	3.9 %	3.9 %	4.0 %	4.1 %	4.2 %	4.2 %	4.1 %	4.1 %	4.2 %	4.1 %
North Dakota <sup>(1)</sup>	1.9 %	2.0 %	2.0 %	2.0 %	2.0 %	2.1 %	2.2 %	2.3 %	2.3 %	2.4 %	2.4 %	2.5 %

(1) Seasonally adjusted

Source: Bureau of Labor Statistics

## Acquisitions and Dispositions

We had two acquisitions, entered into one transaction with an unconsolidated affiliate, and had nine dispositions of property during the year ended December 31, 2024. We had no acquisitions and two dispositions of property during the year ended December 31, 2023. We had eight acquisitions and five dispositions of property during the year ended December 31, 2022.

Capitalization rates are a key decision-making item used by the Board. In making acquisitions, the Board currently targets capitalization rates between 6.0 to 10.0%, depending on the amount of risk involved. For those properties with greater risk, the Board targets higher capitalization rates (9.0% or greater). For those properties exhibiting less risk, a lower capitalization risk is acceptable. For potential acquisitions, the Board also requires an adequate spread between the financing on the property and the capitalization rate. Capitalization rates for acquisitions are calculated using projected net operating income divided by the investment. Net operating income is calculated by taking GAAP net income and adding back depreciation, amortization, and interest expense. Capitalization rates for dispositions are calculated in the same way with the exception of using historical, rather than projected, net operating income. The market has seen an increase in investors, driving up overall acquisition prices, thus lowering capitalization rates below the target thresholds set by the Board.

We use historical occupancy, rental income, and expenses to calculate projected net operating income for potential real estate investments. For residential properties, we make various assumptions about future rents, occupancy levels, and expenses based on historical financial information and our assessment of the property's future potential. The projected NOI for residential acquisitions is typically based on historical occupancy and expenses over a three-to-five year period. When historical information is unavailable, market vacancy and credit loss factors are estimated.

For commercial and residential properties, assumptions regarding rental income and expenses are based on the terms of the in-place leases and available historical financial information which is then used to generate projected net operating income.

Numerous estimates and assumptions are necessary to generate projected net operating income for potential commercial and residential acquisitions, and there is no guarantee actual net operating income will equal projected net operating income.

## Tenants

Our tenants are varied and consist of individuals and national, regional, and local businesses. Our commercial properties generally attract a mix of tenants. In each of 2024, 2023 and 2022, no single tenant represented more than 10% of our revenues. We have investments in several types of real estate, including multifamily, retail, office, industrial, and medical. Within our office, retail, and industrial properties, we have over 100 tenants who operate in various industries, including restaurants, pharmacy, medical, financing, banking, insurance, professional services, technology, wholesale and direct retail.

## Lease Expirations

The vast majority of residential leases are for one-year periods. The following table lists a summary, as of December 31, 2024, of lease expirations on non-residential properties scheduled to occur during each of the ten calendar years from 2024 to 2034 and thereafter, assuming that tenants exercise no renewal options or early termination rights. Base rents do not include CAM (common area maintenance).

The table is based on leases on December 31, 2024 for our non-residential properties including our unconsolidated affiliates (in thousands, except leasable area data).

<u>Lease Expiration Year</u>	<u># of Leases Expiring</u>	<u>Gross Leasable Area</u>	<u>% of Gross Leasable Area</u>	<u>Expiring Base Rent</u>	<u>% of Total Base Rent</u>
Month-to-Month	2	8,743	0.82 %	\$ 24,068	0.21 %
2025	14	51,638	4.82 %	649,122	5.71 %
2026	11	151,630	14.14 %	1,092,588	9.61 %
2027	14	84,556	7.89 %	638,192	5.61 %
2028	9	91,680	8.55 %	1,026,502	9.03 %
2029	9	97,226	9.07 %	1,142,534	10.05 %
2030	11	145,343	13.56 %	2,156,624	18.97 %
2031	2	94,907	8.85 %	1,456,597	12.82 %
2032	6	253,641	23.66 %	2,457,157	21.63 %
2033	3	25,365	2.37 %	380,102	3.34 %
2034	2	32,048	2.99 %	343,733	3.02 %
Thereafter	3	35,202	3.28 %	—	0.00 %
<b>Total</b>	<b>86</b>	<b>1,071,979</b>	<b>100.00 %</b>	<b>\$ 11,367,219</b>	<b>100.00 %</b>

### **Mortgage Notes Secured by the Properties**

On December 31, 2024, we had \$566,627 in mortgage notes payable with respect to our properties. Principal payments on these notes are payable as follows (in thousands):

<b>Years ending December 31,</b>	<b>Amount</b>
2025	\$ 62,228
2026	71,332
2027	78,971
2028	42,581
2029	85,597
Thereafter	225,918
	<u>\$ 566,627</u>

### **Insurance**

We believe we have adequate property damage, fire loss and liability insurance on all of our properties with reputable, commercially rated companies. We also believe our insurance policies contain commercially reasonable deductibles and limits, adequate to cover our properties. We expect to maintain this type of insurance coverage and to obtain similar coverage with respect to any additional properties we acquire in the near future. Further, we have title insurance relating to our properties in an aggregate amount we believe to be adequate.

### **Regulations**

Our properties, as well as any other properties we may acquire in the future, are subject to various federal, state, and local laws, ordinances and regulations. They include, among other things, zoning regulations, land use controls, environmental controls relating to air and water quality, noise pollution and indirect environmental impacts such as increased motor vehicle activity. We believe we have all permits and approvals necessary under current law to operate our properties.

### **ITEM 3. LEGAL PROCEEDINGS**

The Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of such matters cannot be predicted with certainty, management believes, based on currently available information, that the final outcome of such matters will not have a material effect on the financial statements of the Company.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

Our common shares of beneficial interest are not listed on any national exchange or over-the-counter market or quoted on any national securities market, and we currently do not have plans to list or have our common shares quoted.

#### Shareholders and Unit Holders

As of March 19, 2025, we had 12,891,389, common shares of beneficial interests outstanding, held by a total of 1,146 common shareholders and no outstanding options or warrants to purchase our common shares.

In addition, as of March 19, 2025, there were approximately 18,548,420 limited partnership units of our Operating Partnership outstanding held by approximately 519 limited partners. Pursuant to the exchange rights under the LLLP Agreement of the Operating Partnership, we have the option, upon redemption requests by the holders of the limited partnership units, to acquire the limited partnership units by paying the holders with our common shares of beneficial interest in lieu of delivering cash. The numbers of common shareholders and limited partners is based on the Company's records. There is no public trading market for our common shares or the limited partnership units of our Operating Partnership.

#### Quarterly Dividend Data

We have declared and intend to continue to declare regular quarterly dividends to our common shareholders. Because all of our operations are conducted through our Operating Partnership, our ability to pay dividends depends on the Operating Partnership's ability to make distributions to us and its other limited partners. We pay declared dividends quarterly, whereby the dividend attributable to a calendar quarter would be paid during the first month of the next quarter. Dividends will be paid to common shareholders as of the record dates selected by the Board of Trustees. We intend to make dividends sufficient to satisfy the requirements for qualification as a REIT for federal tax purposes.

The following tables show the dividends we have declared (including the total amount paid on a per share basis, paid in cash, reinvested in shares of our common stock pursuant to the Dividend Reinvestment Plan, and the total amount paid) during the last two fiscal years (in thousands, except per share data).

<b>2024 Quarter Ended</b>	<b>Dividends Per</b>	<b>Reinvested</b>		<b>Total Dividends</b>
	<b>Common Share</b>	<b>Cash</b>	<b>via DRP</b>	
December 31	\$ 0.287500	\$ 1,622	\$ 2,066	\$ 3,688 <sup>(a)</sup>
September 30	\$ 0.287500	1,458	1,906	3,364
June 30	\$ 0.287500	1,407	1,844	3,251
March 31	\$ 0.287500	1,419	1,838	3,257
		\$ 5,906	\$ 7,654	\$ 13,560

<b>2023 Quarter Ended</b>	<b>Dividends Per</b>	<b>Reinvested</b>		<b>Total Dividends</b>
	<b>Common Share</b>	<b>Cash</b>	<b>via DRP</b>	
December 31	\$ 0.287500	\$ 1,337	\$ 1,899	\$ 3,236 <sup>(a)</sup>
September 30	\$ 0.287500	1,323	1,884	3,207
June 30	\$ 0.287500	1,283	1,890	3,173
March 31	\$ 0.287500	1,151	1,996	3,147
		\$ 5,094	\$ 7,669	\$ 12,763

(a) Fourth quarter dividends paid on January 15<sup>th</sup> of the following year, for the year ended December 31, 2024. Fourth Quarter dividends were paid on January 16<sup>th</sup> of the following year, for the year ended December 31, 2023.

The Trust expects that future dividends will be maintained at least at the present rate, unless there are changes in our results of operations, our general financial condition, general economic conditions, or the Board determines other action prudent.

### **Sale of Securities**

During the year ended December 31, 2024, the Trust issued approximately 322,000 limited partnership units of the Operating Partnership valued at \$23.00 per unit for an aggregate consideration of \$7,396, for the purchase of real estate investments. At the sole and absolute discretion of the Operating Partnership, and so long as our redemption plans exist, and applicable holding periods are met, limited partners may request the Operating Partnership to redeem their limited partnership units for common shares in lieu of cash for the redemption on a basis of one limited partnership unit for one Sterling common share. The units were sold to accredited investors unaffiliated with the Operating Partnership in private placement transactions exempt from the registration requirements of the Securities Act of 1933 pursuant to Section 4(a)(2) of such Act.

### *Other Sales*

During each of the years ended December 31, 2024, 2023 and 2022, there were no common shares of the Trust issued in exchange for limited partnership units of the Operating Partnership.

## Redemptions of Securities

Set forth below is information regarding common shares and limited partnership units redeemed during the year ended December 31, 2024.

Period	Total Number of Common Shares Redeemed	Total Number of Limited Partner Units Redeemed	Average Price Paid per Common Share/Unit	Total Number of Shares Redeemed as Part of Publicly Announced Plans or Programs	Total Number of Units Redeemed as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares (or Units) that May Yet Be Redeemed Under Publicly Announced Plans or Programs
January 1-31, 2024	31,000	3,000	\$ 21.85	1,610,000	1,300,000	\$ 8,937
February 1-29, 2024	14,000	8,000	\$ 21.85	1,624,000	1,308,000	\$ 8,452
March 1-31, 2024	6,000	8,000	\$ 21.85	1,630,000	1,316,000	\$ 8,170
Total	51,000	19,000				
April 1-30, 2024	22,000	6,000	\$ 21.85	1,652,000	1,322,000	\$ 7,558
May 1-31, 2024	76,000	94,000	\$ 21.85	1,728,000	1,416,000	\$ 3,833
June 1-30, 2024	34,000	33,000	\$ 21.85	1,762,000	1,449,000	\$ 2,374
Total	132,000	133,000				
July 1-31, 2024	17,000	58,000	\$ 21.85	1,779,000	1,507,000	\$ 20,726
August 1-31, 2024	9,000	24,000	\$ 21.85	1,788,000	1,531,000	\$ 20,010
September 1-30, 2024	3,000	2,000	\$ 21.85	1,791,000	1,533,000	\$ 19,920
Total	29,000	84,000				
October 1-31, 2024	24,000	46,000	\$ 21.85	1,815,000	1,579,000	\$ 18,392
November 1-30, 2024	12,000	1,000	\$ 21.85	1,827,000	1,580,000	\$ 18,126
December 1-31, 2024	4,000	12,000	\$ 21.85	1,831,000	1,592,000	\$ 17,774
Total	40,000	59,000				

For the year ended December 31, 2024, the Trust redeemed all shares or units for which we received redemption requests. In addition, for the year ended December 31, 2024, all common shares and units redeemed were redeemed as part of the publicly announced plans.

The Amended and Restated Share Redemption Plan, effective June 20, 2024, permits us to repurchase common shares held by our shareholders and limited partnership units held by partners of our Operating Partnership, up to an aggregate amount of \$75,000 worth of shares and units, upon request by the holders after they have held them for at least one year and subject to other conditions and limitations described in the plan. The amount remaining to be redeemed as of December 31, 2024, was \$17,774. The redemption price for such shares and units redeemed under the plan was fixed at \$22.80 per share or unit, which became effective January 1, 2025. The redemption plan will terminate in the event the shares become listed on any national securities exchange, the subject of bona fide quotes on any inter-dealer quotation system or electronic communications network or are the subject of bona fide quotes in the pink sheets. Additionally, the Board, in its sole discretion, may terminate, amend or suspend the redemption plan at any time if it determines to do so in our best interest.

## Exempt Offering of Securities

On August 1, 2024, we commenced an offering (the “Offering”) of up to \$30,000 in shares of our common stock, which amount was increased to \$33,000 in shares of our common stock on December 12, 2024. The securities offering was facilitated in reliance upon safe harbor exemptions from the registration requirements provided by Section 4(a)(2) of the Securities Act and Regulation D under the Securities Act relating to sales not involving any public offering. The securities were offered and sold only to purchasers who are “accredited investors,” as defined in Rule 501 of Regulation D of the Securities Act, and without the use of general solicitation, as that concept is embodied in Regulation D. In addition to sales of common stock for cash, we have adopted a dividend reinvestment plan, which permits stockholders to reinvest their distributions back into the Company.

## ITEM 6. [RESERVED]

None.

## **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995**

Certain statements contained in this section and elsewhere in this Form 10-K constitute “*forward-looking statements*” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please see “Note Regarding Forward-Looking Statements” and “Risk Factors” for more information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made and are not guarantees of future performance.

### **Introduction**

The following discussion should be read in conjunction with the financial statements and related notes included under Part II, Item 8 of this Annual Report on Form 10-K.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") within this section is focused on the years ended December 31, 2024 and 2023, including year-to-year comparisons between these years. Our MD&A for the year ended December 31, 2022, including year-to-year comparisons between 2023 and 2022, can be found in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

### **Overview**

Sterling Real Estate Trust d/b/a Sterling Multifamily Trust (“Sterling”, “the Trust” or “the Company”) is a registered, but unincorporated business trust organized in North Dakota in December 2002. Sterling has elected to be taxed as a Real Estate Investment Trust (“REIT”) under Sections 856-860 of the Internal Revenue Code, which requires that 75% of the assets of a REIT must consist of real estate assets and that 75% of its gross income must be derived from real estate. The net income of the REIT is allocated in accordance with the stock ownership in the same fashion as a regular corporation. Our real estate portfolio consisted of 177 properties containing 11,955 apartment units and approximately 1,187,000 square feet of leasable commercial space as of December 31, 2024. The portfolio has a net book value of real estate investments (cost less accumulated depreciation) of approximately \$857,999, which includes construction in progress. Sterling’s current acquisition strategy and focus is on multifamily apartment properties.

### **Critical Accounting Policies and Estimates**

Below are the accounting policies and estimates that management believe are critical to the preparation of the audited consolidated financial statements included in this Report. Certain accounting policies used in the preparation of these consolidated financial statements are particularly important for an understanding of the financial position and results of operations presented in the historical consolidated financial statements included in this Report. A summary of significant accounting policies is also provided in the aforementioned notes to our consolidated financial statements (see note 2 to the audited consolidated financial statements). These policies require the application of judgment and assumptions by management and, as a result, are subject to a degree of uncertainty. Due to this uncertainty, actual results could differ materially from estimates calculated and utilized by management.

### *Impairment of Real Estate Investments*

The Trust's investment properties are reviewed for potential impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To assess potential impairment of the real estate portfolio, the Trust initially performs a screen test and reviews the net book value (NBV) of each property, compares the trailing twelve months (T12) net operating income (NOI) against the prior year's T12 NOI, and evaluates key assumptions, including the anticipated hold period and applicable capitalization rates, to determine whether any indicators of impairment exist.

Examples of situations considered to be impairment indicators include, but are not limited to:

- A substantial decline or negative cash flows;
- Continued low occupancy rates;
- Continued difficulty in leasing space;
- Significant financially troubled tenants;
- A change in plan to sell a property prior to the end of its useful life or holding period;
- A significant decrease in market price not in line with general market trends; and
- Any other quantitative or qualitative events or factors deemed significant by the Trust's management or Board of Trustees.

If the presence of one or more impairment indicators as described above is identified with respect to an investment property, the asset is tested for recoverability by comparing its carrying value to the estimated future undiscounted cash flows. An investment property is considered to be impaired when the estimated future undiscounted cash flows are less than its current carrying value. When performing a test for recoverability or estimating the fair value of an impaired investment property, the Trust makes complex or subjective assumptions which include, but are not limited to:

- Projected operating cash flows considering factors such as vacancy rates, rental rates, lease terms, tenant financial strength, demographics, holding period and property location;
- Projected capital expenditures;
- Projected cash flows from the eventual disposition of an operating property using a property specific capitalization rate;
- Comparable selling prices; and
- Property specific discount rates for fair value estimates as necessary.

To the extent impairment has occurred, the Trust will record an impairment charge calculated as the excess of the carrying value of the asset over its fair value. Based on evaluation, there was no impairment recorded during the year ended December 31, 2024. There was one impairment loss of \$2,603 and \$561 during the years ended December 31, 2023 and December 31, 2022, respectively.

### *Acquisition of Real Estate Investments*

The Company allocates the purchase price of properties that meet the definition of an asset acquisition to net tangible and identified intangible assets acquired based on their relative fair values. In making estimates of relative fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, our own analysis of recently acquired and existing comparable properties in our portfolio, and other market data. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing, and leasing activities in estimating the relative fair value of the tangible and intangible assets acquired.

### *REIT Status*

We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code. Under those sections, a REIT which distributes at least 90% of its REIT taxable income, excluding net capital gains, as a distribution to its shareholders each year and which meets certain other conditions will not be taxed on

that portion of its taxable income which is distributed to its shareholders. We intend to distribute to our shareholders 100% of our taxable income. Therefore, no provision for Federal income taxes is required. If we fail to distribute the required amount of income to our shareholders, we would fail to qualify as a REIT and substantial adverse tax consequences may result.

There have been no material changes in our Critical Accounting Policies as disclosed in Note 2 to our financial statements for the year ended December 31, 2024 included elsewhere in this report.

### Principal Business Activity

The Operating Partnership currently directly owns 177 properties. Of these, 140 residential properties located in North Dakota, Minnesota, Missouri, Nebraska and Texas and are principally multifamily apartment buildings. The remaining 37 are commercial properties primarily located in North Dakota with others located in Arkansas, Colorado, Iowa, Louisiana, Michigan, Minnesota, Mississippi, Nebraska and Wisconsin. The commercial properties include retail, office, industrial, and medical properties. The Trust's mix of properties is 82.7% residential and 17.3% commercial (based on cost) with a total carrying value of \$857,999 at December 31, 2024. The Trust has no properties held for sale at December 31, 2024. The carrying value of assets held for sale at December 31, 2023 is \$1,563. Currently our focus is limited to multifamily apartment properties. We will consider unsolicited offers for purchase of commercial properties on a case-by-case basis.

The following table represents the number of properties the Trust owns in each state as of December 31, 2024:

<b>Residential Property</b>	<b>Location</b>	<b>No. of Properties</b>	<b>Units</b>
	North Dakota	118	7,499
	Minnesota	16	3,383
	Missouri	1	164
	Nebraska	4	639
	Texas	1	270
		140	11,955
<b>Commercial Property</b>	<b>Location</b>	<b>No. of Properties</b>	<b>Sq. Ft</b>
	North Dakota	19	501,000
	Arkansas	2	28,000
	Colorado	1	17,000
	Iowa	1	36,000
	Louisiana	1	15,000
	Michigan	1	12,000
	Minnesota	5	481,000
	Mississippi	1	15,000
	Nebraska	1	19,000
	Wisconsin	5	63,000
		37	1,187,000

### Management Highlights

- Increased revenues from rental operations by \$15,675 or 10.9% for the year ended December 31, 2024, compared to the year ended December 31, 2023.
- Two multifamily properties were acquired during the year ended December 31, 2024.
- One unconsolidated affiliate transaction entered into during the year ended December 31, 2024.
- Disposed of six residential and three commercial properties during the year ended December 31, 2024.
- Declared dividends aggregating \$1.1500 per common share for the year ended December 31, 2024.

## Results of Operations for the Years Year Ended December 31, 2024 and 2023

	Year ended December 31, 2024			Year ended December 31, 2023		
	Residential	Commercial (in thousands)	Total	Residential	Commercial (in thousands)	Total
Real Estate Revenues	\$ 139,230	\$ 20,076	\$ 159,306	\$ 123,202	\$ 20,429	\$ 143,631
Real Estate Expenses						
Real Estate Taxes	14,590	1,834	16,424	14,025	2,178	16,203
Property Management	18,759	901	19,660	16,038	823	16,861
Utilities	11,525	1,015	12,540	11,350	1,154	12,504
Repairs and Maintenance	27,505	1,746	29,251	30,900	2,038	32,938
Insurance	6,401	142	6,543	5,437	106	5,543
Real Estate Expenses	78,780	5,638	84,418	77,750	6,299	84,049
Net Operating Income	<u>\$ 60,450</u>	<u>\$ 14,438</u>	74,888	<u>\$ 45,452</u>	<u>\$ 14,130</u>	59,582
Interest			24,463			21,435
Depreciation and amortization			27,488			25,004
Administration of REIT			5,446			5,430
Loss on impairment of property			—			2,603
Other income			(852)			(2,546)
Net Income			<u>\$ 18,343</u>			<u>\$ 7,656</u>
Net Income Attributed to:						
Noncontrolling Interest			\$ 11,088			\$ 4,763
Sterling Real Estate Trust			\$ 7,255			\$ 2,893
Dividends per share <sup>(1)</sup>			\$ 1.1500			\$ 1.1500
Earnings per share			\$ 0.6200			\$ 0.2600
Weighted average number of common shares			11,648			11,104

(1) Does not take into consideration the amounts distributed by the Operating Partnership to limited partners.

### Revenues

Property revenues totaled approximately \$159,306 for the year ended December 31, 2024, which constituted an increase of approximately \$15,675 or 10.9% compared to the same period in 2023. Residential property revenues increased approximately \$16,028 and commercial property revenues decreased approximately \$353.

The following table illustrates the occupancy percentage for the periods ended indicated:

	December 31, 2024	December 31, 2023
Residential occupancy	92.5 %	90.5 %
Commercial occupancy	90.1 %	89.6 %

Residential revenues for the year ended December 31, 2024, increased \$16,028 or 13.0%, in comparison to the same period in 2023. Residential properties acquired during the year ended December 31, 2024, contributed approximately \$7,521 to the increase in total residential revenues. The remaining increase is due to decreased vacancies caused by increased renewals and general market rent increases at our stabilized properties. Residential revenues comprised 87.4% of total revenues for the year ended December 31, 2024, compared to 85.8% of total revenues for the year ended December 31, 2023. Residential economic occupancy year-over-year increased 2.0%, during the year ended December 31, 2024.

For the year ended December 31, 2024, total commercial revenues decreased \$353 or 1.7%, in comparison to the same period in 2023. The decrease was primarily attributed to the disposition of three commercial properties which accounts for \$341 of the decrease during the year ended December 31, 2024.

## *Expenses*

Residential expenses from operations of \$78,780 during the year ended December 31, 2024 increased \$1,030 or 1.3% in comparison to the same period in 2023. The increase is attributed to an increase in property management fees of \$2,721 or 17.0%, as well as an increase in real estate taxes and property insurance of \$565 or 4.0% and \$964 or 1.3% respectively. These increases are partially offset by a decrease of \$3,395 or 11.0% in repairs and maintenance. This decrease is due to 2022 deferred projects being completed in 2023 due to COVID-19 restrictions, and those expenses did not recur in 2024.

Commercial expenses from operations of \$5,638 during the year ended December 31, 2024 decreased \$661 or 10.5% in comparison to the same period in 2023. For the year ended December 31, 2024 the decrease is attributed by the following: a decrease of real estate taxes of \$344 or 15.8%, a decrease in repairs and maintenance of \$292 or 14.3%.

Interest expense of \$24,463 during the year ended December 31, 2024 increased \$3,028 or 12.7% in comparison to the same period in 2023. Interest expense related to an increase in outstanding indebtedness increased by \$2,698 during 2024.

Depreciation and amortization expense of \$27,488 during the year ended December 31, 2024 increased \$2,484 or 9.9% in comparison to the same period in 2023. Amortization expense will continue to decrease as lease intangibles become fully amortized but will increase upon acquisitions of intangible assets. Depreciation and amortization expense as a percentage of rental income for the years ended December 31, 2024 and 2023 were consistent at 17.3% and 17.4%, respectively.

REIT administration expenses of \$5,446 for the year ended December 31, 2024, increased \$16 or 0.4% in comparison to the same period in 2023, which is attributed to an increase in REIT advisory fees paid and audit fees of \$220 and \$126, respectively. This is partially offset by a decrease of development fees and legal fees of \$250 and \$86, respectively.

Other income of \$852 for the year ended December 31, 2024 decreased \$1,694 or 66.5% in comparison to the same period in 2023. The decrease is primarily due to an increased loss in the Company's nine joint ventures in 2024 of \$1,000 when compared to 2023. The decrease can also be attributed to \$585 settlement proceeds in 2023.

## **Construction in Progress and Development Projects**

The Trust capitalizes direct and certain indirect project costs incurred during the development period such as construction, insurance, architectural, legal, interest and other financing costs, and real estate taxes. At such time as the development is considered substantially complete, the capitalization of certain indirect costs such as real estate taxes, interest, and financing costs cease, all project-related costs included in construction in process are reclassified to land and building and other improvements.

Construction in progress as of December 31, 2024, consists primarily of construction at several residential properties located in North Dakota and Minnesota. The Rosedale Estates has a project for a parking structure and parking lot. The parking structure is budgeted at \$2,550, of which \$2,258 has been incurred. The parking lot is budgeted at \$5,032, of which \$4,172 has been incurred. Remaining construction in progress projects are primarily related to building and roof system, roof replacements on multiple residential properties, residential exterior window systems, and new deck systems on multiple residential properties.

The Trust has one on-going development through ventures in unconsolidated affiliates.

Emory North Liberty, currently being developed in North Liberty, Iowa is expected to be complete in the first quarter of 2027. As of December 31, 2024, the phase II construction budget is currently being developed and will be reviewed by the Board of Trustees.

The development of Kessler Apartments in Fort Worth, Texas was completed in the fourth quarter of 2024 with a total project cost of \$48,136.

## **Funds From Operations (FFO)**

Funds From Operations (FFO) applicable to common shares and limited partnership units means net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization from continuing operations, plus pro rata share of unconsolidated affiliate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis.

Historical cost accounting for real estate assets implicitly assumes the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. The term Funds From Operations (FFO) was created to address this problem. It was intended to be a standard supplemental measure of REIT operating performance that excluded historical cost depreciation from — or “added back” to — GAAP net income.

Our management believes this non-GAAP measure is useful to investors because it provides supplemental information that facilitates comparisons to prior periods and for the evaluation of financial results. Management uses this non-GAAP measure to evaluate our financial results, develop budgets and manage expenditures. The method used to produce non-GAAP results is not computed according to GAAP, is likely to differ from the methods used by other companies and should not be regarded as a replacement for corresponding GAAP measures. Management encourages the review of the reconciliation of this non-GAAP financial measure to the comparable GAAP results.

Since the introduction of the definition of FFO, the term has come to be widely used by REITs. In the view of National Association of Real Estate Investment Trusts (“NAREIT”), the use of the definition of FFO (combined with the primary GAAP presentations required by the Securities and Exchange Commission) has been fundamentally beneficial, improving the understanding of operating results of REITs among the investing public and making it easier than before to compare the results of one REIT with another.

While FFO applicable to common shares and limited partnership units are widely used by REITs as performance metrics, all REITs do not use the same definition of FFO or calculate FFO in the same way. The FFO reconciliation presented here is not necessarily comparable to FFO presented by other real estate investment trusts. FFO should also not be considered as an alternative to net income as determined in accordance with GAAP as a measure of a real estate investment trust’s performance, but rather should be considered as an additional, supplemental measure, and should be viewed in conjunction with net income as presented in the consolidated financial statements included in this report. FFO applicable to common shares and limited partnership units does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of sufficient cash flow to fund a real estate investment trust’s needs or its ability to service indebtedness or to pay dividends to shareholders.

The following tables include calculations of FFO, and the reconciliations from net income, for the years ended December 31, 2024, 2023 and 2022, respectively. We believe these calculations are the most comparable GAAP financial measure (in thousands):

*Reconciliation of Net Income Attributable to Sterling to FFO Applicable to Common Shares and Limited Partnership Units*

	<u>Year ended December 31, 2024</u>		<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	<u>Amount</u>	<u>Weighted Avg Shares and Units</u>	<u>Amount</u>	<u>Weighted Avg Shares and Units</u>	<u>Amount</u>	<u>Weighted Avg Shares and Units</u>
	<u>(in thousands, except per share data)</u>					
Net Income attributable to Sterling Real Estate Trust	\$ 7,255	11,648	\$ 2,893	11,104	\$ 8,921	10,632
Adjustments:						
Noncontrolling Interest - Operating Partnership Units	11,531	18,670	4,848	18,619	15,628	18,626
Depreciation & Amortization from continuing operations (1)	26,075		24,396		24,044	
Pro rata share of unconsolidated affiliate depreciation and amortization	7,491		5,960		3,312	
Loss on impairment of real estate investments	—		2,603		561	
Gain on sale of depreciable real estate	(3,069)		(2,597)		(11,090)	
Funds from operations applicable to common shares and limited partnership units (FFO)	<u>\$ 49,283</u>	<u>30,318</u>	<u>\$ 38,103</u>	<u>29,723</u>	<u>\$ 41,376</u>	<u>29,258</u>

(1) Excludes the portion allocated to noncontrolling interest in the amount of \$1,413, \$608, and \$635 the years ended December 31, 2024, 2023 and 2022, respectively.

## Liquidity and Capital Resources

### *Evaluation of Liquidity*

We continually evaluate our liquidity and ability to fund future operations, debt obligations, and any repurchase requests. As part of our analysis, we consider among other items, the credit quality of tenants and lease expirations.

Our principal demands for funds will be for the: (i) acquisition of real estate and real estate-related investments, (ii) payment of acquisition related expenses and operating expenses, (iii) payment of dividends/distributions, (iv) payment of principal and interest on current and any future outstanding indebtedness, (v) redemptions of our securities under our redemption plans and (vi) capital improvements, development projects, and property related expenditures. Generally, we expect to meet cash needs for the payment of operating expenses and interest on outstanding indebtedness from cash flow from operations. We expect to pay dividends/distributions and any repurchase requests to our shareholders and the unit holders of our Operating Partnership from cash flow from operations; however, we may use other sources to fund dividends/distributions and repurchases, as necessary.

At December 31, 2024, our unrestricted cash resources consisted of cash and cash equivalents totaling \$4,798. Our unrestricted cash reserves can be used for working capital needs and other commitments. In addition, we had unencumbered properties with a gross book value of \$73,459, which could potentially be used as collateral to secure additional financing in future periods.

The Trust maintains a \$4,915 variable rate (floating SOFR plus 2.00%) line of credit agreement with Bremer Bank, which expires in December 2026; and a \$3,500 variable rate (floating SOFR plus 2.00%) line of credit agreement with Bremer Bank, which expires December 2026. We also have a \$14,800 variable rate (Prime minus 1.50%) line of credit agreement with Gate City Bank, which expires in July 2029. The lines of credit are secured by specific properties. The sale of our securities and issuance of limited partnership units of the Operating Partnership in exchange for property acquisitions and sale of additional common or preferred shares is also expected to be a source of long-term capital for us.

During the year ended December 31, 2024, we sold 1,356 common shares, which raised gross proceeds of \$31,186 in private placements. During the year ended December 31, 2024, we issued 343,000 and 121,000 common shares under the dividend reinvestment plan and optional share purchases, respectively which raised gross proceeds of \$10,267. During the year ended December 31, 2023, we did not sell any common shares in private placements. During the year ended December 31, 2023, we issued 353,000 and 173,000 common shares under the dividend reinvestment plan and as optional share purchases, respectively which raised gross proceeds of \$11,714.

Additionally, to reduce our cash investment and liquidity needs, the Trust utilizes the UPREIT structure whereby we can acquire property in whole or in part by issuing partnership units in lieu of cash payments. During the year ended December 31, 2024, the Operating Partnership issued approximately 321,000 limited partnership units of the Operating Partnership valued at \$23.00 per unit for an aggregate consideration of approximately \$7,396 for the purchase of real estate investments. During the year ended December 31, 2023, there was no Operating Partnership issued for the purchase of real estate investments.

The Board of Trustees, acting as general partner for the Operating Partnership, determined an estimate of fair value for the limited partnership units exchanged through the UPREIT structure. In determining this value, the Board relied upon their experience with, and knowledge about, the Trust's real estate portfolio and debt obligations. The Board typically determines the fair value on an annual basis. The Trustees determine the fair value, in their sole discretion and use data points to guide their determination which is typically based on a consensus of opinion. Thus, the Trust does not employ any specific valuation methodology or formula. Rather, the Board looks to available data and information, which is often adjusted and weighted to comport more closely with the assets held by the Trust at the time of valuation. The principal valuation methodology utilized is the NAV calculation/direct capitalization method. The information made available to the Board is assembled by the Trust's Advisor. In addition, the Board considers how the price chosen will affect existing share and unit values, redemption prices, dividend coverage ratios, yield percentages, dividend reinvestment factors, and future UPREIT transactions, among other considerations and information. The fair value was not determined based on, nor intended to comply with, fair value standards under US GAAP and the value may not be indicative of the price we would get for selling our assets in their current condition. At this time, no shares are held in street name accounts and the Trust is not subject to FINRA's specific pricing requirements set out in Rule 2340 or otherwise.

As with any valuation methodology, the methodologies utilized by the Board in reaching an estimate of the value of the shares and limited partnership units are based upon a number of estimates, assumptions, judgments or opinions that may, or may not, prove to be correct. The use of different estimates, assumptions, judgments, or opinions would likely have resulted in significantly different estimates of the value of the shares and limited partnership units. In addition, the Board's estimate of share and limited partnership unit value is not based on the book values of our real estate, as determined by GAAP, as our book value for most real estate is based on the amortized cost of the property, subject to certain adjustments.

Cash on hand, together with cash from operations and access to the lines of credit is expected to provide sufficient capital to meet the Company's needs for at least the next 12 months and, we will use cash flows from operations, net proceeds from share offerings, debt proceeds, and proceeds from the disposition of real estate investments to meet long term liquidity demands.

#### *Credit Quality of Tenants*

We are exposed to credit risk within our tenant portfolio, which can reduce our results of operations and cash flow from operations if our tenants are unable to pay their rent. Tenants experiencing financial difficulties may become delinquent on their rent or default on their leases and, if they file for bankruptcy protection, may reject our lease in bankruptcy court, resulting in reduced cash flow. This may negatively impact net asset values and require us to incur impairment charges. Even if a default has not occurred and a tenant is continuing to make the required lease payments, we may restructure or renew leases on less favorable terms, or the tenant's credit profile may deteriorate, which could affect the value of the leased asset and could in turn require us to incur impairment charges.

To mitigate credit risk on commercial properties, we have historically looked to invest in assets that we believe are critically important to our tenant's operations and have attempted to diversify our portfolio by tenant, tenant industry and geography. We also monitor all of our properties' performance through review of rent delinquencies as a precursor to a potential

default, meetings with tenant management and review of tenants' financial statements and compliance with financial covenants. When necessary, our asset management process includes restructuring transactions to meet the evolving needs of tenants, refinancing debt and selling properties, as well as protecting our rights when tenants default or enter into bankruptcy.

#### *Lease Expirations and Occupancy*

Our residential leases are for a term of one year or less. The Advisor, with the assistance of our property managers, actively manages our real estate portfolio and begins discussing options with tenants in advance of scheduled lease expirations. In certain cases, we may obtain lease renewals from our tenants; however, tenants may elect to move out at the end of their term. In the cases where tenants elect not to renew, we may seek replacement tenants or try to sell the property.

#### **Cash Flow Analysis**

Our objectives are to generate sufficient cash flow over time to provide shareholders with increasing dividends and to seek investments with potential for strong returns and capital appreciation throughout varying economic cycles. We have funded 100% of dividends paid with operating cash flows. In setting a dividend rate, we focus primarily on expected returns from investments we have already made to assess the sustainability of a particular dividend rate over time.

	Twelve Months Ended December 31,	
	2024	2023
	(in thousands)	
Net cash flows provided by operating activities	\$ 46,559	\$ 48,546
Net cash flows (used in) provided by investing activities	\$ (40,841)	\$ 16,745
Net cash flows (used in) financing activities	\$ (27,854)	\$ (40,810)

#### *Operating Activities*

Our real estate properties generate cash flow in the form of rental revenues, which is reduced by interest payments, direct lease costs and property-level operating expenses. Property-level operating expenses consist primarily of property management fees including salaries and wages of property management personnel, utilities, cleaning, repairs, insurance, security and building maintenance cost, and real estate taxes. Additionally, we incur general and administrative expenses, advisory fees, acquisition and disposition expenses and financing fees. As of the year ended December 31, 2024 and 2023, salaries and wages of property management personnel with a related party was \$9,971 and \$9,936, respectively.

Net cash provided by operating activities was \$46,559 and \$48,546 for the years ended December 31, 2024 and 2023, respectively, which consists primarily of net income from property operations, adjusted for non-cash depreciation and amortization.

#### *Investing Activities*

Our investing activities generally consist of real estate-related transactions (purchases and sales of properties) and payments of capitalized property-related costs such as intangible assets.

Net cash (used in) provided by investing activities was (\$40,841) and \$16,745 for the years ended the year ended December 31, 2024 and 2023, respectively (this does not include the value of UPREIT units issued in connection with investing activities). For the years ended December 31, 2024 and 2023, cash flows used in investing activities related specifically to the acquisition of properties and capital expenditures was (\$46,955) and (\$12,200), respectively. Proceeds received from the sale of real estate investments during the year ended December 31, 2024 and 2023, offset this amount by \$9,057 and \$5,068, respectively.

### *Financing Activities*

Our financing activities generally consist of funding property purchases by raising proceeds and securing mortgage notes payable as well as paying dividends, paying syndication costs, and making principal payments on mortgage notes payable.

Net cash (used in) financing activities was (\$27,854) and (\$40,810), respectively, for the years ended December 31, 2024 and 2023. During the year ended December 31, 2024, we paid \$27,104 in dividends and distributions, redeemed \$11,915 of shares and units, received \$30,803 from new mortgage notes payable, and made mortgage principal payments of \$62,689. For the year ended December 31, 2023, we paid \$26,356 in dividends and distributions, redeemed \$4,995 of shares and units, received \$67,911 from new mortgage notes payable, and made mortgage principal payments of \$53,246.

### *Dividends and Distributions*

#### *Common Stock*

We declared cash dividends to our shareholders during the period from January 1, 2024 to December 31, 2024 totaling \$13,561 or \$1.1500 per share, of which \$5,907 was cash dividends and \$7,654 were reinvested through the dividend reinvestment plan. The cash dividends were paid from our \$46,559 of cash flows from operations.

We declared cash dividends to our shareholders during the period from January 1, 2023 to December 31, 2023 totaling \$12,763 or \$1.1500 per share, of which \$5,095 was cash dividends and \$7,669 were reinvested through the dividend reinvestment plan. The cash dividends were paid from our \$48,546 of cash flows from operations.

We continue to provide cash dividends to our shareholders from cash generated by our operations. The following chart summarizes the sources of our cash used to pay dividends. Our primary source of cash is cash flow provided by operating activities from our investments as presented in our cash flow statement. We also include distributions from unconsolidated affiliates to the extent that the underlying real estate operations in these entities generate these cash flows and the gain on sale of properties relates to net profits from the sale of certain properties. Our presentation is not intended to be an alternative to our consolidated statement of cash flows and does not present all sources and uses of our cash.

The following table presents certain information regarding our dividend coverage:

	<b>Year Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>	
Cash flows provided by operations (net income of \$18,343 and \$7,656, respectively)	\$ 46,559	\$ 48,546
Distributions in excess of earnings received from unconsolidated affiliates	2,372	2,483
Proceeds from sale of real estate investments and non-real estate investments	9,057	5,068
Dividends declared	(13,560)	(12,763)
Excess	<u>\$ 44,428</u>	<u>\$ 43,334</u>

#### *Limited Partnership Units*

The Operating Partnership agreement provides that our Operating Partnership will distribute to the partners (subject to certain limitations) cash from operations on a quarterly basis (or more frequently, if we so elect) in accordance with the percentage interests of the partners. We determine the amounts of such distributions in our sole discretion.

For the year ended December 31, 2024, we declared quarterly distributions totaling \$21,448 to holders of limited partnership units in our Operating Partnership, which we paid on April 15, July 15, and October 15, 2024, and January 15, 2025. Distributions were paid at a rate of \$0.2875 per unit per quarter, which is equal to the per share distribution rate paid to the common shareholders.

For the year ended December 31, 2023, we declared quarterly distributions totaling \$21,407 to holders of limited partnership units in our Operating Partnership, which we paid on April 17, July 17, October 16, 2023, and January 16,

2024. Distributions were paid at a rate of \$0.2875 per unit per quarter, which is equal to the per share distribution rate paid to the common shareholders.

### **Sources of Dividends and Distributions**

For the year ended December 31, 2024, we paid aggregate dividends of \$13,109, which were paid with cash flows provided by operating activities. Our funds from operations, or FFO, was \$49,283, therefore, our management believes our distribution policy is sustainable over time. For the year ended December 31, 2023, we paid aggregate dividends of \$12,635 which were paid with cash flows provided by operating activities. Our FFO was \$38,103 for the year ended December 31, 2023. For a further discussion of FFO, including a reconciliation of FFO to net income, see “Funds from Operations” above.

### **Recently Issued Accounting Pronouncements**

For a discussion of recently issued accounting pronouncements, see Note 2, Principal Activity and Significant Accounting Policies— Recently Issued Accounting Pronouncements, to the consolidated financial statements that are a part of this Annual Report on Form 10-K.

### **Recent Developments**

On January 15, 2025, we paid a dividend or distribution of \$0.2875 per share on our common shares of beneficial interest or limited partnership units, to common shareholders and limited unit holders of record on December 31, 2024.

We have evaluated subsequent events through the date of this filing. We are not aware of any other subsequent events which would require recognition or disclosure in the consolidated financial statements.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Trust is exposed to certain risk arising from both its business operations and economic conditions and principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Trust manages economic risks, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities. The principal material financial market risk to which we are exposed, is interest-rate risk, which the Trust manages through the use of derivative financial instruments. Specifically, the Trust enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. During the year ended December 31, 2024, the Trust used 15 interest rate swaps to hedge the variable cash flows associated with market interest rate risk. These swaps have an aggregated notional amount of \$127,050 for the year ended December 31, 2024. We do not enter into derivative instruments for trading or speculative purposes. The interest rate swaps expose us to credit risk in the event of non-performance by the counterparty under the terms of the agreement.

As of December 31, 2024, The Trust had \$127,050 of variable-rate borrowings, with the total outstanding balance fixed through interest rate swaps. Even though our goal is to maintain a fairly low exposure to interest rate risk, we may become vulnerable to significant fluctuations in interest rates on any future repricing or refinancing of our fixed or variable rate debt or future debt. The sensitivity analysis is not included as it is negated by the interest rate swaps.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Our consolidated financial statements included in this Annual Report are listed in Item 15 and begin immediately after the signature pages.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Sterling Real Estate Trust's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of Sterling Real Estate Trust's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Report. Based on the evaluation, Sterling Real Estate Trust's Chief Executive Officer and Chief Financial Officer have concluded that Sterling Real Estate Trust's disclosure controls and procedures were not effective as of such date due to a material weakness in internal control over financial reporting, described below.

### **Report of Management on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining a comprehensive system of internal control over financial reporting to provide reasonable assurance of the proper authorization of transactions, the safeguarding of assets and the reliability of the financial records. Our internal control system was designed to provide reasonable assurance to our management and Board of Trustees regarding the preparation and fair presentation of published financial statements. The system of internal control over financial reporting provides for appropriate division of responsibility and is documented by written policies and procedures that are communicated to employees. The framework upon which management relied in evaluating the effectiveness of our internal control over financial reporting was set forth in *Internal Controls – Integrated Framework* (2013) published by the Committee of Sponsoring Organization of the Treadway Commission.

Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the U.S. Our internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of our assets,
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the U.S., and that our receipts and expenditures are being made only in accordance with authorization of our management and trustees; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was not effective as of December 31, 2024. However, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in our business or other conditions, or that the degree of compliance with our policies or procedures may deteriorate.

### **Material Weakness in Internal Control Over Financial Reporting**

A material weakness, as defined in Rule 12b-2 under the Exchange Act, is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

During our annual financial statement audit for the year ended December 31, 2024, we discovered that we had failed to properly record a journal entry for an assumed interest rate swap associated with the purchase accounting allocation for a real estate investment acquisition completed in April of 2024 in the amount of approximately \$3.3 million which resulted in an overstatement of investments in real estate and other comprehensive income. This error did not, however, necessitate the restating of our financial statements as of and for the three and six months ended June 30, 2024, nor as of and for the three and nine months ended September 30, 2024. We determined that our review control to evaluate the accounting and disclosure of purchase accounting allocations for acquisitions of real estate investments did not operate effectively. The error has been adjusted for in the financial statements on Form 10-K as of and for the year ended December 31, 2024.

### **Inherent Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting**

There are inherent limitations to the effectiveness of any control system. A control system, no matter how well conceived and operated, can provide only reasonable assurance that its objectives are met. No evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within us have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies and procedures may deteriorate.

### **Changes in Internal Control Over Financial Reporting**

During the year ended December 31, 2024, except for the material weakness noted above, no changes in our internal control over financial reporting occurred that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The remediation plan described above was implemented subsequent to December 31, 2024.

### **Remediation of Material Weaknesses**

We are committed to maintaining a strong internal control environment. Our management, with oversight from our Audit Committee, has initiated a plan to remediate the material weakness. Such plan includes enhancements to the design of the control activity over the review of the accounting and disclosure of purchase price allocations for acquisitions of real estate investments that may, from time to time, be associated with acquisitions we complete. The material weakness cannot be considered remediated, however, until after the applicable control operates for a sufficient period of time, and management has concluded, through testing, that the control is operating effectively.

## **ITEM 9B. OTHER INFORMATION**

None.

## **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

## **PART III**

The information required in Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence), and Item 14 (Principal Accountant Fees and Services) is incorporated by reference to our definitive proxy statement for the 2024 Annual Meeting of Shareholders to be filed with the SEC or filed by amendment to this Annual Report on or before April 30, 2025.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a)(1) The financial statements listed below are included in this report**

**Report of Independent Registered Public Accounting Firm (PCAOB ID Number 49)**

**Consolidated Financial Statements**

**Consolidated Balance Sheets at December 31, 2024 and 2023**

**Consolidated Statements of Operations and Other Comprehensive Income for the years ended December 31, 2024, 2023 and 2022**

**Consolidated Statements of Stockholders' Equity for the years ended December 31, 2024, 2023 and 2022**

**Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023 and 2022**

**Notes to Consolidated Financial Statements**

**Real Estate and Accumulated Depreciation (Schedule III)**

**(a)(3) Exhibits**

**See the Exhibit Index filed as part of this Annual Report on Form 10-K.**

**ITEM 16. FORM 10-K SUMMARY**

**Not applicable.**

# STERLING | REAL ESTATE TRUST

## STERLING REAL ESTATE TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF *DECEMBER 31, 2024* AND *2023*,  
AND THE RELATED CONSOLIDATED STATEMENTS OF OPERATIONS AND  
OTHER COMPREHENSIVE INCOME, SHAREHOLDERS' EQUITY AND CASH FLOWS  
FOR THE YEARS ENDED  
*DECEMBER 31, 2024, 2023* AND *2022*,  
INCLUDING NOTES

and

REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

## STERLING REAL ESTATE TRUST AND SUBSIDIARIES

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Sterling Real Estate Trust

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sterling Real Estate Trust and its subsidiaries (the Trust) as of December 31, 2024 and 2023, the related consolidated statements of operations and other comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes to the consolidated financial statements and schedules (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on the Trust's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Trust in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit and disclosure committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### ***Evaluation of real estate investments for impairment***

The Trust's real estate investments and related intangible assets were \$858.0 million and \$2.5 million, respectively, as of December 31, 2024. As described in Note 2, the Trust performs impairment testing on a quarterly basis or whenever events or changes in circumstances indicate the carrying amount of its real estate investments may not be recoverable. As part of the Trust's initial screen test, management reviews the net book value of each property by comparing the trailing twelve months net operating income against the prior year trailing twelve months net operating income and evaluates key assumptions to determine whether any indicators of impairment exist. These indicators could include a substantial decline in or negative cash flows, continued low occupancy rate, continued difficulty in leasing space, significant financially troubled tenants, a change in plan to sell a property prior to the end of its useful life or holding period, a significant decrease in market price not in line with general market trends, and any other quantitative or qualitative events or factors deemed significant by the Trust's management or board of trustees. The Trust identified indicators of impairment for certain real estate investments and, in such cases, further assessed the assets for recoverability by comparing the net carrying value to estimated future cash flows on an undiscounted basis.

We identified the determination of the existence of impairment indicators and when applicable, the analysis of undiscounted cash flows for the Trust's real estate investments and related intangible assets as a critical audit matter because of the significant judgements made by management, including the evaluation of the impact of the factors described above. Auditing management's judgments used in the determination of impairment indicators involved a high degree of auditor judgment and increased audit effort. Further, auditing the Trust's undiscounted cash flow required a high degree of auditor judgment and increased audit effort as estimates underlying the calculation, including terminal capitalization rates, forecasted net operating income and estimated hold periods were based on assumptions affected by expected current market and economic conditions.

Our audit procedures related the Trust's evaluation of real estate investments for impairment included the following, among others;

- We tested the underlying data used in management's analysis for completeness and accuracy, agreed such data to source documents and the underlying accounting records and evaluated management's conclusions around potential indicators of impairment by reviewing management's evaluation on a property-by-property basis, considering information such as historical trends, current year property level operating performance, and changes in expected hold periods, among other information.
- For properties where there was an indicator of impairment, we assessed the reasonableness of management's conclusions regarding recoverability of the assets by evaluating the undiscounted cash flow analyses on a property-by-property basis and assessing the reasonableness of certain assumptions such as terminal capitalization rates, forecasted net operating income and estimated hold periods, among others.

/s/ RSM US LLP

We have served as the Trust's auditor since 2021.

Minneapolis, Minnesota  
March 19, 2025

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

#### STERLING REAL ESTATE TRUST AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2024 AND 2023

	December 31, 2024	December 31, 2023
(in thousands)		
<b>ASSETS</b>		
Real estate investments		
Land and land improvements	\$ 139,491	\$ 127,204
Buildings and improvements	905,504	803,424
Furniture, fixtures and equipment	35,721	32,127
Construction in progress	14,699	8,049
Real estate investments	1,095,415	970,804
Less accumulated depreciation	(237,416)	(214,584)
Real estate investments, net	857,999	756,220
Cash and cash equivalents	4,798	26,919
Restricted deposits	10,127	10,142
Investment in unconsolidated affiliates	28,345	26,601
Notes receivable	1,539	64
Notes receivable, affiliates	7,945	8,821
Assets held for sale	—	1,568
Lease intangible assets, less accumulated amortization	2,541	2,983
Other assets, net	24,416	21,515
<b>Total Assets</b>	<b>\$ 937,710</b>	<b>\$ 854,833</b>
<b>LIABILITIES</b>		
Mortgage notes payable, net	\$ 506,735	\$ 457,857
Mortgage notes payable, net, affiliates	57,983	60,262
Lines of credit	4,992	—
Dividends payable	9,039	8,579
Tenant security deposits payable	8,291	7,104
Lease intangible liabilities, less accumulated amortization	324	470
Liabilities related to assets held for sale	—	2
Accrued expenses and other liabilities	21,408	19,239
<b>Total Liabilities</b>	<b>608,772</b>	<b>553,513</b>
COMMITMENTS and CONTINGENCIES - Note 17		
<b>SHAREHOLDERS' EQUITY</b>		
Beneficial interest	153,834	124,095
Noncontrolling interest		
Operating partnership	154,353	163,308
Partially owned properties	9,290	2,555
Accumulated other comprehensive income	11,461	11,362
<b>Total Shareholders' Equity</b>	<b>328,938</b>	<b>301,320</b>
	<b>\$ 937,710</b>	<b>\$ 854,833</b>

See Notes to Consolidated Financial Statements

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

	Year Ended December 31,		
	2024	2023	2022
	(in thousands, except per share data)		
Income from rental operations			
Real estate rental income	\$ 159,306	\$ 143,631	\$ 135,060
Expenses			
Expenses from rental operations			
Operating expenses	67,994	67,846	56,893
Real estate taxes	16,424	16,203	14,245
Depreciation and amortization	27,488	25,004	24,679
Interest	24,463	21,435	19,994
	136,369	130,488	115,811
Loss on impairment of property	—	2,603	561
Administration of REIT	5,446	5,430	5,247
Total expenses	141,815	138,521	121,619
Income from operations	17,491	5,110	13,441
Other (loss) income			
Equity in losses of unconsolidated affiliates	(3,937)	(2,959)	(2,339)
Other income	1,619	2,214	1,293
Gain on sale or conversion of real estate investments	3,069	2,597	11,090
Gain on involuntary conversion	101	694	1,047
Total other income	852	2,546	11,091
Net income	\$ 18,343	\$ 7,656	\$ 24,532
Net income (loss) attributable to noncontrolling interest:			
Operating partnership	11,531	4,848	15,628
Partially owned properties	(443)	(85)	(17)
Net income attributable to Sterling Real Estate Trust	\$ 7,255	\$ 2,893	\$ 8,921
Net income attributable to Sterling Real Estate Trust per common share, basic and diluted	\$ 0.62	\$ 0.26	\$ 0.84
Comprehensive income			
Net income	\$ 18,343	\$ 7,656	\$ 24,532
Other comprehensive income - change in fair value of interest rate swaps	99	(2,420)	14,732
Other comprehensive income	18,442	5,236	39,264
Comprehensive income attributable to noncontrolling interest	11,149	3,247	24,989
Comprehensive income attributable to Sterling Real Estate Trust	\$ 7,293	\$ 1,989	\$ 14,275
Weighted average common shares outstanding, basic and diluted	11,648	11,104	10,632

See Notes to Consolidated Financial Statements

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

	Common Shares	Paid-in Capital	Accumulated Distributions in Excess of Earnings	Total Beneficial Interest	Noncontrolling Interest			Accumulated Comprehensive Income (Loss)	Total
					Operating Partnership	Partially Owned Properties	Total		
BALANCE AT DECEMBER 31, 2021	10,342	\$ 148,562	\$ (31,706)	\$ 116,856	\$ 176,954	\$ 2,657	\$ (950)	\$ 295,517	
Shares issued under trustee compensation plan	3	65	—	65	—	—	—	65	
Contribution of assets in exchange for the issuance of noncontrolling interest shares	—	—	—	—	12,870	—	—	12,870	
Shares/units redeemed	(53)	(1,155)	—	(1,155)	(923)	—	—	(2,078)	
Dividends and distributions declared	—	—	(12,222)	(12,222)	(21,482)	—	—	(33,704)	
Dividends reinvested - stock dividend	342	7,468	—	7,468	—	—	—	7,468	
Issuance of shares under optional purchase plan	177	4,062	—	4,062	—	—	—	4,062	
Change in fair value of interest rate swaps	—	—	—	—	—	—	14,732	14,732	
Net income (loss)	—	—	8,921	8,921	15,628	(17)	—	24,532	
BALANCE AT DECEMBER 31, 2022	10,811	\$ 159,002	\$ (35,007)	\$ 123,995	\$ 183,047	\$ 2,640	\$ 13,782	\$ 323,464	
Shares issued pursuant to trustee compensation plan	3	72	—	72	—	—	—	72	
Shares/units redeemed	(83)	(1,813)	—	(1,813)	(3,180)	—	—	(4,993)	
Dividends and distributions declared	—	—	(12,766)	(12,766)	(21,407)	—	—	(34,173)	
Dividends reinvested - stock dividend	353	7,731	—	7,731	—	—	—	7,731	
Issuance of shares under optional purchase plan	173	3,983	—	3,983	—	—	—	3,983	
Change in fair value of interest rate swaps	—	—	—	—	—	—	(2,420)	(2,420)	
Net income (loss)	—	—	2,893	2,893	4,848	(85)	—	7,656	
BALANCE AT DECEMBER 31, 2023	11,257	\$ 168,975	\$ (44,880)	\$ 124,095	\$ 163,308	\$ 2,555	\$ 11,362	\$ 301,320	
Issuance of common shares	1,356	31,187	—	31,187	—	—	—	31,187	
Shares issued pursuant to trustee compensation plan	3	72	—	72	—	—	—	72	
Contribution of assets in exchange for the issuance of noncontrolling interest shares	—	—	—	—	7,395	—	—	7,395	
Shares/units redeemed	(251)	(5,482)	—	(5,482)	(6,433)	—	—	(11,915)	
Dividends and distributions declared	—	—	(13,561)	(13,561)	(21,448)	—	—	(35,009)	
Dividends reinvested - stock dividend	343	7,487	—	7,487	—	—	—	7,487	
Issuance of shares under optional purchase plan	121	2,781	—	2,781	—	—	—	2,781	
Change in fair value of interest rate swaps	—	—	—	—	—	—	99	99	
Contributions from consolidated real estate entity noncontrolling interests	—	—	—	—	—	7,219	—	7,219	
Distributions paid to consolidated real estate entity noncontrolling interests	—	—	7,255	7,255	11,531	(41)	—	(41)	
Net income (loss)	—	—	(51,186)	(51,186)	(443)	—	—	(41)	
BALANCE AT DECEMBER 31, 2024	12,829	\$ 205,020	\$ (51,186)	\$ 153,834	\$ 154,553	\$ 9,290	\$ 11,461	\$ 328,938	

See Notes to Consolidated Financial Statements

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 18,343	\$ 7,656	\$ 24,532
Adjustments to reconcile net income to net cash provided by operating activities			
Gain on sale of real estate investments	(3,069)	(2,597)	(11,090)
Loss on impairment of property	—	2,603	561
Gain on involuntary conversion	(101)	(694)	(1,047)
Change in fair value of securities	—	5,002	(322)
Equity in loss of unconsolidated affiliates	3,937	2,959	2,339
Distributions of earnings of unconsolidated affiliates	—	—	261
Allowance for (recovery of) uncollectible accounts receivable	9	(203)	(281)
Depreciation	24,580	23,257	22,161
Amortization	2,908	1,747	2,518
Amortization of debt issuance costs	625	627	675
Effects on operating cash flows due to changes in			
Other assets	108	5,126	(209)
Tenant security deposits payable	892	736	1,143
Accrued expenses and other liabilities	(1,673)	2,327	(471)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>46,559</b>	<b>48,546</b>	<b>40,770</b>
<b>INVESTING ACTIVITIES</b>			
Gross purchase of securities	—	—	(29,130)
Proceeds from maturity of securities	—	24,369	81
Purchase of real estate investment properties	(28,510)	—	(81,974)
Capital expenditures and tenant improvements	(18,445)	(12,180)	(9,623)
Proceeds from sale of real estate investments and non-real estate investments	12,388	5,068	25,463
Proceeds from involuntary conversion	6	63	1,579
Investment in unconsolidated affiliates	(8,053)	(2,621)	(13,869)
Distributions in excess of earnings received from unconsolidated affiliates	2,372	2,483	504
Notes receivable issued net of payments received	(599)	(437)	(991)
<b>NET CASH (USED IN) PROVIDED BY PROVIDED BY INVESTING ACTIVITIES</b>	<b>(40,841)</b>	<b>16,745</b>	<b>(107,960)</b>
<b>FINANCING ACTIVITIES</b>			
Payments for financing, debt issuance	—	(525)	(408)
Principal payments on special assessments payable	(140)	(74)	—
Proceeds from issuance of mortgage notes payable	30,803	67,911	37,569
Principal payments on mortgage notes payable	(65,677)	(53,246)	(22,231)
Advances on lines of credit	—	—	1,008
Draws (payments) on lines of credit	4,992	(1,008)	—
Proceeds from contributions received from noncontrolling interest - partially owned properties	7,219	—	—
Proceeds (payments) on notes payable	—	(26,500)	26,500
Proceeds from issuance of common shares	31,187	—	—
Proceeds from issuance of shares under optional purchase plan	2,781	3,983	4,063
Shares/units redeemed	(11,915)	(4,995)	(2,077)
Dividends/distributions paid	(27,104)	(26,356)	(25,310)
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(27,854)</b>	<b>(40,810)</b>	<b>19,114</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS</b>	<b>(22,136)</b>	<b>24,481</b>	<b>(48,076)</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT BEGINNING OF PERIOD</b>	<b>37,061</b>	<b>12,580</b>	<b>60,656</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT END OF PERIOD</b>	<b>\$ 14,925</b>	<b>\$ 37,061</b>	<b>\$ 12,580</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT END OF PERIOD</b>			
Cash and cash equivalents	\$ 4,798	\$ 26,919	\$ 3,257
Restricted deposits	10,127	10,142	9,323
<b>TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS, END OF PERIOD</b>	<b>\$ 14,925</b>	<b>\$ 37,061</b>	<b>\$ 12,580</b>

See Notes to Consolidated Financial Statements

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022 (Continued)**

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
<b>SCHEDULE OF CASH FLOW INFORMATION</b>			
Cash paid during the period for interest	\$ 23,494	\$ 20,593	\$ 19,305
<b>SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>			
Dividends reinvested	\$ 7,487	\$ 7,732	\$ 7,468
Dividends declared and not paid	3,689	3,363	3,108
UPREIT distributions declared and not paid	5,352	5,342	5,385
Shares issued pursuant to trustee compensation plan	72	72	65
Acquisition of assets in exchange for the issuance of noncontrolling interest units in UPREIT	7,396	—	12,870
Assumed loans	80,774	—	—
Increase in land improvements due to increase in special assessments payable	1,030	320	219
Accrued capital expenditures	2,120	—	—
Unrealized gain (loss) on interest rate swaps	99	(2,420)	14,732
Acquisition of assets through assumption of debt and liabilities	653	—	406
Capitalized interest and real estate taxes related to construction in progress	191	106	91

See Notes to Consolidated Financial Statements

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024, 2023 AND 2022**

(Dollar amounts in thousands, except share and per share data)

**NOTE 1 – ORGANIZATION**

Sterling Real Estate Trust, d/b/a Sterling Multifamily Trust (“Sterling”, “the Trust” or “the Company”) is a registered, but unincorporated business trust organized in North Dakota in December 2002. Sterling has elected to be taxed as a Real Estate Investment Trust (“REIT”) under Sections 856-860 of the Internal Revenue Code.

Sterling previously established an Operating Partnership (“Sterling Properties, LLLP”) and transferred all of its assets and liabilities to the Operating Partnership in exchange for general partnership units. As the general partner, Sterling has management responsibility for all activities of the Operating Partnership. As of December 31, 2024 and 2023, Sterling owned approximately 40.80% and 37.72%, respectively, of the Operating Partnership.

**NOTE 2 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying consolidated financial statements include the accounts of Sterling and all subsidiaries for which we maintain a controlling interest.

The accompanying consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”).

*Principles of Consolidation*

The consolidated financial statements include the accounts of Sterling, Sterling Properties, LLLP, and wholly owned limited liability companies and partially-owned limited liability companies. All significant intercompany transactions and balances have been eliminated in consolidation.

As of December 31, 2024, the Trust owned approximately 40.80% of the partnership interests (“OP Units”) of the Operating Partnership. The remaining OP Units, consisting exclusively of limited partner interests, are held by persons who contributed their interests in properties to the Operating Partnership in exchange for OP Units. Under the LLLP Agreement and the redemptions plans, these persons have the right to request the Operating Partnership redeem their OP Units following a specified restricted period. All redemptions are at the sole discretion of the Trust, acting for itself or in its capacity as General Partner of the Operating Partnership, and further subject to the conditions and limitations of the LLLP Agreement and redemption plans, as the same may be amended or modified from time to time. If the Trust accepts a redemption request, the redemption of OP Units shall be made in cash in an amount equal to the fair value of an equivalent number of common shares of the Trust. In lieu of delivering cash, however, the Trust, as the Operating Partnership’s general partner, may, at its option and in its sole and absolute discretion, choose to acquire any OP Units so tendered by issuing common shares in exchange for the tendered OP Units. If the Trust so chooses, its common shares will be exchanged for OP Units on a one-for-one basis. This one-for-one exchange ratio is subject to adjustment to prevent dilution. With each such exchange or redemption, the Trust’s percentage ownership in the Operating Partnership will increase. In addition, whenever the Trust issues common or other classes of its shares, it contributes the net proceeds it receives from the issuance to the Operating Partnership and the Operating Partnership issues to the Trust an equal number of OP Units or other partnership interests having preferences and rights that mirror the preferences and rights of the shares issued. This structure is commonly referred to as an umbrella partnership REIT or “UPREIT.”

Additionally, we evaluate the need to consolidate affiliates based on standards set forth in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810, Consolidation (“ASC 810”). In determining whether we have a requirement to consolidate the accounts of an entity, management considers factors such as our ownership interest, our authority to make decisions and contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity (“VIE”) for which we have both: a) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance, and b) the obligation to absorb losses or the right to receive benefits from the VIE that could be potentially significant to the VIE.

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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(Dollar amounts in thousands, except share and per share data)

In instances where the Trust determines that it is not the primary beneficiary of a VIE or the Trust does not control the joint venture but can exercise influence over the entity with respect to its operations and major decisions, the Trust will use the equity method of accounting. Under the equity method, the operations of a joint venture will not be consolidated with the Trust's operations but instead its share of operations will be reflected as equity in earnings (loss) of unconsolidated entity on its consolidated statements of operations and comprehensive loss. Additionally, the Trust's net investment in the joint venture will be reflected as investment in unconsolidated entity on the consolidated balance sheets. See Note 5 for additional details regarding variable interest entities where the Trust uses the equity method of investing.

The Operating Partnership meets the criteria as a variable interest entity ("VIE"). The Trust's sole significant asset is its investment in the Operating Partnership. The Trust is the primary beneficiary of the Operating Partnership and accordingly consolidated the Operating Partnership. As a result, substantially all of the Trust's assets and liabilities represent those assets and liabilities of the Operating Partnership. All of the Trust's debt is an obligation of the Operating Partnership, and the Trust guarantees the unsecured debt obligations of the Operating Partnership. The Trust may acquire property using a reverse like-kind exchange structure (a "Reverse 1031 Like-Kind Exchange") under the Code to defer taxable gains on the subsequent sale of real estate property. As such, the acquired property (the "Parked Property") remains in the possession of a VIE whose legal equity interests are owned by a qualified intermediary engaged to execute the Reverse 1031 Like-Kind Exchange until the subsequent sale transaction and the Reverse 1031 Like-Kind Exchange are completed. Although the VIE is legally owned by the qualified intermediary, the Trust retains essentially all of the legal and economic benefits and obligations related to the VIE (which holds the legal title to the Parked Property prior to the completion of the Reverse 1031 Like-Kind Exchange) and, as its designated manager, has the key decision-making power over the Parked Property. The VIE (including the Parked Property) is included in the Trust's consolidated financial statements as a consolidated VIE until legal title is transferred to the Trust upon completion of the Reverse 1031 Like-Kind Exchange.

*Concentration of Credit Risk*

Financial instruments that potentially subject us to a concentration of credit risk are cash and cash equivalents, restricted deposits, and notes receivable.

Our cash balances are maintained in various bank deposit accounts. The bank deposit amounts in these accounts may exceed federally insured limits at various times throughout the year.

We consider the concentration of risk for restricted deposits to be minimal due the majority of the balance being composed of tenant security deposits.

We consider the concentration of risk for notes receivable to be minimal due to the payment histories and general financial condition of our borrowers.

*Use of Estimates*

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Administration of REIT Expenses*

Administration of REIT expenses includes advisory fees, development fees, accounting expenses, legal expenses, and administrative expenses. Administrative expenses include bank charges, business owner insurance, SEC filing fees, shareholder transfer fees, and software subscription expenses.

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
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(Dollar amounts in thousands, except share and per share data)

*Real Estate Investments*

Real estate investments are recorded at cost less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred. The Trust allocates the purchase price of each acquired investment property accounted for as an asset acquisition based upon the relative acquisition date fair value of the individual assets acquired and liabilities assumed, which generally include (i) land, (ii) building and other improvements, (iii) in-place lease value intangibles, (iv) acquired above and below market lease intangibles, and (v) assumed financing that is determined to be above or below market, if any. Transaction costs related to acquisitions accounted for as asset acquisitions are capitalized as incurred and included as a cost of the building in the accompanying balance sheet.

The Trust expects that its real estate acquisitions will be accounted for as asset acquisitions. Accounting for asset acquisitions requires an allocation of purchase price (inclusive of capitalized transaction costs) to the assets acquired and liabilities assumed, based on the relative fair value of the respective assets and liabilities.

Typical assets acquired and liabilities assumed include land, building, furniture, fixtures and equipment, debt and identified intangible assets and liabilities, consisting of the value of above or below market leases and in-place leases. The Trust utilizes various sources to determine fair value. The purchase price allocation to tangible assets is reflected in real estate assets and depreciated over their estimated useful lives. Any purchase price allocation to intangible assets, other than in-place lease intangibles, is included in prepaid expenses and other assets on the accompanying balance sheet and amortized over the term of the acquired intangible asset. The Trust values land based on a market approach, looking to recent sales of similar properties, adjusting for differences due to location, the state of entitlement as well as the shape and size of the parcel. Improvements to land are valued using a replacement cost approach and consider the structures and amenities included for the communities and is reduced by estimated depreciation. The value for furniture, fixtures and equipment is also determined based on a replacement cost approach, considering costs for both items in the apartment homes as well as common areas and is adjusted for estimated depreciation. The fair value of buildings is estimated using the replacement cost approach, assuming the buildings were vacant at acquisition. The replacement cost approach considers the composition of structures acquired, adjusted for estimated depreciation which considers industry standard information for economic life and estimated effective age of the acquired property. The value of the lease-related intangibles considers the value of the lost revenues during a prospective lease-up period as if the acquired building(s) were vacant. The in-place lease value is determined using an average total lease-up time, the number of apartment homes and market rent based on market comparables. Consider for acquisitions is typically in the form of cash unless otherwise disclosed.

In addition to the cost approach, the income approach is also calculated to value building improvements. The “as if vacant” value of the building improvements via the income approach is calculated as the go-dark value of the property, assuming lease-up at prevailing market rental rates over a market-based lease-up period, including deductions for lost-rent during lease-up and leasing costs. Included in this go-dark value is land value and site improvements value (the income-producing potential of the property is partially based on its location and on-site amenities). Therefore, a residual calculation of depreciated building value, “as if vacant”, can be calculated by subtracting these additional value elements (land and site improvements, particularly, and furniture, fixtures and equipment if applicable) from the go-dark value. While the go-dark income approach is technically a residual approach to valuing the building improvements as if vacant, it serves as a relevant check against the depreciated replacement cost calculated via the cost approach.

Real estate investments are stated at cost less accumulated depreciation. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for routine maintenance and repairs, which do not add to the value or extend useful lives, are charged to expense as incurred.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Land Improvements	20 years
Furniture, fixtures and equipment	5-9 years

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During the third quarter of 2023, the Company completed a reassessment of the capitalization policy and determined that the Company would remove a stipulation for certain tangible assets to pass an additional percentage test of an amount of an entire property as well as add a new category related to Renovations and Improvement Projects that improve or extend the life of real estate assets. This reassessment was accounted for as a change in accounting estimate and was made on a prospective basis effective July 1, 2023. The change on policy did not have a significant impact on depreciation expense.

The Trust's investment properties are reviewed for potential impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To assess potential impairment of the real estate portfolio, the Trust initially performs a screen test and reviews the net book value (NBV) of each property, compares the trailing twelve months (T12) net operating income (NOI) against the prior year's T12 NOI, and evaluates key assumptions, including the anticipated hold period and applicable capitalization rates, to determine whether any indicators of impairment exist.

Examples of situations considered to be impairment indicators include, but are not limited to:

- a substantial decline or negative cash flows;
- continued low occupancy rates;
- continued difficulty in leasing space;
- significant financially troubled tenants;
- a change in plan to sell a property prior to the end of its useful life or holding period;
- a significant decrease in market price not in line with general market trends; and
- any other quantitative or qualitative events or factors deemed significant by the Trust's management or Board of Trustees.

If the presence of one or more impairment indicators as described above is identified with respect to an investment property, the asset is tested for recoverability by comparing its carrying value to the estimated future undiscounted cash flows. An investment property is considered to be impaired when the estimated future undiscounted cash flows are less than its current carrying value. When performing a test for recoverability or estimating the fair value of an impaired investment property, the Trust makes complex or subjective assumptions which include, but are not limited to:

- projected operating cash flows considering factors such as vacancy rates, rental rates, lease terms, tenant financial strength, demographics, holding period and property location;
- projected capital expenditures;
- projected cash flows from the eventual disposition of an operating property using a property specific capitalization rate;
- comparable selling prices; and
- property specific discount rates for fair value estimates as necessary.

To the extent impairment has occurred, the Trust will record an impairment charge calculated as the excess of the carrying value of the asset over its fair value for impairment of real estate investments.

Based on management's evaluation, there was no impairment loss during the year ended December 31, 2024. There was one impairment loss of \$2,603 during the year ended December 31, 2023, and one impairment loss of \$561 during the year ended December 31, 2022.

*Properties Held for Sale*

We account for our properties held for sale in accordance with ASC 360, Property, Plant and Equipment ("ASC 360"), which addresses financial accounting and reporting in a period in which a component or group of components of an entity either has been disposed or is classified as held for sale.

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
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In accordance with ASC 360, at such time as a property is held for sale, such property is carried at the lower of (1) its carrying amount or (2) fair value less costs to sell. In addition, a property being held for sale ceases to be depreciated. We classify operating properties as properties held for sale in the period in which all of the following criteria are met:

- management, having the authority to approve the action, commits to a plan to sell the asset;
- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated;
- the sale of the asset is probable and the transfer of the asset is expected to qualify for recognition as a completed sale within one year;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- given the actions required to complete the plan to sell the asset, it is unlikely that significant changes to the plan would be made or that the plan would be withdrawn.

The results of operations of a component of an entity that either has been disposed of or is classified as held-for-sale under the requirements of ASC 360 is reported in discontinued operations in accordance with ASC 205, Presentation of Financial Statements if such disposal or classification represents a strategic shift that has (or will have) a major effect on our operations and financial results.

There were no properties held for sale as of December 31, 2024. The Trust had one property held for sale as of December 31, 2023. See Note 18.

*Cash and Cash Equivalents and Restricted Deposits*

We classify highly liquid investments with a maturity of three months or less when purchased as cash equivalents. Restricted deposits include funds escrowed for tenant security deposits, real estate tax, insurance and mortgage escrows and escrow deposits required by lenders on certain properties to be used for future building renovations or tenant improvements.

*Investment in Unconsolidated Affiliates*

We account for unconsolidated affiliates using the equity method of accounting per guidance established under ASC 323, Investments – Equity Method and Joint Ventures (“ASC 323”). The equity method of accounting requires the investment to be initially recorded at cost and subsequently adjusted for our share of equity in the affiliates’ earnings (losses), contributions and distributions. We evaluate the carrying amount of the investments for impairment in accordance with ASC 323. Unconsolidated affiliates are reviewed for potential impairment if the carrying amount of the investment exceeds its fair value. An impairment charge is recorded when an impairment is deemed to be other-than-temporary. To determine whether impairment is other-than-temporary, we consider whether we have the ability and intent to hold the investment until the carrying amount is fully recovered. The evaluation of an investment in an affiliate for potential impairment can require our management to exercise significant judgments. No impairment losses were recorded related to the unconsolidated affiliates for the years ended December 31, 2024, 2023 and 2022.

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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(Dollar amounts in thousands, except share and per share data)

*Other Assets*

Other assets are comprised of the following as of December 31, 2024 and 2023:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
	(in thousands)	
Due from related party	\$ 697	\$ 54
Accounts receivable, net	6,085	6,225
Insurance claim receivable	—	396
Fair value of interest rate swap	14,449	11,362
Other assets	282	302
Financing fees, less accumulated amortization	89	46
Lease costs, less accumulated amortization	1,410	1,542
Prepaid expenses	1,404	1,588
Total other assets, net	<u>\$ 24,416</u>	<u>\$ 21,515</u>

*Note receivable*

Notes receivable are issued periodically and are secured and interest bearing. The Trust has one note receivable from a commercial tenant bearing a 6.5% per annum interest rate which matures in 2025 and one note receivable with a limited liability company bearing a 12.0% per annum interest rate which matures in 2027. The Trust also has three note receivables with unconsolidated affiliates, as disclosed in note 15.

*Accrued Expenses and Other liabilities*

Accrued Expenses and other liabilities are comprised of the following as of December 31, 2024 and 2023:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
	(in thousands)	
Special assessments payable	\$ 1,842	\$ 877
Due to related party	26	676
Accounts payable - trade	4,816	3,385
Retainage payable	159	—
Deferred insurance proceeds	—	95
Accrued interest expense	1,516	1,413
Accrued real estate taxes	9,406	9,296
Accrued unearned rent	3,415	3,344
Other liabilities	228	153
Total accrued expenses and other liabilities	<u>\$ 21,408</u>	<u>\$ 19,239</u>

*Debt Issuance Costs*

We amortize external debt issuance costs related to notes and mortgage notes using the effective interest rate method, over the life term of the related debt. We record debt issuance costs net of amortization, on our consolidated balance sheets as an offset to their related debt. We record debt issuance costs related to revolving lines of credit as financing fees in other assets, regardless of whether a balance on the line of credit is outstanding. We record the amortization of all debt issuance costs as interest expense.

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*Noncontrolling Interest*

A noncontrolling interest in a subsidiary (minority interest) is in most cases an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and separate from the parent company's equity. In addition, consolidated net income is required to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest, and the amount of consolidated net income attributable to the parent and the noncontrolling interest are required to be disclosed on the face of the consolidated statements of operations and other comprehensive income.

Operating Partnership: Interests in the Operating Partnership held by limited partners are represented by Operating Partnership units. The Operating Partnership's income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions, syndication costs, and profits and losses are allocated to noncontrolling interests in accordance with the terms of the Operating Partnership agreement.

Partially Owned Properties: The Trust reflects noncontrolling interests in partially owned properties on the balance sheet for the portion of properties consolidated by the Trust that are not wholly owned by the Trust. The earnings or losses from those properties attributable to the noncontrolling interests are reflected as noncontrolling interest in partially owned properties in the consolidated statements of operations and other comprehensive income.

*Federal Income Taxes*

We have elected to be taxed as a REIT under the Internal Revenue Code, as amended. A REIT calculates taxable income like other domestic corporations, with the major difference being a REIT is entitled to a deduction for dividends paid. A REIT is generally required to distribute each year at least 90% of its taxable income. If it chooses to retain the remaining 10% of taxable income, it may do so, but it will be subject to a corporate tax on such income. REIT shareholders are taxed on REIT distributions similar to corporate distributions.

A summary of the tax characterization of the dividends paid to shareholders of the Company's common stock for the years ended December 31, 2024, 2023 and 2022 follows:

	<b>Tax Year Ended December 31,</b>					
	<b>Dividend</b>		<b>Dividend</b>		<b>Dividend</b>	
	<b>2024</b>	<b>%</b>	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
Tax status						
Ordinary income	\$ 0.7745	67.35 %	\$ 0.6226	54.14 %	\$ 0.6374	55.43 %
Capital gain	—	— %	—	— %	—	— %
Return of capital	0.3755	32.65 %	0.5274	45.86 %	0.5126	44.57 %
	<u>\$ 1.1500</u>	<u>100.00 %</u>	<u>\$ 1.1500</u>	<u>100.00 %</u>	<u>\$ 1.1500</u>	<u>100.00 %</u>

We intend to continue to qualify as a REIT and, provided we maintain such status, will not be taxed on the portion of the income that is distributed to shareholders. In addition, we intend to distribute all our taxable income; therefore, no provisions or liabilities for income taxes have been recorded in the consolidated financial statements.

Sterling conducts its business activity as an UPREIT through its Operating Partnership – Sterling Properties, LLLP. The Operating Partnership is organized as a limited liability limited partnership. Income or loss is allocated to the partners in accordance with the provisions of the Internal Revenue Code 704(b) and 704(c). UPREIT status allows non-recognition of gain by an owner of appreciated real estate if that owner contributes the real estate to a partnership in exchange for a partnership interest. The conversion of a partnership interest to shares of beneficial interest in the REIT will be a taxable event to the limited partner.

We follow ASC Topic 740, Income Taxes, to recognize, measure, present and disclose in our consolidated financial statements uncertain tax positions that we have taken or expect to take on a tax return. As of December 31, 2024 and 2023 we did not have any liabilities for uncertain tax positions that we believe should be recognized in our consolidated financial statements. We are no longer subject to Federal and State tax examinations by tax authorities for years before 2021.

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The Operating Partnership has elected to record related interest and penalties, if any, as income tax expense on the consolidated statements of operations and other comprehensive income.

*Revenue Recognition*

We record base rents on a straight-line basis. The monthly base rent income according to the terms of our leases is adjusted with the purpose that average monthly rent is recorded for each tenant over the term of its lease. The straight-line rent adjustment increased revenue by \$8 and \$291 for the year ended December 31, 2024 and 2023, respectively. The straight-line receivable balance included in accounts receivable within other assets on the consolidated balance sheets as of December 31, 2024 and 2023, was \$3,694 and \$3,686, respectively. We receive payments for expense reimbursements from substantially all our multi-tenant commercial tenants throughout the year based on estimated expenses. The Trust is the lessor for its residential and commercial leases. Leases are analyzed on an individual basis to determine lease classification. As of December 31, 2024, all leases analyzed under the Trust's lease classification process were determined to be operating leases.

The Trust receives ancillary income for storage, community rooms, and laundry that is not accounted for under the lease standard.

*Earnings per Common Share*

Basic earnings per common share is computed by dividing net income available to common shareholders (the "numerator") by the weighted average number of common shares outstanding (the "denominator") during the period. Sterling had no dilutive potential common shares as of December 31, 2024, 2023 and 2022 and, therefore, basic earnings per common share was equal to diluted earnings per common share for both periods. As the calculation does not include net income attributable to the Operating Partnership, Operating Partnership Units are not included in the calculation, and do not have any impact on earnings per share.

For the years ended December 31, 2024, 2023 and 2022, Sterling's denominators for the basic and diluted earnings per common share were approximately 11,648,000, 11,104,000, and 10,632,000, respectively.

*Recent Accounting Pronouncements*

*Segment Reporting.* In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), to improve reportable segment disclosure requirements so that investors can better understand an entity's overall performance and assess potential future cash flows. The amendments in ASU 2023-07 include, but are not limited to: (i) disclosure of, on an annual basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss; (ii) disclosure of, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition (the other segment items category is the difference between segment revenue less the significant expenses disclosed and each reported measure of segment profit or loss); (iii) disclosure of, on an interim basis, all currently required annual disclosures about a reportable segment's profit (loss) and assets; (iv) clarification that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, an entity may report one or more of those additional measures of segment profit; and (v) disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. During the year ended December 31, 2024, the amendments in ASU 2023-07 were adopted retrospectively and did not have a significant impact on the Company's consolidated financial position, results of operations, or cash flows.

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In November 2024, the FASB issued ASU 2024-03, *Income Statement- Reporting Comprehensive Income – Expense Disaggregation Disclosures* (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires new tabular disclosures in the notes to consolidated financial statements, disaggregating certain cost and expense categories within relevant captions on the Consolidated Statements of Operations. The prescribed cost and expense categories requiring disaggregated disclosures include purchases of inventory, employee compensation, depreciation and intangible asset amortization, along with certain other expense disclosures already required by U.S. GAAP that would need to be integrated within the new tabular disaggregated expense disclosures. Additionally, the amendments also require the disclosure of total selling expenses and an entity's definition of those expenses. The amendments in ASU 2024-03 are effective for annual periods beginning after December 15, 2026, which for the Company would be applicable to fiscal year 2027, and for subsequent interim periods. Early adoption is permitted and the amendments should be applied on a prospective basis. Retrospective application is permitted. The Trust is currently evaluating the impact the new accounting standard will have on its expense disclosures in the notes to the consolidated financial statements

**NOTE 3 – SEGMENT REPORTING**

Segment information is presented in accordance with a “management approach,” which designates the internal reporting used by the Company's CODM for making decisions and assessing performance as the source of the Company's reportable segments. The Company's segments are organized in a manner consistent with which discrete financial information is available and evaluated regularly by the CODM in deciding how to allocate resources and assess performance.

An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenue and incur expenses, and about which separate financial information is regularly evaluated by the CODM. The CODM is the Company's chief executive officer.

Each of the operating segments are directly responsible for revenue and expenses related to their operations, including direct segment general and administrative expenses. The CODM assesses the performance of each operating segment using information about operating income (loss) as the primary measure of performance but does not evaluate segments using discrete asset information. There were no material inter-segment transactions during the years ended December 31, 2024, 2023 and 2022, and the Company does not allocate depreciation and amortization, interest, administration of REIT, loss on impairment of property or other income (loss) to the operating segments. The accounting policies for segment reporting are the same as for the Company as a whole.

We report our results in two reportable segments: residential and commercial properties. Our residential properties include multifamily properties. Our commercial properties include retail, office, industrial, and medical properties. We assess and measure operating results based on net operating income (“NOI”), which we define as total real estate revenues less real estate expenses (which consist of real estate taxes, property management fees, utilities, repairs and maintenance, insurance and direct administrative costs). We believe NOI is an important measure of operating performance even though it should not be considered an alternative to net income or cash flow from operating activities.

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**Segment Revenues and Net Operating Income**

The revenues and net operating income for the reportable segments (residential and commercial) are summarized as follows for the years ended December 31, 2024, 2023 and 2022, along with reconciliations to the consolidated financial statements. Segment assets are also reconciled to Total Assets as reported in the consolidated financial statements for the years ended December 31, 2024 and 2023.

	Year ended December 31, 2024			Year ended December 31, 2023			Year ended December 31, 2022		
	Residential	Commercial	Total	Residential	Commercial	Total	Residential	Commercial	Total
	(in thousands)			(in thousands)			(in thousands)		
Income from rental operations	\$ 139,230	\$ 20,076	\$ 159,306	\$ 123,202	\$ 20,429	\$ 143,631	\$ 113,968	\$ 21,092	\$ 135,060
Real Estate Expenses									
Real Estate Taxes	14,590	1,834	16,424	14,025	2,178	16,203	11,734	2,511	14,245
Property Management	18,759	901	19,660	16,038	823	16,861	13,780	791	14,571
Utilities	11,525	1,015	12,540	11,350	1,154	12,504	10,901	1,274	12,175
Repairs and Maintenance	27,505	1,746	29,251	30,900	2,038	32,938	24,478	1,810	26,288
Insurance	6,401	142	6,543	5,437	106	5,543	3,754	105	3,859
Expenses from rental operations	78,780	5,638	84,418	77,750	6,299	84,049	64,647	6,491	71,138
Net operating income	\$ 60,450	\$ 14,438	\$ 74,888	\$ 45,452	\$ 14,130	\$ 59,582	\$ 49,321	\$ 14,601	\$ 63,922
Depreciation and amortization <sup>1</sup>			27,488			25,004			24,679
Interest <sup>1</sup>			24,463			21,435			19,994
Administration of REIT <sup>1</sup>			5,446			5,430			5,247
Loss on impairment of property <sup>1</sup>			—			2,603			561
Other income <sup>1</sup>			(852)			(2,546)			(11,091)
Net income			\$ 18,343			\$ 7,656			\$ 24,532

<sup>1</sup> The financial information provided to the CODM for these expense categories are not reflected by segment to evaluate performance of our reportable segments.

**Segment Assets and Accumulated Depreciation**

As of December 31, 2024	Residential	Commercial	Total
	(in thousands)		
Real estate investments	\$ 916,559	\$ 178,856	\$ 1,095,415
Accumulated depreciation	(183,753)	(53,663)	(237,416)
Total real estate investments, net	\$ 732,806	\$ 125,193	\$ 857,999
Lease intangible assets, less accumulated amortization	199	2,342	2,541
Cash and cash equivalents			4,798
Restricted deposits			10,127
Investment in unconsolidated affiliates			28,345
Notes receivable			1,539
Notes receivable, affiliates			7,945
Other assets, net			24,416
Total Assets			\$ 937,710

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As of December 31, 2023	Residential	Commercial (in thousands)	Total
Real estate investments	\$ 789,249	\$ 181,555	\$ 970,804
Accumulated depreciation	(164,793)	(49,791)	(214,584)
Total real estate investments, net	<u>\$ 624,456</u>	<u>\$ 131,764</u>	<u>\$ 756,220</u>
Lease intangible assets, less accumulated amortization	—	2,983	2,983
Cash and cash equivalents			26,919
Restricted deposits			10,142
Investment in unconsolidated affiliates			26,601
Notes receivable			64
Notes receivable, affiliates			8,821
Assets held for sale			1,568
Other assets, net			21,515
Total Assets			<u>\$ 854,833</u>

**NOTE 4 - RESTRICTED DEPOSITS AND FUNDED RESERVES**

	As of December 31, 2024	As of December 31, 2023
	<b>(in thousands)</b>	
Tenant security deposits	\$ 7,838	\$ 6,945
Real estate tax and insurance escrows	1,041	676
Replacement reserves	127	1,443
Other funded reserves	1,121	1,078
	<u>\$ 10,127</u>	<u>\$ 10,142</u>

**NOTE 5 – INVESTMENT IN UNCONSOLIDATED AFFILIATES**

Unconsolidated Affiliates	Date Acquired	Trust Ownership Interest	Total Investment in Unconsolidated Affiliates at		Total Assets in Unconsolidated Affiliates at		Total Liabilities of Unconsolidated Affiliates at	
			December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Banner Building	2007	66.67%	\$ 1,276	\$ (478)	\$ 8,561	\$ 6,172	\$ 6,704	\$ 6,889
Grand Forks INREIT, LLC	2003	50%	5,684	5,193	20,839	20,020	9,472	9,635
SE Savage, LLC	2019	60%	136	954	30,375	32,567	30,298	30,980
SE Maple Grove, LLC	2019	60%	(62)	735	27,754	29,659	27,938	28,534
SE Rogers, LLC	2020	60%	855	1,419	29,314	30,576	27,975	28,064
ST Oak Cliff, LLC	2021	70%	6,821	7,920	47,577	48,738	37,806	37,423
SE Brooklyn Park, LLC	2021	60%	871	1,748	28,121	30,325	26,877	27,411
ST Fossil Creek, LLC	2022	70%	7,038	9,110	48,229	43,517	38,175	30,502
Emory North Liberty, LC	2024	50%	5,494	-	33,281	-	22,294	-
SHG Emory North Liberty, LLC	2024	99%	232	-	6,244	-	268	-
			<u>\$ 28,345</u>	<u>\$ 26,601</u>	<u>\$ 280,295</u>	<u>\$ 241,574</u>	<u>\$ 227,807</u>	<u>\$ 199,438</u>

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Banner Building - the Operating Partnership owns a 66.67% interest as tenant in common in an office building in Fargo, North Dakota. The property is encumbered by a first mortgage, with the Trust acting as a guarantor on the outstanding indebtedness.

Grand Forks INREIT, LLC - the Operating Partnership is a 50% owner of a tenant in common through 100% ownership in a limited liability company. The property is located in Grand Forks, North Dakota. The property is encumbered by a non-recourse first mortgage, with the Trust acting as a guarantor on the outstanding indebtedness.

SE Savage, LLC - the Operating Partnership owns a 60% interest in a limited liability company that holds a multifamily property. The entity is located in Savage, Minnesota. The property is encumbered by a first mortgage, with the Trust acting as a guarantor on the outstanding indebtedness. Additionally, SE Savage, LLC has a Promissory Note with Sterling Properties, LLLP, for \$0 and \$468 as of December 31, 2024 and December 31, 2023, respectively, and is an unsecured obligation of SE Savage, LLC. The note is included in Notes receivable, affiliates on the consolidated balance sheet at December 31, 2024 and December 31, 2023.

SE Maple Grove, LLC - the Operating Partnership owns a 60% interest in a limited liability company that holds a multifamily property. The entity is located in Maple Grove, Minnesota. The property is encumbered by a first mortgage, with the Trust acting as a guarantor on the outstanding indebtedness. The property is also encumbered by a second mortgage to Sterling Properties, LLLP with a balance of \$3,428 and \$3,643 at December 31, 2024 and December 31, 2023, respectively. The note is included in Notes receivable, affiliates on the consolidated balance sheet at December 31, 2024 and December 31, 2023.

SE Rogers, LLC - the Operating Partnership owns a 60% interest in a limited liability company that is currently developing a multifamily property. The entity is located in Rogers, Minnesota. The property is encumbered by a first mortgage, with the Trust acting as a guarantor on the outstanding indebtedness. The property is also encumbered by a second mortgage to Sterling Properties, LLLP with a balance of \$2,100 and \$2,117 at December 31, 2024 and December 31, 2023, respectively. The note is included in Notes receivable, affiliates on the consolidated balance sheet at December 31, 2024 and December 31, 2023.

ST Oak Cliff, LLC - the Operating Partnership owns a 70% interest in a limited liability company, with a related party multifamily property. The entity is located in Dallas, Texas. The property is encumbered by a first mortgage, with the Trust acting as a guarantor on the outstanding indebtedness.

SE Brooklyn Park, LLC - the Operating Partnership owns a 60% interest in a limited liability company that holds a multifamily property. The entity is located in Brooklyn Park, Minnesota. The property is encumbered by a first mortgage, with the Trust acting as a guarantor on the outstanding indebtedness. The property is also encumbered by a second mortgage to Sterling Properties, LLLP with a balance of \$2,294 and \$2,538 at December 31, 2024 and December 31, 2023, respectively. The note is included in Notes receivable, affiliates on the consolidated balance sheet at December 31, 2024 and December 31, 2023.

ST Fossil Creek, LLC - the Operating Partnership owns a 70% interest in a limited liability company, with a related party. The entity is currently developing a multifamily property located in Fort Worth, Texas. The property is encumbered by a construction mortgage, with the Trust acting as a guarantor on the outstanding indebtedness.

Emory North Liberty, LC – the Operating Partnership owns a 50% interest in a limited company. The entity is currently developing a multifamily property located in North Liberty, Iowa. For the acquisition of Emory North Liberty, LC, Sterling determined that it does not control the key decision-making rights and is not the primary beneficiary related to Emory North Liberty, LC from the respective date it was acquired. The VIE that owned legal title to Emory North Liberty, LC was not included in Sterling’s consolidated financial statements, but rather as an unconsolidated affiliate, from the date it was acquired.

SHG Emory North Liberty, LLC – the Operating Partnership owns a 99% interest in a limited liability company. For the acquisition of SHG Emory North Liberty, LLC, Sterling determined that it does not control the key decision-making rights and is not the primary beneficiary related to SHG Emory North Liberty, LLC from the respective date it was acquired. The VIE that owned legal title to SHG Emory North Liberty, LLC was not included in Sterling’s consolidated financial statements, but rather as an unconsolidated affiliate, from the date it was acquired.

The following is a summary of the financial position of the unconsolidated affiliates at December 31, 2024 and 2023.

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	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	(in thousands)	
<b>ASSETS</b>		
Real estate investments	\$ 305,398	\$ 261,901
Accumulated depreciation	(38,078)	(26,191)
Total Real Estate Investments, net	<u>267,320</u>	<u>235,710</u>
Cash and cash equivalents	4,147	3,388
Restricted deposits	1,263	883
Investment in unconsolidated affiliates	5,744	—
Financing and lease costs, net	796	813
Other assets, net	1,025	780
Total Assets	<u>\$ 280,295</u>	<u>\$ 241,574</u>
<b>LIABILITIES</b>		
Mortgage notes payable, net	\$ 221,819	\$ 191,890
Tenant security deposits payable	487	340
Accrued expenses and other liabilities	5,501	7,208
Total Liabilities	<u>\$ 227,807</u>	<u>\$ 199,438</u>
<b>SHAREHOLDERS' EQUITY</b>		
Total Shareholders' Equity	\$ 52,488	\$ 42,136
Total liabilities and shareholders' equity	<u>\$ 280,295</u>	<u>\$ 241,574</u>

The following is a summary of unconsolidated affiliates net mortgage note payable for the years ended December 31, 2024 and 2023.

Unconsolidated Affiliates	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	(in thousands)	
Banner Building		
Mortgage note payable, net	\$ 6,513	\$ 6,698
Grand Forks INREIT, LLC		
Mortgage note payable, net	8,692	8,948
SE Savage, LLC		
Mortgage note payable, net	29,786	30,590
SE Maple Grove, LLC		
Mortgage note payable, net	27,554	28,188
SE Rogers, LLC		
Mortgage note payable, net	27,322	27,762
ST Oak Cliff, LLC		
Mortgage note payable, net	36,380	36,152
SE Brooklyn Park, LLC		
Mortgage note payable, net	26,483	27,054
ST Fossil Creek, LLC		
Mortgage note payable, net	37,089	26,498
Emory North Liberty, LC		
Mortgage note payable, net	22,000	—
Total Unconsolidated Affiliates mortgage note payable, net	<u>\$ 221,819</u>	<u>\$ 191,890</u>

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The following is a summary of results of operations of the unconsolidated affiliates for the years ended the years ended December 31, 2024, 2023 and 2022.

	The year ended December 31,		
	2024	2023	2022
	(in thousands)		
Income from rental operations	\$ 25,649	\$ 19,202	\$ 9,545
Expenses from rental operations	12,563	7,687	3,668
Net operating income	13,086	11,515	5,877
Depreciation and Amortization	12,050	9,784	5,678
Interest	7,010	6,180	4,148
Other (Loss) Income	(56)	13	(91)
Net loss	<u>\$ (5,918)</u>	<u>\$ (4,462)</u>	<u>\$ (3,858)</u>

**NOTE 6 - LEASE INTANGIBLES**

The following table summarizes the net value of other intangible assets and liabilities and the accumulated amortization for each class of intangible:

As of December 31, 2024	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
(in thousands)			
Lease Intangible Assets			
In-place leases	\$ 16,188	\$ (14,047)	\$ 2,141
Above-market leases	1,415	(1,015)	400
	<u>\$ 17,603</u>	<u>\$ (15,062)</u>	<u>\$ 2,541</u>
Lease Intangible Liabilities			
Below-market leases	<u>\$ (2,315)</u>	<u>\$ 1,991</u>	<u>\$ (324)</u>
As of December 31, 2023	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
(in thousands)			
Lease Intangible Assets			
In-place leases	\$ 13,927	\$ (11,434)	\$ 2,493
Above-market leases	1,415	(925)	490
	<u>\$ 15,342</u>	<u>\$ (12,359)</u>	<u>\$ 2,983</u>
Lease Intangible Liabilities			
Below-market leases	<u>\$ (2,314)</u>	<u>\$ 1,844</u>	<u>\$ (470)</u>

The estimated aggregate amortization expense for each of the five succeeding fiscal years and thereafter is as follows:

Years ending December 31,	Intangible Assets	Intangible Liabilities
(in thousands)		
2025	\$ 839	\$ 147
2026	490	77
2027	381	38
2028	311	19
2029	207	17
Thereafter	313	26
	<u>\$ 2,541</u>	<u>\$ 324</u>

The weighted average amortization period for the intangible assets (in-place leases, above-market leases) and intangible liabilities (below-market leases) acquired as of December 31, 2024 was 1.7 years.

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The portion of the purchase price allocated to acquire above and below market lease intangibles is amortized on a straight-line basis over the life of the related lease as an adjustment to rental income. Amortization pertaining to above market lease intangibles of \$90, \$100, and \$145 for the years ended December 31, 2024, 2023 and 2022, respectively, was recorded as a reduction to income from rental operations. Amortization pertaining to below market lease intangibles of \$147, \$148, and \$164 for the years ended December 31, 2024, 2023 and 2022, respectively, was recorded as an increase to income from rental operations.

**NOTE 7 – LINES OF CREDIT**

We have a \$4,915 variable rate (floating SOFR plus 2.00%) line of credit agreement with Bremer Bank, which expires in December 2026, and a \$3,500 variable rate (floating SOFR plus 2.00%) line of credit agreement with Bremer Bank, which expires December 2026. We also have a \$14,800 variable rate (Prime minus 1.50%) line of credit agreement with Gate City Bank, which expires in July 2029. The lines of credit are secured by specific properties. At December 31, 2024, the lines of credit have \$23,215 available and an unused balance of \$18,223 under the agreements. At December 31, 2023, there was no balance on the line of credit. The Trust anticipates it will hold it as a cash resource to the Trust.

Certain lines of credit agreements include covenants that, in part, impose maintenance of certain debt service coverage, debt to net worth ratios, and debt yield ratios. As of December 31, 2024, no covenants were out of compliance.

**NOTE 8 - NOTES PAYABLE**

As of December 31, 2024 and 2023, the Trust had no outstanding balance on notes payable.

The following table summarizes the Company’s mortgage notes payable.

	Principal Balance At	
	December 31, 2024	December 31, 2023
	(in thousands)	
Mortgage notes payable, net (a)	\$ 508,644	\$ 459,892
Mortgage notes payable, net, affiliates	57,983	60,262
Less unamortized debt issuance costs	1,909	2,035
	\$ 564,718	\$ 518,119

(a) Includes \$127,050 and \$103,246 of variable rate mortgage debt that was swapped to a fixed rate as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, we had 106 fixed rate mortgage loans with effective interest rates ranging from 2.43% to 7.00% per annum, and a weighted average effective interest rate of 4.17% per annum.

As of December 31, 2023, we had 111 fixed rate mortgage loans with effective interest rates ranging from 2.43% to 6.85% per annum, and a weighted average effective interest rate of 3.93% per annum.

Northland, SRENOR – As of December 31, 2024 and 2023, the Trust had full payment guarantees on \$82,535 and \$29,852, respectively, of outstanding mortgage indebtedness.

The majority of the Company’s mortgages payable require monthly payments of principal and interest. Certain mortgages require reserves for real estate taxes and certain other costs. Mortgages are secured by the respective properties, assignment of rents, business assets, deeds to secure debt, deeds of trust and/or cash deposits with the lender. Additionally, certain mortgage note agreements include covenants that, in part, impose maintenance of certain debt service coverage and debt to worth ratios. As of December 31, 2024, seven loans were out of compliance due to increased repair and maintenance costs related to unit renovations. The loans were secured by various properties with a total outstanding balance of \$5,239. Annual waivers were received in 2025 from the lenders on all loans out of compliance as of December 31, 2024. As of December 31, 2023, ten loans were out of compliance due increased repair and

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maintenance costs related to unit renovations, and increased utility costs. The loans were secured by various properties with a total outstanding balance of \$17,687. Annual waivers were received from the lenders on all loans out of compliance as of December 31, 2023.

We are required to make the following principal payments on our outstanding mortgage notes payable for each of the five succeeding fiscal years and thereafter as follows:

Years ending December 31,	Amount (in thousands)
2025	\$ 62,228
2026	71,332
2027	78,971
2028	42,581
2029	85,597
Thereafter	225,918
Total payments	\$ 566,627

**NOTE 9 – DERIVATIVES AND HEDGING ACTIVITIES**

As part of our interest rate risk management strategy, we have used interest rate derivatives to manage our exposure to interest rate movements and add stability to interest expense. Interest rate swaps designated as cash flow hedges involve the receipt of variable rate amounts from a counterparty in exchange for the Trust making fixed rate payments over the life of the agreement without exchange of the underlying notional amount.

As of December 31, 2024, the Trust used 15 interest rate swaps to hedge the variable cash flows associated with variable rate debt. Changes in fair value of the derivatives that are designated and that qualify as cash flow hedges are recorded in “Accumulated other comprehensive income” and are reclassified into interest expense as interest payments are made on the Company’s variable rate debt. During the next 12 months, the Trust estimates that an additional \$2,780 will be reclassified as a decrease to interest expense.

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The following table summarizes the Trust's interest rate swaps designated as cash flow hedges as of December 31, 2024:

<u>Effective Date</u>	<u>Notional</u>	<u>Fixed Interest Rate</u>	<u>Maturity Date</u>
November 1, 2019	\$ 6,148	3.15%	November 1, 2029
November 1, 2019	\$ 4,278	3.28%	November 1, 2029
January 10, 2020	\$ 2,794	3.39%	January 10, 2030
December 2, 2020	\$ 11,630	2.91%	December 2, 2027
July 1, 2021	\$ 24,314	2.99%	July 1, 2031
November 10, 2021	\$ 26,877	3.54%	August 1, 2029
December 1, 2021	\$ 10,210	3.32%	December 1, 2031
August 15, 2022	\$ 1,396	3.07%	June 15, 2030
August 15, 2022	\$ 2,705	3.07%	June 15, 2030
August 15, 2022	\$ 1,510	2.94%	June 15, 2030
August 15, 2022	\$ 3,996	2.94%	June 15, 2030
May 10, 2023	\$ 4,517	2.79%	June 10, 2030
April 15, 2024	\$ 9,598	3.57%	May 15, 2032
April 15, 2024	\$ 3,747	3.57%	May 15, 2032
April 15, 2024	\$ 13,330	3.57%	May 15, 2032

The following table summarizes the Company's interest rate swaps that were designated as cash flow hedges of interest rate risk:

<u>Interest Rate Derivatives</u>	<u>Number of Instruments</u>		<u>Notional</u>	
	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Interest rate swaps	15	12	\$ 127,050	\$ 103,246

The table below presents the estimated fair value of the Company's derivative financial instruments as well as their classification in the accompanying consolidated balance sheets. The valuation techniques are described in Note 10 to the consolidated financial statements.

<u>Derivatives designated as cash flow hedges:</u>	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Balance Sheet Location</u>	<u>Fair Value</u>	<u>Balance Sheet Location</u>	<u>Fair Value</u>
Interest rate swaps	Other assets, net	\$ 14,449	Other assets, net	\$ 11,362

The following table presents the effect of the Company's derivative financial instruments on the accompanying consolidated statements of operations and other comprehensive income (loss) for the years ended December 31, 2024 and 2023:

<u>Derivatives in Cash Flow Hedging Relationships</u>	<u>Amount of Gain Recognized in Other Comprehensive Income on Derivatives</u>	<u>Location of Gain Reclassified from Accumulated other Comprehensive Income (AOCI) into Income</u>	<u>Amount of (Gain)/Loss Reclassified from AOCI into Income</u>
Interest rate swaps	\$ 99	Interest expense	\$ 4,434
Interest rate swaps	\$ 2,420	Interest expense	\$ (3,743)

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*Credit-risk-related Contingent Features*

The Trust has agreements with each of its derivative counterparties that contain a provision whereby if the Trust defaults on the related indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Trust could also be declared in default on its corresponding derivative obligation. As of December 31, 2024, the termination value of derivatives in a liability position was \$0 and the termination value of derivatives in an asset position was \$14,449. As December 31, 2024, the Trust has pledged the properties related to the loans which are hedged as collateral.

**NOTE 10 - FAIR VALUE MEASUREMENT**

The following table presents the carrying value and estimated fair value of the Company's financial instruments:

	December 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)			
<b>Financial assets:</b>				
Notes receivable	\$ 1,539	\$ 1,534	\$ 119	\$ 115
Notes receivable, affiliates	\$ 7,945	\$ 7,559	\$ 8,766	\$ 11,538
Derivative assets	\$ 14,449	\$ 14,449	\$ 11,362	\$ 11,362
<b>Financial liabilities:</b>				
Lines of Credit	\$ 4,992	\$ 4,992	\$ —	\$ —
Mortgage notes payable	\$ 508,644	\$ 483,630	\$ 459,892	\$ 420,986
Mortgage notes payable, affiliates	\$ 57,983	\$ 55,594	\$ 60,262	\$ 56,358

The fair value of derivative assets are included in other assets on the consolidated balance sheets under the captions indicated in Note 10. ASC 820-10 established a three-level valuation hierarchy for fair value measurement. Management uses these valuation techniques to establish the fair value of the assets at the measurement date. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect management's assumptions.

These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable.
- Level 3 – Instruments whose significant inputs are unobservable.

The guidance requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

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Recurring Fair Value Measurements

The following table presents the Trust's financial instruments, which are measured at fair value on a recurring basis, by the level in the fair value hierarchy within which those measurements fall. Methods and assumptions used to estimate the fair value of these instruments are described after the table.

	Level 1	Level 2	Level 3	Total
	(in thousands)			
<b>December 31, 2024</b>				
Derivative assets	\$ —	\$ 14,449	\$ —	\$ 14,449
<b>December 31, 2023</b>				
Derivative assets	\$ —	\$ 11,362	\$ —	\$ 11,362

Derivatives: The fair value of interest rate swaps is determined using a discounted cash flow analysis on the expected future cash flows of the derivative.

The Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered any applicable credit enhancements.

Fair Value Disclosures

The following table presents the Company's financial assets and liabilities, which are measured at fair value for disclosure purposes, by the level in the fair value hierarchy within which they fall. Methods and assumptions used to estimate the fair value of these instruments are described after the table.

	Level 1	Level 2	Level 3	Total
	(in thousands)			
<b>December 31, 2024</b>				
Lines of Credit	\$ —	\$ —	\$ 4,992	\$ 4,992
Mortgage notes payable	\$ —	\$ —	\$ 483,630	\$ 483,630
Mortgage notes payable, affiliate	\$ —	\$ —	\$ 55,594	\$ 55,594
Notes receivable	\$ —	\$ —	\$ 1,534	\$ 1,534
Notes receivable, affiliate	\$ —	\$ —	\$ 7,559	\$ 7,559
<b>December 31, 2023</b>				
Mortgage notes payable	\$ —	\$ —	\$ 420,986	\$ 420,986
Mortgage notes payable, affiliate	\$ —	\$ —	\$ 56,358	\$ 56,358
Notes receivable	\$ —	\$ —	\$ 115	\$ 115
Notes receivable, affiliate	\$ —	\$ —	\$ 11,538	\$ 11,538

Mortgage notes payable: The Trust estimates the fair value of its mortgage notes payable by discounting the future cash flows of each instrument at rates currently offered to the Trust for similar debt instruments of comparable maturities by the Trust's lenders. The rates used range from 5.87% to 5.87% and from 5.85% to 6.00% at December 31, 2024 and 2023, respectively.

Notes receivable: The Trust estimates the fair value of its notes receivable by discounting future cash flows of each instrument at rates currently offered to the Trust for similar note instruments of comparable maturities by the Trust's lenders. The fair value rate was 12.00% at December 31, 2024, and 7.25% December 31, 2023.

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**NOTE 11 – NONCONTROLLING INTEREST OF UNITHOLDERS IN OPERATING PARTNERSHIP**

As of December 31, 2024 and 2023, outstanding limited partnership units totaled 18,611,000 and 18,584,000, respectively. Total aggregate distributions per unit for the years ended December 31, 2024, 2023 and 2022 were \$1.1500, \$1.1500 and \$1.1500, respectively. The Operating Partnership declared fourth quarter distributions of \$5,352 and \$5,342, to limited partners payable in January 2025 and 2024, respectively.

During the year ended December 31, 2024, there were no limited partnership units of the Operating Partnership exchanged for common shares of the trust.

Provided the Trust's redemption plan exists, and subject to the conditions and limitations contained in such redemption plan (including, without limitation, applicable holding periods and ownership limitations), and further subject to the conditions and limitations set forth in the LLLP Agreement of the Operating Partnership, a Limited Partner may request the redemption of its limited partnership units for cash (a "Redemption Request") or the exchange of its limited partnership units for Sterling common shares (an "Exchange Request"). Such request must be made in accordance with the redemption plan. Upon receipt of any Redemption or Exchange Request, as the case may be, the Trust may, at its sole and absolute discretion, acting for itself or as General Partner of the Operating Partnership, elect to redeem or exchange such limited partnership units. The Trust may, in its sole discretion, terminate, amend or suspend the redemption plan if such action is determined to be in the best interest of the Operating Partnership.

**NOTE 12 – REDEMPTION PLANS**

Our Board of Trustees has approved redemption plans that enable our shareholders to sell their common shares and the partners of our Operating Partnership to sell their limited partnership units to us, after they have held the securities for at least one year and subject to other conditions and limitations described in the plans.

Our redemption plans currently provide that the maximum amount that can be redeemed under the plan is \$75,000 worth of securities. As of December 31, 2024, there were \$17,774 worth of securities left to be redeemed under the redemption plan. As of December 31, 2024, the fixed redemption price is \$21.85 per share or unit under the plans which price became effective January 1, 2022. Prior to January 1, 2022, the redemption price was \$19.00 per share or unit under the plan. Prior to January 1, 2021, the redemption price was \$18.25 per share or unit under the plan.

We may redeem securities under the plans provided the aggregate total has not been exceeded if we have sufficient funds to do so. The plans will terminate in the event the shares become listed on any national securities exchange, the subject of bona fide quotes on any inter-dealer quotation system or electronic communications network or are the subject of bona fide quotes in the pink sheets. Additionally, the Board, in its sole discretion, may terminate, amend or suspend the redemption plans, either or both of them, if it determines to do so in its sole discretion.

During the years ended December 31, 2024, 2023 and 2022, the Company redeemed 252,000, 83,000 and 53,000 common shares valued at \$5,482, \$1,813 and \$1,155, respectively. In addition, during the years ended December 31, 2024, 2023 and 2022, the Company redeemed 294,000, 144,000 and 42,000 units valued at \$6,433, \$3,181 and \$923, respectively.

**NOTE 13 – BENEFICIAL INTEREST**

We are authorized to issue 100,000,000 common shares of beneficial interest with \$0.01 par value and 50,000,000 preferred shares with \$0.01 par value, which collectively represent the beneficial interest of Sterling. As of December 31, 2024 and 2023, there were 12,829,000 and 11,257,000 common shares outstanding. We had no preferred shares outstanding as of either date.

Dividends paid to holders of common shares were \$1.1500 per share, \$1.1500 per share and \$1.1500 per share for the years ended December 31, 2024, 2023 and 2022, respectively.

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**NOTE 14 – DIVIDEND REINVESTMENT PLAN**

Our Board of Trustees approved a dividend reinvestment plan to provide existing holders of our common shares with a convenient method to purchase additional common shares without payment of brokerage commissions, fees or service charges. On July 20, 2012, we registered with the Securities Exchange Commission 2,000,000 common shares to be issued under the plan on Form S-3D, which automatically became effective on July 20, 2012. On July 11, 2017, we registered with the Securities Exchange Commission an additional 2,000,000 common shares to be issued under the plan on Form S-3D, which automatically became effective on July 11, 2017. On November 3, 2020, we registered with the Securities Exchange Commission an additional 2,000,000 common shares to be issued under the plan on Form S-3D, which automatically became effective on November 3, 2020.

Under this plan, eligible shareholders may elect to have all or a portion (but not less than 25%) of the cash dividends they receive automatically reinvested in our common shares. If an eligible shareholder elects to reinvest cash dividends under the plan, the shareholder may also make additional optional cash purchases of our common shares, not to exceed \$10 per fiscal quarter without our prior approval. The purchase price per common share under the plan equals 95% of the estimated value per common share for dividend reinvestments and equals 100% of the estimated value per common share for additional optional cash purchases, as determined by our Board of Trustees. In addition, eligible shareholders may not in any calendar year purchase or receive via transfer more than \$40 additional optional cash purchases of Common Shares.

The estimated value per common share was \$23.00 and \$23.00 at December 31, 2024 and 2023, respectively.

Therefore, the purchase price per common share for dividend reinvestments was \$21.85 and \$21.85 and for additional optional cash purchases was \$23.00 and \$23.00 at December 31, 2024 and 2023, respectively. The Board, in its sole discretion, may amend, suspend or terminate the plan at any time, without the consent of shareholders, upon a ten-day notice to participants.

In the year ended December 31, 2024, 343,000 shares were issued pursuant to dividend reinvestments and 121,000 shares were issued pursuant to additional optional cash purchases under the plan. In the year ended December 31, 2023, 353,000 shares were issued pursuant to dividend reinvestments and 173,000 shares were issued pursuant to additional optional cash purchases under the plan. In the year ended December 31, 2022, 342,000 shares were issued pursuant to dividend reinvestments and 177,000 shares were issued pursuant to additional optional cash purchases under the plan.

**NOTE 15 – RELATED PARTY TRANSACTIONS**

Effective January 1, 2021, Trustmark Enterprises, Inc. was formed to act as the holding company for Sterling Management, LLC and GOLDMARK Property Management, Inc. In connection with this restructuring transaction, the owners of Trustmark Enterprises, Inc. indirectly own Sterling Management, LLC and GOLDMARK Property Management, Inc. Trustmark Enterprises, Inc. is owned in part by the Trust's Chief Executive Officer and Trustee Kenneth P. Regan, by Trustee James S. Wieland, by the Trust's President Megan E. Schreiner, by the Trust's Chief Financial Officer and Treasurer Elizabeth A. Reich, by the Trust's General Counsel and Secretary Michael P. Carlson, by the Trust's Chief Investment Officer Luke B. Swenson, and by the Trust's Vice President David F. Perkins. Messrs. Regan, Carlson, Swenson, and Perkins and Mmes. Schreiner and Reich all serve as officers of the Advisor. Messrs. Regan, Wieland, Carlson, Swenson, and Perkins and Mmes. Schreiner and Reich also all serve on the Advisor's Board of Governors and the Board of Directors of GOLDMARK Property Management, Inc.

Sterling Management, LLC (the "Advisor"), is a North Dakota limited liability company formed in November 2002. The Advisor is responsible for managing day-to-day affairs, overseeing capital projects, and identifying, acquiring, and disposing investments on behalf of the Trust.

GOLDMARK Property Management, Inc., is a North Dakota corporation formed in 1981. GOLDMARK Property Management, Inc. provides property management services to the Trust for numerous multifamily properties within its portfolio.

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We have a historical and ongoing relationship with Bell Bank. Bell Bank has provided the Trust certain financial services throughout the relationship. Mr. Wieland, a Trustee, also serves as a Board Member of Bell Bank. Mr. Wieland could have an indirect material interest in any such engagement and related transactions.

The Trust has a historical and ongoing relationship with Trumont Group and Trumont Construction. Trumont Group provides development services for current joint venture projects in which the Operating Partnership is an investor. Trumont Construction has been engaged to construct the properties associated with these joint ventures. Mr. Regan, Chief Executive Officer and trustee, is a partner in both Trumont Group and Trumont Construction and has a direct material interest in any engagement or related transaction, the Trust enters into, with these entities.

*Property Management Fee*

We paid fees to GOLDMARK Property Management, Inc. related to the management of various properties, including on-site staff costs and other miscellaneous fees required to manage such properties. Management fees paid approximated 5% of net collected rent. In addition, we paid repair and maintenance expenses, and payroll related expenses to GOLDMARK Property Management, Inc.

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
Onsite staff costs, and other misc.	\$ 17,690	\$ 15,069	\$ 13,833
Goldmark Management fees	\$ 6,322	\$ 5,755	\$ 5,499
R&M related payroll and payroll related expenses	\$ 9,040	\$ 9,936	\$ 7,744
Sterling Management fees	\$ 113	\$ 117	\$ 112

*Advisory Agreement*

We are an externally managed trust and as such, although we have a Board of Trustees and executive officers responsible for our management, we have no paid employees. The Advisor may receive fees related to management of the Trust, acquiring, disposing, or developing real estate property, project management fees, and financing fees related to lending relationships, under the Advisory Agreement, which must be renewed on an annual basis and approved by a majority of the independent trustees. The Thirteenth Amended and Restated Advisory Agreement was approved by the Board of Trustees (including all the independent Trustees) on March 21, 2024, and is effective until December 31, 2024. The Fourteenth Amended and Restated Advisory Agreement was approved by the Board of Trustees (including all the independent Trustees) on December 17, 2024, and is effective on January 1, 2025.

The below table summarizes the fees incurred to our Advisor.

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
<b>Fee:</b>			
Advisory	\$ 4,027	\$ 3,807	\$ 3,683
Acquisition	\$ 1,125	\$ -	\$ 1,321
Disposition	\$ 302	\$ 204	\$ 703
Financing	\$ 181	\$ 121	\$ 83
Development	\$ 350	\$ 600	\$ 600
Project Management	\$ 889	\$ 682	\$ 450

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The below table summarizes the fees payable to our Advisor.

	Payable at	
	December 31, 2024	December 31, 2023
	(in thousands)	
<b>Fee:</b>		
Advisory	\$ 4	\$ 316
Project Management	\$ 4	\$ -

*Operating Partnership Units Issued in Connection with Acquisitions*

During the year ended December 31, 2024, 322,000 Operating Partnership units were issued to an entity affiliated with Messrs. Regan and Wieland, two of our trustees, in connection with the acquisition of various properties. The aggregate value of these units was \$7,396.

During the year ended December 31, 2023, there were no Operating Partnership units issued directly or indirectly, to affiliated entities.

During the year ended December 31, 2022, 510,000 Operating Partnership units were issued to an entity affiliated with Messrs. Regan and Wieland, two of our trustees, in connection with the acquisition of various properties. The aggregate value of these units was \$11,741.

*Commissions*

During the years ended December 31, 2024, 2023 and 2022, we incurred real estate commissions of \$655, \$0, and \$567, respectively, to GOLDMARK Commercial Real Estate, Inc., in which Messrs. Regan and Wieland jointly own a controlling interest. As of December 31, 2024, and 2023, there were no commissions payable to GOLDMARK Commercial Real Estate.

During the years ended December 31, 2024, 2023 and 2022, we incurred real estate commissions of \$39, \$0, and \$418, respectively to GOLDMARK Property Management. As of December 31, 2024, and 2023, there were no commission payable to GOLDMARK Property Management.

*Due to Related Parties*

As of December 31, 2024 and 2023, the Trust had \$160, and \$670, respectively, for other related party payables.

*Rental Income*

The Trust leases office space to certain affiliates pursuant to operating lease agreements. The table below summarizes rental income earned from affiliates.

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
<b>Rental Income:</b>			
Goldmark Property Management, Inc.	\$ 278	\$ 273	\$ 267
Operating lease agreement with our Advisor	\$ 135	\$ 133	\$ 130
Bell Bank	\$ 1,171	\$ 1,005	\$ 859

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*Debt Financing*

As of December 31, 2024 and 2023, the Trust had \$57,983, \$60,262, respectively, of outstanding principal on loans entered into with Bell Bank. During the years ended December 31, 2024, 2023 and 2022, the Trust incurred interest expense on debt held with Bell Bank of \$2,340, \$2,398, and \$2,480, respectively. Accrued interest at the years ended December 31, 2024 and 2023, related to this debt was \$135, and \$128, respectively.

*Mezzanine Financing*

The Trust offers mezzanine financing to joint ventures, see note 5 for investment in unconsolidated affiliates.

Sterling issued second mortgage financing to certain investments in unconsolidated affiliates as follows: On August 18, 2020, financing was secured with SE Maple Grove, LLC for \$3,305 at a rate of 7.25% with the full amount of principal and accrued interest due on September 10, 2025. On December 17, 2020, financing was secured with SE Rogers, LLC for \$2,932 at a rate of 7.25% with the full amount of principal and accrued interest due on January 10, 2026. On November 5, 2021, financing was secured with SE Brooklyn Park, LLC for \$3,127 at a rate of 7.25% with the full amount of principal and accrued interest due on December 10, 2026. As of the years ended December 31, 2024 and 2023, Sterling issued \$7,821, and \$8,766 respectively, in second mortgage financing to investments in unconsolidated affiliates.

During the years ended December 31, 2024 and 2023, the Trust earned interest income of \$581, and \$671, respectively, related to the second mortgage financing.

*Insurance Services*

The Trust retains insurance services from Bell Insurance. Policies provided by these services provide insurance coverage for the Trust's Commercial segment as well as Director and Officer general and liability coverage. For the years ended December 31, 2024, 2023 and 2022, total premiums incurred for this policy were \$145, \$165, and \$48, respectively.

*Tenant Improvement Arrangements*

During the years ended December 31, 2024, 2023 and 2022, there were no tenant improvement costs incurred for related parties.

*Development Arrangements*

Effective May 16, 2022, The Trust purchased a 70% interest in ST Fossil Creek Fort Worth, LLC. The purpose of the entity is to develop and construct a 228-unit multifamily property located in Fort Worth, Texas. The partnering investee, TG Fossil Creek Fort Worth, LLC is owned in part by Kenneth P. Regan, the Trust's Chief Executive Officer and Trustee. Mr. Regan is also a partner in Trumont Group, the developer engaged by ST Fossil Creek Fort Worth, LLC to oversee the development of the property. Further, Mr. Regan is also a partner in Trumont Construction, the company who was engaged to oversee the day-to-day construction operations of the property.

During the year ended December 31, 2024 and 2023, the Trust paid no development fees to Trumont Group. As of December 31, 2024 and 2023, no development fees were owed to Trumont Construction.

During the years ended December 31, 2024 and 2023, the Trust incurred and paid \$91, and \$459, respectively, in construction fees to Trumont Construction. At the years ended December 31, 2024 and 2023, the Trust owed \$0, and \$37, respectively, in construction fees to Trumont Construction.

During the years ended December 31, 2024 and 2023, the Trust incurred and paid \$378, and \$344, respectively, in general construction costs to Trumont Construction. At the years ended December 31, 2024 and 2023, no general construction costs were owed to Trumont Construction.

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**NOTE 16 - RENTALS UNDER OPERATING LEASES / RENTAL INCOME**

Residential apartment units are rented to individual tenants with lease terms of one year or less.

Commercial properties are leased to tenants under terms expiring at various dates through 2039. Lease terms often include renewal options.

As of December 31, 2024, we derived 87.4% of our revenues from residential leases that are generally for terms of one-year or less. The residential leases may include lease income related to such items as parking, storage and non-refundable deposits that we treat as a single lease component because amenities cannot be leased on their own and the timing and pattern of revenue recognition are the same. The collection of lease payments at lease commencement is probable and therefore we subsequently recognize lease income over the lease term on a straight-line basis. Residential leases are renewable upon consent of both parties on an annual or monthly basis.

As of December 31, 2024, we derived 12.6% of our revenues from commercial leases primarily under long-term lease agreements. Substantially all commercial leases contain fixed escalations, or, in some instances, changes based on the Consumer Price Index, which occur at specified times during the term of the lease. In certain commercial leases, variable lease income, such as percentage rent, is recognized when rents are earned. We recognize rental income and rental abatements from our commercial leases on a straight-line basis over the lease term. Recognition of rental income commences when control of the leased space has been transferred to the tenant.

We recognize variable income from pass-through expenses on an accrual basis over the periods in which the expenses were incurred. Pass-through expenses are comprised of real estate taxes, operating expenses and common area maintenance costs which are reimbursed by tenants in accordance with specific allowable costs per tenant lease agreements. When we pay pass-through expenses, subject to reimbursement by the tenant, they are included within operating expenses, excluding real estate taxes, and reimbursements are included within “real estate rental income” along with the associated base rent in the accompanying consolidated financial statements.

We record base rents on a straight-line basis. The monthly base rent income according to the terms of our leases is adjusted so that an average monthly rent is recorded for each tenant over the term of its lease. The straight-line rent adjustment increased revenue by \$8 for the year ended December 31, 2024, and increased revenue by \$291 for the year ended December 31, 2023. The straight-line receivable balance included in other assets on the consolidated balance sheets as of the year ended December 31, 2024 and 2023 was \$3,694 and \$3,686 respectively. We receive payments for expense reimbursements from substantially all our multi-tenant commercial tenants throughout the year based on estimates.

Lease income related to the Trust’s operating leases is comprised of the following:

	<b>Year ended December 31, 2024</b>		
	<b>Residential</b>	<b>Commercial</b>	<b>Total</b>
	<b>(in thousands)</b>		
Lease income related to fixed lease payments	\$ 132,750	\$ 15,531	\$ 148,281
Lease income related to variable lease payments	1	4,546	4,547
Other (a)	(1,543)	(201)	(1,744)
Lease Income (b)	<u>\$ 131,208</u>	<u>\$ 19,876</u>	<u>\$ 151,084</u>

- (a) For the year ended December 31, 2024, “Other” is comprised of revenue adjustments related to changes in collectability and amortization of above and below market lease intangibles and lease inducements.
- (b) Excludes other rental income for the year ended December 31, 2024, of \$8,222, which is accounted for under the revenue recognition standard.

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	Year ended December 31, 2023		
	Residential	Commercial (in thousands)	Total
Lease income related to fixed lease payments	\$ 118,323	\$ 15,672	\$ 133,995
Lease income related to variable lease payments	—	4,430	4,430
Other (a)	(1,113)	166	(947)
Lease Income (b)	<u>\$ 117,210</u>	<u>\$ 20,268</u>	<u>\$ 137,478</u>

- (c) For the year ended December 31, 2023, “Other” is comprised of revenue adjustments related to changes in collectability and amortization of above and below market lease intangibles and lease inducements.
- (d) Excludes other rental income for the year ended December 31, 2023, of \$6,153, which is accounted for under the revenue recognition standard.

Commercial space is rented under long-term agreements. Minimum future rentals on non-cancelable operating leases as of December 31, 2024 are as follows:

Years ending December 31,	Amount (in thousands)
2025	\$ 15,087
2026	14,299
2027	12,937
2028	11,939
2029	10,551
Thereafter	25,092
	<u>\$ 89,905</u>

**NOTE 17 - COMMITMENTS AND CONTINGENCIES**

*Environmental Matters*

Federal law (and the laws of some states in which we own or may acquire properties) imposes liability on a landowner for the presence on the premises of hazardous substances or wastes (as defined by present and future federal and state laws and regulations). This liability is without regard to fault or knowledge of the presence of such substances and may be imposed jointly and severally upon all succeeding landowners. If such hazardous substance is discovered on a property acquired by us, we could incur liability for the removal of the substances and the cleanup of the property.

There can be no assurance that we would have effective remedies against prior owners of the property. In addition, we may be liable to tenants and may find it difficult or impossible to sell the property either prior to or following such a cleanup.

*Risk of Uninsured Property Losses*

We maintain property damage, fire loss, and liability insurance. However, there are certain types of losses (generally of a catastrophic nature) which may be either uninsurable or not economically insurable. Such excluded risks may include war, earthquakes, tornados, certain environmental hazards, and floods. Should such events occur, (i) we might suffer a loss of capital invested, (ii) tenants may suffer losses and may be unable to pay rent for the spaces, and (iii) we may suffer a loss of profits which might be anticipated from one or more properties.

*Litigation*

The Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of such matters cannot be predicted with certainty, management believes, based on currently available information, that the outcome of such matters will not have a material effect on the consolidated financial statements of the Trust.

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**NOTE 18 – DISPOSITIONS**

During the year ended December 31, 2024, the Operating Partnership sold nine properties.

<u>Date</u>	<u>Property Name</u>	<u>Location</u>	<u>Property Type</u>	<u>Units/ Square Footage/ Acres (Unaudited)</u>	<u>Total Disposition Cost</u>	<u>Gain/(Loss) on Sale</u>
1/25/24	Dairy Queen	Apple Valley, MN	Retail	5,348 square feet	\$ 1,607	\$ (68)
3/1/24	Westwind	Fargo, ND	Apartment Complex	18 units	900	489
3/8/24	Westside	Hawley, MN	Apartment Complex	14 units	837	394
4/3/24	Columbia Park Village	Grand Forks, ND	Apartment Complex	12 units	675	42
5/1/24	Gate City Bank	Grand Forks, ND	Office	17,407 square feet	2,950	974
5/21/24	First International Bank & Trust	Moorhead, MN	Office	3,510 square feet	1,516	683
6/14/24	Jadestone	Fargo, ND	Apartment Complex	18 units	1,039	136
6/14/24	Essex	Fargo, ND	Apartment Complex	18 units	1,039	178
7/25/24	Cityside	Fargo, ND	Apartment Complex	36 units	1,500	241
					<u>\$ 12,063</u>	<u>\$ 3,069</u>

During the year ended December 31, 2023, the Operating Partnership sold two properties.

<u>Date</u>	<u>Property Name</u>	<u>Location</u>	<u>Property Type</u>	<u>Units/ Square Footage/ Acres (Unaudited)</u>	<u>Total Disposition Cost</u>	<u>Gain on Sale</u>
5/11/23	Applebee's Coon Rapids	Coon Rapids, MN	Retail	5,576 square feet	\$ 3,448	\$ 1,531
5/24/23	Redpath	White Bear Lake, MN	Office	25,817 square feet	4,710	1,066
					<u>\$ 8,158</u>	<u>\$ 2,597</u>

During the year ended December 31, 2022, the Operating Partnership sold five properties.

<u>Date</u>	<u>Property Name</u>	<u>Location</u>	<u>Property Type</u>	<u>Units/ Square Footage/ Acres (Unaudited)</u>	<u>Total Disposition Cost</u>	<u>Gain on Sale</u>
3/7/22	Applebee's Savage	Savage, MN	Retail	4,936 square feet	\$ 2,700	\$ 1,328
5/31/22	Griffin Court	Moorhead, MN	Apartment Complex	128 units	6,400	2,012
8/30/22	Regis	Edina, MN	Office	102,448 square feet	15,320	6,728
9/1/22	Desoto Apartments	East Grand Forks, MN	Apartment Complex	24 units	1,200	(171)
12/6/22	Applebee's Bloomington	Bloomington, MN	Retail	5,043 square feet	2,888	1,193
					<u>\$ 28,508</u>	<u>\$ 11,090</u>

As of December 31, 2024, the Company did not have any assets that qualified for the held for sale accounting treatment. As of December 31, 2023, the Company entered into a purchase agreement to sell one retail property located in Apple Valley, Minnesota. The property qualified for held for sale accounting treatment on or prior to December 31, 2023, at which time depreciation and amortization ceased. As such, the assets and liabilities associated with this property were separately classified as held for sale in the consolidated balance sheet as of December 31, 2023. The property was sold in the first quarter of 2024. The following table shows the net book value of assets held for sale.

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	December 31, 2024	December 31, 2023
	(in thousands)	
<b>ASSETS</b>		
Real estate investments		
Land and land improvements	\$ —	\$ 845
Building and improvements	—	828
Real estate investments	—	1,673
Less accumulated depreciation	—	(110)
Real estate investments, net	—	1,563
Other assets, net	—	5
<b>Total Assets</b>	<b>\$ —</b>	<b>\$ 1,568</b>
<b>LIABILITIES</b>		
Accrued expenses and other liabilities	\$ —	\$ 2
<b>Total Liabilities</b>	<b>\$ —</b>	<b>\$ 2</b>

**NOTE 19 –ACQUISITIONS**

The Company acquired the following properties during the year ended December 31, 2024.

Date	Property Name	Location	Property Type	Units/ Square Footage/ Acres	Total Net Assets Acquired
4/15/24	Urban Plains	Fargo, ND	Apartment Complex	415 units	\$ 17,527
6/26/24	Lexington Lofts	Forest Lake, MN	Apartment Complex	355 units	18,379
					<u>\$ 35,906</u>

Total consideration given for acquisitions for the year ended December 31, 2024 was completed through issuing approximately 322,000 limited partnership units of the Operating Partnership valued at \$23.00 per unit for an aggregate consideration of approximately \$7,396. The value of units issued in exchange for property is determined through a value established annually by our Board of Trustees and reflects the fair value at the time of issuance. Ken Regan and Jim Wieland had part ownership in an entity which had a 50% interest in Urban Plains prior to the acquisition.

During the quarter ended December 31, 2024 the Trust determined that when allocating the purchase price for the Urban Plains acquisition, no value was assigned to an assumed interest rate derivative which resulted in an error in the purchase price allocation. The error has been corrected during the quarter and properly reflected in the financial statements as of and for the year ended December 31, 2024. The impact of this error to the previously reported amounts for the three months ended June 30, 2024 and three and nine months ended September 30, 2024 is as follows:

		Quarter Ending June 30, 2024	Quarter Ending September 30, 2024	YTD September 30, 2024
Real estate investments, net	Increase/(Decrease)	\$ (3,313)	\$ 18	\$ (3,295)
Other assets, net - interest income receivable	Increase/(Decrease)	\$ 39	\$ (3)	\$ 36
Other assets, net - fair value of interest rate swap	Increase/(Decrease)	\$ (106)	\$ 27	\$ (79)
Other comprehensive income	Decrease/(Increase)	\$ 3,335	\$ (147)	\$ 3,188
Net income	Decrease/(Increase)	\$ 44	\$ 103	\$ 147

The Company did not acquire any properties during the year ended December 31, 2023.

The Company acquired the following properties during the year ended December 31, 2022.

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Date	Property Name	Location	Property Type	Units/ Square Footage/ Acres	Total Net Assets Acquired
2/28/22	Deer Park	Hutchinson, MN	Apartment Complex	138 units	\$ 15,073
5/31/22	Desoto Estates	Grand Forks, ND	Apartment Complex	68 units	5,863
5/31/22	Desoto Townhomes	Grand Forks, ND	Townhomes	24 units	3,226
5/31/22	Desoto Apartments	East Grand Forks, MN	Apartment Complex	24 units	1,230
6/10/22	Diamond Bend	Mandan, ND	Apartment Complex	78 units	10,919
9/13/22	Newgate Apartments	Bismarck, ND	Apartment Complex	46 units	2,444
12/1/22	Chandler 1898	Grand Forks, ND	Apartment Complex	12 units	498
12/29/22	Prose Fossil Creek	Fort Worth, TX	Apartment Complex	270 units	55,591
					\$ 94,844

The acquisition of Prose Fossil Creek was made utilizing a Reverse 1031 Like-Kind Exchange that was entered into at closing. As such, as of December 29, 2022, Prose Fossil Creek is in the possession of a qualified intermediary engaged to execute the Reverse 1031 Like-Kind Exchange until the sale transaction and the Reverse 1031 Like-Kind Exchange are completed. The Trust retains essentially all of the legal and economic benefits and obligations related to Prose Fossil Creek prior to the completion of the Reverse 1031 Like-Kind Exchange. Accordingly, Prose Fossil Creek is included in the Trust's consolidated financial statements as a consolidated VIE until legal title is transferred to the Trust upon completion of the Reverse 1031 Like-Kind Exchange.

Total consideration given for acquisitions for the year ended December 31, 2022 was completed through issuing approximately 560,000 limited partnership units of the Operating Partnership valued at \$23.00 per unit for an aggregate consideration of approximately \$12,870. The value of units issued in exchange for property is determined through a value established annually by our Board of Trustees and reflects the fair value at the time of issuance.

The following table summarizes the allocation of the purchase price, before prorations, the Company recorded in conjunction with the acquisitions discussed above:

	2024	December 31, 2023	2022
Real estate investment acquired	\$ 111,290	\$ -	\$ 93,515
Assumed interest rate derivative	3,331	-	-
Acquired lease intangible assets	2,261	-	1,732
Assumed assets	451	-	3
Total Assets Acquired	\$ 117,333	\$ -	\$ 95,250
Assumed loans	(80,774)	-	-
Other liabilities	(653)	-	(406)
Net assets acquired	35,906	-	94,844
Equity/limited partnership unit consideration	(7,396)	-	(12,870)
Net cash consideration	\$ 28,510	\$ -	\$ 81,974

**NOTE 20 - SUBSEQUENT EVENTS**

On January 15, 2025 we paid a dividend or distribution of \$0.2875 per share on our common shares of beneficial interest or limited partnership units, to common shareholders and limited unit holders of record on December 31, 2024 which was declared on December 17, 2024.

On December 17, 2024 the Board of Trustees approved an increase in the common share price from \$23.00 per share to \$24.00 per share and an increase in redemption price from \$21.85 to \$22.80 effective January 1, 2025.

On February 26, 2025, we entered into a \$10,000,000 revolving promissory note bearing an interest rate of 5.25% as the borrower with an affiliate, Sterling Office and Industrial Properties, LLLP.

Pending acquisitions and dispositions are subject to numerous conditions and contingencies and there are no assurances that the transactions will be completed.

Industrial Property	Physical Location	Encumbrances	Initial cost to company		Costs capitalized subsequent to acquisition (a)		Gross Amount at which carried at close of period		Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation on latest income statement is computed	
			Land	Buildings	Land	Buildings	Land	Buildings				Total
			\$	\$	\$	\$	\$	\$				\$
Guardian Building Products	Fargo, ND	\$ —	\$ 820	\$ 2,554	\$ 60	\$ (94)	\$ 880	\$ 2,460	\$ 3,340	08/29/2012	40	
Titan Machinery	Bismarck, ND	1,939	950	1,395	32	—	982	1,395	2,377	01/28/2015	40	
Titan Machinery	Dickinson, ND	1,705	354	1,096	400	—	754	1,096	1,850	07/30/2012	40	
Titan Machinery	Fargo, ND	2,262	781	1,947	515	—	1,296	1,947	3,243	10/30/2012	40	
Titan Machinery	Marshall, MN	4,390	300	3,648	81	—	381	3,648	4,029	11/01/2011	40	
Titan Machinery	Minot, ND	—	618	1,654	—	—	618	1,654	2,272	08/01/2012	40	
Titan Machinery	North Platte, NE	—	325	1,269	—	—	325	1,269	1,594	01/29/2016	40	
Titan Machinery	Sioux City, IA	3,474	315	2,472	—	—	315	2,472	2,787	10/25/2013	40	
<b>Total</b>		<b>\$ 13,770</b>	<b>\$ 4,463</b>	<b>\$ 16,035</b>	<b>\$ 1,088</b>	<b>\$ (94)</b>	<b>\$ 5,551</b>	<b>\$ 15,941</b>	<b>\$ 21,492</b>			

Land Property	Physical Location	Encumbrances	Initial cost to company		Costs capitalized subsequent to acquisition (a)		Gross Amount at which carried at close of period		Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation on latest income statement is computed	
			Land	Buildings	Land	Buildings	Land	Buildings				Total
			\$	\$	\$	\$	\$	\$				\$
Taco Bell	Denver, CO	\$ 367	\$ 669	\$ —	\$ —	\$ —	\$ 669	\$ —	\$ 669	06/14/2011	—	
Rochester Development Land	Rochester, MN	—	1,364	—	—	—	1,364	—	1,364	08/29/2016	—	
<b>Total</b>		<b>\$ 367</b>	<b>\$ 2,033</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,033</b>	<b>\$ —</b>	<b>\$ 2,033</b>			

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Medical Property	Physical Location	Encumbrances		Initial cost to company		Costs capitalized subsequent to acquisition (a)		Gross Amount at which carried at close of period		Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation on latest income statement is computed
		Land	Buildings	Land	Buildings	Land	Buildings	Land	Buildings			
Bio-Life	Bismarck, ND	\$ 1,969	\$ 2,255	\$ 306	\$ 2,255	\$ 11	\$ 123	\$ 317	\$ 2,378	\$ 2,695	09/13/2008	9
Bio-Life	Grand Forks, ND	2,024	457	457	2,230	1	158	458	2,388	2,846	01/03/2008	10
Bio-Life	Janesville, WI	1,682	1,857	250	1,857	—	123	250	1,980	2,230	01/03/2008	9
Bio-Life	Mankato, MN	2,138	390	390	2,111	280	1,154	670	3,265	3,935	01/03/2008	11
Bio-Life	Marquette, MI	—	2,793	213	2,793	—	123	213	2,916	3,129	01/03/2008	9
Bio-Life	Onalaska, WI	1,624	208	208	1,853	—	323	208	2,176	2,384	01/03/2008	11
Bio-Life	Oshkosh, WI	1,670	293	293	1,705	—	146	293	1,851	2,144	01/03/2008	10
Bio-Life	Sheboygan, WI	1,905	623	623	1,611	—	248	623	1,859	2,482	01/03/2008	10
Bio-Life	Stevens Point, WI	1,822	119	119	2,184	—	123	119	2,307	2,426	01/03/2008	9
Total		\$ 14,834	\$ 2,859	\$ 18,599	\$ 292	\$ 2,521	\$ 3,151	\$ 21,120	\$ 24,271	\$ 9,619		

Residential Property	Physical Location	Encumbrances		Initial cost to company		Costs capitalized subsequent to acquisition (a)		Gross Amount at which carried at close of period		Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation on latest income statement is computed
		Land	Buildings	Land	Buildings	Land	Buildings	Land	Buildings			
Amberwood	Grand Forks, ND	\$ 2,170	\$ 3,304	\$ 426	\$ 3,304	\$ 3	\$ 331	\$ 429	\$ 3,635	\$ 4,064	09/13/2016	20
Arbor I/400	Bismarck, ND	319	516	73	516	4	65	77	581	658	06/04/2013	40
Arbor II/404	Bismarck, ND	326	538	73	538	6	43	79	581	660	11/01/2013	40
Arbor III/406	Bismarck, ND	324	536	71	536	7	107	78	643	721	11/01/2013	40
Ashbury	Fargo, ND	2,139	3,774	314	3,774	26	25	340	3,799	4,139	12/19/2016	40
Auburn II	Fargo, ND	753	883	105	883	12	87	117	970	1,087	03/23/2007	20
Autumn Ridge	Grand Forks, ND	4,878	8,875	1,072	8,875	44	67	1,116	8,942	10,058	08/16/2004	9
Barrett Arms	Crookston, MN	647	1,001	37	1,001	—	177	37	1,178	1,215	01/02/2014	40
Bayview	Fargo, ND	2,000	3,447	284	3,447	112	2,036	396	5,483	5,879	12/31/2007	20
Belmont East and West	Bismarck, ND	673	1,424	167	1,424	2	8	169	1,432	1,601	03/1/2020	—
Berkshire	Fargo, ND	359	406	31	406	7	53	38	459	497	03/31/2008	20
Betty Ann	Fargo, ND	384	738	74	738	11	178	85	916	1,001	08/31/2009	40
Birchwood I	Fargo, ND	212	342	72	342	4	139	76	481	557	12/01/2017	40
Birchwood 2	Fargo, ND	1,252	2,099	234	2,099	52	612	286	2,711	2,997	12/01/2017	40
Bradbury Apartments	Bismarck, ND	1,665	4,922	1,049	4,922	—	158	1,049	5,080	6,129	10/24/18	40
Briar Pointe	Fargo, ND	1,214	1,551	384	1,551	1	—	385	1,551	1,936	06/01/2021	40
Bridgeport	Fargo, ND	4,618	7,676	613	7,676	15	236	628	7,912	8,540	12/19/2016	40
Bristol Park	Grand Forks, ND	2,626	3,976	985	3,976	—	885	985	4,861	5,846	02/01/2016	40
Brookfield	Fargo, ND	1,828	1,958	228	1,958	30	318	258	2,276	2,534	08/01/2008	20
Brownstone	Fargo, ND	2,737	3,610	780	3,610	2	6	782	3,616	4,398	06/01/2021	—
Cambridge (FKA 44th Street)	Fargo, ND	1,510	1,845	333	1,845	4	246	337	2,091	2,428	02/06/2013	40

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Candlelight	Fargo, ND	1,380	613	1,221	(202)	703	411	1,924	2,335	504	11/30/2012	40
Carling Manor	Grand Forks, ND	456	69	656	1	114	70	770	840	286	03/31/2008	40
Carlton Place	Fargo, ND	5,363	703	7,070	96	1,002	799	8,072	8,871	2,970	09/01/2008	20 - 40
Carr	Fargo, ND	551	66	759	8	41	74	800	874	156	01/17/2017	40
Cedars 4	Fargo, ND	—	134	1,068	2	76	136	1,144	1,280	166	12/31/18	40
Chandler 1802	Grand Forks, ND	630	133	1,114	—	108	133	1,222	1,355	317	01/02/2014	40
Chandler 1834	Grand Forks, ND	364	112	552	—	51	112	603	715	91	9/1/18	40
Chandler 1866	Grand Forks, ND	327	31	270	—	59	31	329	360	147	01/03/2005	20 - 40
Chandler 1898	Grand Forks, ND	—	114	357	1	98	115	455	570	23	12/1/22	—
Cherry Creek (FKA Village)	Grand Forks, ND	—	173	1,435	1	572	174	2,007	2,181	631	11/01/2008	40
Columbia West	Grand Forks, ND	2,056	294	3,367	1	615	295	3,982	4,277	1,500	09/01/2008	20 - 40
Country Club	Fargo, ND	921	252	1,252	2	240	254	1,492	1,746	488	05/02/2011	20 - 40
Countryside	Fargo, ND	543	135	677	6	202	141	879	1,020	243	05/02/2011	40
Courtyard	St. Louis Park, MN	2,423	2,270	5,681	—	840	2,270	6,521	8,791	1,800	09/03/2013	5 - 40
Dakota Manor	Fargo, ND	1,221	249	2,236	20	587	269	2,823	3,092	615	08/07/2014	40
Danbury	Fargo, ND	4,278	381	5,869	336	1,023	717	6,892	7,609	2,673	12/31/2007	20 - 40
Dellwood Estates	Anoka, MN	5,619	844	9,924	—	861	844	10,785	11,629	3,015	05/31/2013	40
Deer Park	Hutchinson, MN	8,382	1,784	12,545	—	47	1,784	12,592	14,376	911	2/28/22	—
Desoto Estates	Grand Forks, ND	3,985	955	4,869	—	—	955	4,869	5,824	325	5/31/22	—
Desoto Townhomes	Grand Forks, ND	1,524	464	2,767	—	—	464	2,767	3,231	184	5/31/22	—
Diamond Bend	Mandan, ND	6,554	722	9,789	27	—	749	9,789	10,538	633	6/10/22	—
Eagle Run	West Fargo, ND	3,399	576	5,787	381	213	957	6,000	6,957	2,083	08/12/2010	40
Eagle Sky I	Bismarck, ND	—	115	1,292	—	129	115	1,421	1,536	319	03/01/2016	40
Eagle Sky II	Bismarck, ND	—	135	1,279	—	197	135	1,476	1,611	320	03/01/2016	40
East Bridge	Fargo, ND	2,951	792	5,396	1	301	793	5,697	6,490	1,059	07/03/2017	40
Eastbrook	Bismarck, ND	579	145	1,233	—	118	145	1,351	1,496	151	01/31/2020	— 40
Echo Manor	Hutchinson, MN	815	141	875	—	118	141	993	1,134	270	01/02/2014	20 - 40
Emerald Court	Fargo, ND	—	66	830	18	218	84	1,048	1,132	394	03/31/2008	20 - 40
Evergreen Terrace	Omaha, NE	4,699	820	7,573	—	904	820	8,477	9,297	827	12/17/20	— 40
Fairview	Bismarck, ND	2,335	267	3,978	39	950	306	4,928	5,234	1,775	12/31/2008	20 - 40
Flagstone	Fargo, ND	4,839	1,535	6,258	3	—	1,538	6,258	7,796	561	06/01/2021	— 40
Flickertail	Fargo, ND	5,843	426	5,590	261	1,818	687	7,408	8,095	2,554	12/31/2008	40
Forest Avenue	Fargo, ND	295	61	637	14	74	75	711	786	202	02/06/2013	40
Foxtail Creek Townhomes	Fargo, ND	—	267	1,221	—	—	267	1,221	1,488	132	09/15/2020	— 40
Galleria III	Fargo, ND	611	118	681	3	335	121	1,016	1,137	287	11/09/2010	40
Garden Grove	Bismarck, ND	3,873	606	6,073	—	168	606	6,241	6,847	1,365	05/04/2016	5 - 40
Georgetown on the River	Fridley, MN	15,551	4,620	23,833	8	7,262	4,628	31,095	35,723	6,968	12/19/2014	5 - 40
Glen Pond	Eagan, MN	33,931	3,761	20,569	38	1,358	3,799	21,927	25,726	6,938	12/02/2011	20 - 40
Glen Pond Addition	Eagan, MN	5,803	876	15,408	—	6	876	15,414	16,290	1,669	09/30/2020	— 40
Granger Court I	Fargo, ND	1,707	279	1,926	25	2,163	304	4,089	4,393	638	06/04/2013	20 - 40
Hannifin	Bismarck, ND	366	81	607	5	124	86	731	817	184	11/01/2013	40
Harrison and Richfield	Grand Forks, ND	—	756	6,346	8	970	764	7,316	8,080	2,931	07/01/2007	5 - 40
Hartford Apartments	Fargo, ND	782	154	1,233	—	14	154	1,247	1,401	194	10/1/18	40
Hawn	Fargo, ND	1,396	280	2,277	11	289	291	2,566	2,857	283	03/01/2020	— 40
Highland Meadows	Bismarck, ND	5,231	1,532	8,513	—	675	1,532	9,188	10,720	1,742	05/01/2017	5 - 40

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
**SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2024**  
(Dollar amounts in thousands)

Hunters Run I	Fargo, ND	440	50	419	5	(2)	55	417	472	184	03/23/2007	40
Hunters Run II	Fargo, ND	375	44	441	3	—	47	441	488	182	07/01/2008	40
Huntington	Fargo, ND	281	86	309	4	24	90	333	423	76	08/04/2015	40
Islander	Fargo, ND	666	98	884	49	326	147	1,210	1,357	336	07/01/2011	40
Kennedy	Fargo, ND	322	84	588	7	91	91	679	770	197	02/06/2013	20
Lexington Lofts 1	Lexington, MN	30,955	4,214	37,004	—	—	4,214	37,004	41,218	540	6/26/24	20
Lexington Lofts 2	Lexington, MN	22,575	2,674	23,486	—	—	2,674	23,486	26,160	342	6/26/24	20
Sterling - Lexington	Lexington, MN	—	—	725	—	—	—	725	725	10	6/26/24	20
Library Lane	Grand Forks, ND	1,869	301	2,332	20	189	321	2,521	2,842	1,066	10/01/2007	20
Madison	Grand Forks, ND	280	95	497	—	163	95	660	755	133	09/01/2015	40
Maple Ridge	Omaha, NE	7,412	766	5,608	59	3,937	825	9,545	10,370	3,073	08/01/2008	20
Maplewood	Maplewood, MN	8,053	3,120	11,655	—	3,259	3,120	14,914	18,034	3,281	12/19/2014	5
Maplewood Bend I, II, III, IV, V, VI, VII, VIII & Royale	Fargo, ND	3,853	783	5,839	15	696	798	6,535	7,333	2,233	01/01/2009	20
Martha Alice	Fargo, ND	384	74	738	15	221	89	959	1,048	327	08/31/2009	20
Mayfair	Grand Forks, ND	—	80	1,043	5	306	85	1,349	1,434	455	07/01/2008	20
Monticello	Fargo, ND	475	60	752	14	111	74	863	937	229	11/08/2013	20
Montreal Courts	Little Canada, MN	26,661	5,808	19,565	15	3,618	5,823	23,183	29,006	6,144	10/02/2013	5
Morningside Apartments	Fargo, ND	419	85	673	—	42	85	715	800	106	11/30/18	40
Newgate	Bismarck, ND	1,430	538	1,755	19	48	557	1,803	2,360	105	9/13/22	—
Oak Court	Fargo, ND	2,338	270	2,210	195	472	465	2,682	3,147	1,034	04/30/2008	28
Oakview Townhomes	Grand Forks, ND	3,229	822	4,698	34	876	856	5,574	6,430	1,036	01/11/2017	40
Oxford	Fargo, ND	6,324	1,655	8,563	—	98	1,655	8,661	10,316	750	07/01/2021	40
Pacific Park I	Fargo, ND	479	95	777	3	130	98	907	1,005	250	02/06/2013	40
Pacific Park II	Fargo, ND	410	111	865	4	140	115	1,005	1,120	275	02/06/2013	40
Pacific South	Fargo, ND	253	58	459	2	56	60	515	575	139	02/06/2013	40
Park Circle	Fargo, ND	499	196	716	7	17	203	733	936	139	06/01/2017	40
Parkview Arms	Bismarck, ND	—	373	3,845	—	418	373	4,263	4,636	996	05/13/2015	5
Parkwest Gardens	West Fargo, ND	2,611	713	5,712	39	1,649	752	7,361	8,113	1,765	06/30/2014	20
Parkwood	Fargo, ND	—	126	1,143	18	203	144	1,346	1,490	472	08/01/2008	40
Pebble Creek	Bismarck, ND	—	260	2,818	31	(578)	291	2,240	2,531	883	03/19/2008	20
Pinehurst	Fargo, ND	9,200	2,368	12,614	62	32	2,430	12,646	15,076	1,104	07/01/2021	—
Plumtree	Fargo, ND	487	100	782	2	29	102	811	913	155	05/01/2017	40
Prairiewood Courts	Fargo, ND	—	308	1,730	29	212	337	1,942	2,279	823	09/01/2006	20
Prairiewood Meadows	Fargo, ND	3,566	736	852	12	4,064	748	4,916	5,664	422	09/30/2012	40
Cobalt Apartments	Fort Worth, TX	27,500	5,451	46,811	—	225	5,451	47,036	52,487	2,444	12/29/22	—
Quail Creek	Springfield, MO	4,605	1,529	7,396	—	1,704	1,529	9,100	10,629	1,990	02/03/2015	5
Robinwood	Coom Rapids, MN	3,887	1,380	6,133	—	711	1,380	6,844	8,224	1,685	12/19/2014	40
Rosedale Estates	Roseville, MN	—	4,680	20,591	—	1,632	4,680	22,223	26,903	5,395	12/19/2014	5
Rosegate	Fargo, ND	2,705	251	2,978	102	481	333	3,459	3,812	1,294	04/30/2008	20
Rosser	Bismarck, ND	623	156	1,216	—	109	156	1,325	1,481	156	03/01/2020	—
Roughrider	Grand Forks, ND	340	100	448	—	177	100	625	725	121	08/01/2016	5
Saddlebrook	West Fargo, ND	1,195	148	1,262	203	105	351	1,367	1,718	531	12/31/2008	40
Sage Park	New Brighton, MN	8,761	2,520	13,985	—	1,230	2,520	15,215	17,735	3,812	12/19/2014	5
Sargent	Fargo, ND	868	164	1,529	4	17	168	1,546	1,714	311	01/10/2017	40
Schrock	Fargo, ND	390	71	626	3	66	74	692	766	187	06/04/2013	40

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
**SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2024**  
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Sheridan Pointe	Fargo, ND	1,850	292	2,387	22	96	314	2,483	2,797	670	10/01/2013	40
Sierra Ridge	Bismarck, ND	6,148	754	8,795	151	955	905	9,750	10,655	3,483	09/01/2006	40
Somerset	Fargo, ND	—	300	3,400	43	370	343	3,770	4,113	1,416	07/01/2008	40
Southgate	Fargo, ND	4,517	803	5,267	20	119	823	5,386	6,209	2,285	07/01/2007	20 - 40
Southview III	Grand Forks, ND	—	99	522	3	116	102	638	740	202	08/01/2011	40
Southview Villages	Fargo, ND	2,214	268	2,483	16	867	284	3,350	3,634	1,193	10/01/2007	20 - 40
Spring	Fargo, ND	391	76	822	75	24	151	846	997	253	02/06/2013	20 - 40
Stanford Court	Grand Forks, ND	—	291	3,866	—	618	291	4,484	4,775	1,219	02/06/2013	20 - 40
Stonefield	Bismarck, ND	6,913	2,804	11,060	227	(215)	3,031	10,845	13,876	2,611	08/01/2014	20 - 40
Stonefield Townhomes	Bismarck, ND	4,564	1,201	3,678	486	5,754	1,687	9,432	11,119	1,818	10/23/2014	40
Stonefield-Phase III	Bismarck, ND	—	1,079	—	238	—	1,317	—	1,317	—	10/23/2014	n/a
Stonybrook	Omaha, NE	5,601	1,439	8,003	—	2,032	1,439	10,035	11,474	3,586	01/20/2009	20 - 40
Summerfield	Fargo, ND	430	129	599	6	82	135	681	816	155	08/04/2015	40
Summit Point	Fargo, ND	3,034	681	5,434	22	450	703	5,884	6,587	1,318	10/01/2015	20 - 40
Sunchase	Fargo, ND	955	181	1,563	14	170	195	1,733	1,928	319	05/01/2017	40
Sunset Ridge	Bismarck, ND	10,202	1,759	9,560	36	160	1,795	9,720	11,515	3,712	06/06/2008	9 - 40
Sunview	Grand Forks, ND	—	144	1,578	2	241	146	1,819	1,965	681	12/31/2008	20 - 40
Sunwood	Fargo, ND	2,659	358	3,252	38	688	396	3,940	4,336	1,498	07/01/2007	20 - 40
Thunder Creek	Fargo, ND	2,486	633	4,063	1	714	634	4,777	5,411	774	03/1/2018	25 - 40
Twin Oaks	Hutchinson, MN	4,842	816	3,245	—	156	816	3,401	4,217	864	10/01/2014	40
Twin Parks	Fargo, ND	1,739	119	2,072	43	227	162	2,299	2,461	873	10/01/2008	20 - 40
Urban Plains	Fargo, ND	26,674	5,801	33,907	—	—	5,801	33,907	39,708	494	4/15/25	20 - 40
Valley Homes Duplexes	Grand Forks, ND	1,027	356	1,668	1	431	357	2,099	2,456	502	01/22/2015	40
Valley View	Golden Valley, MN	3,863	1,190	6,076	—	474	1,190	6,550	7,740	1,604	12/19/2014	5 - 40
Village Park	Fargo, ND	536	219	1,932	51	89	270	2,021	2,291	796	04/30/2008	40
Village West	Fargo, ND	1,980	357	2,274	61	165	418	2,439	2,857	957	04/30/2008	40
Washington	Grand Forks, ND	307	74	592	—	76	74	668	742	142	05/04/2016	40
Westcourt	Fargo, ND	2,147	287	2,914	157	544	444	3,458	3,902	866	01/02/2014	5 - 40
West Oak	Fargo, ND	575	85	692	47	83	132	775	907	154	01/17/2017	40
Westwood	Fargo, ND	2,613	597	6,341	91	1,424	688	7,765	8,453	2,747	06/05/2008	20 - 40
Willow Park	Fargo, ND	4,770	288	5,286	39	916	327	6,202	6,529	2,250	12/31/2008	40
Wolf Creek	Fargo, ND	2,794	1,082	4,210	—	28	1,082	4,238	5,320	535	01/12/2020	— 40
Woodland Pines	Omaha, NE	5,788	842	10,596	—	1,785	842	12,381	13,223	1,807	11/30/18	40
<b>Total</b>		<b>\$ 472,556</b>	<b>\$ 105,317</b>	<b>\$ 679,523</b>	<b>\$ 4,326</b>	<b>\$ 78,363</b>	<b>\$ 109,643</b>	<b>\$ 757,886</b>	<b>\$ 867,529</b>	<b>\$ 155,637</b>		

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
**SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2024**  
(Dollar amounts in thousands)

Office Property	Physical Location	Encumbrances	Initial cost to company		Costs capitalized subsequent to acquisition (a)		Gross Amount at which carried at close of period		Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation on latest income statement is computed
			Land	Buildings	Land	Buildings	Land	Buildings			
Bluemont Lakes Financial Center	Fargo, ND	\$ 4,495	\$ 635	\$ 3,298	\$ 104	\$ 1,285	\$ 4,583	\$ 5,322	\$ 1,986	03/16/2004	3 - 40
Bell Plaza	Bloomington, MN	29,006	6,912	34,674	—	5,278	39,952	46,864	14,606	08/13/2015	3 - 40
Trustmark	Fargo, ND	6,572	2,089	4,718	14	6,738	11,456	13,559	1,854	08/28/2020	— 40
Four Points	Fargo, ND	—	70	1,238	11	175	1,413	1,494	610	10/18/2007	5 - 40
Goldmark Office Park	Fargo, ND	11,630	1,160	11,788	65	9,119	20,907	22,132	6,335	07/01/2007	1 - 40
Great American Bldg	Fargo, ND	971	511	1,290	22	447	1,737	2,270	846	02/01/2005	28 - 40
Midtown Plaza	Minot, ND	1,045	30	1,213	—	97	1,310	1,340	634	01/01/2004	5 - 40
Parkway office building (FKA Echelon)	Fargo, ND	1,523	278	1,491	42	82	1,573	1,893	697	05/15/2007	9 - 40
Wells Fargo Center	Duluth, MN	—	600	7,195	(115)	(1,645)	485	5,550	2,168	07/11/2007	4 - 40
<b>Total</b>		<b>\$ 55,242</b>	<b>\$ 12,285</b>	<b>\$ 66,905</b>	<b>\$ 143</b>	<b>\$ 21,576</b>	<b>\$ 88,481</b>	<b>\$ 100,909</b>	<b>\$ 29,736</b>		

Retail Property	Physical Location	Encumbrances	Initial cost to company		Costs capitalized subsequent to acquisition (a)		Gross Amount at which carried at close of period		Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation on latest income statement is computed
			Land	Buildings	Land	Buildings	Land	Buildings			
Dairy Queen	Dickinson, ND	—	329	658	1	—	658	988	214	01/19/2012	40
Dairy Queen	Moorhead, MN	—	243	787	2	—	787	1,032	269	05/13/2011	20
Family Dollar	Mandan, ND	—	167	649	—	54	703	870	234	12/14/2010	40
OReilly	Mandan, ND	—	115	449	—	27	476	591	163	12/14/2010	40
Walgreens	Alexandria, LA	—	1,090	2,973	—	1,090	2,973	4,063	1,118	12/18/2009	28 - 40
Walgreens	Batesville, AR	4,038	473	6,405	—	473	6,405	6,878	2,482	07/09/2009	40
Walgreens	Denver, CO	2,820	2,349	2,358	—	2,349	2,358	4,707	801	06/14/2011	40
Walgreens	Fayetteville, AR	3,000	636	4,732	—	636	4,732	5,368	1,834	07/09/2009	40
Walgreens	Laurel, MS	—	1,280	2,984	—	1,280	2,984	4,264	1,082	07/30/2010	40
<b>Total</b>		<b>\$ 9,858</b>	<b>\$ 6,682</b>	<b>\$ 21,995</b>	<b>\$ 3</b>	<b>\$ 81</b>	<b>\$ 6,685</b>	<b>\$ 22,076</b>	<b>\$ 8,197</b>		
<b>Grand Totals</b>		<b>\$ 566,627</b>	<b>\$ 133,639</b>	<b>\$ 803,057</b>	<b>\$ 5,852</b>	<b>\$ 102,447</b>	<b>\$ 139,491</b>	<b>\$ 1,044,995</b>	<b>\$ 207,952</b>		

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
**SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2024**  
(Dollar amounts in thousands)

**Notes:**

- (a) The costs capitalized subsequent to acquisition is net of dispositions.  
(b) The changes in total real estate investments for the years ended December 31, 2024, 2023 and 2022 are as follows (in thousands):

	2024	2023	2022
Balance at January 1,	\$ 970,804	\$ 971,148	\$ 896,702
Purchase of real estate investments	126,524	11,875	103,252
Sale and disposal of real estate investment	(10,236)	(8,882)	(26,960)
Property held for sale	1,673	(1,673)	—
Provision for asset impairment	—	(2,603)	(561)
Construction in progress not yet placed in service	6,650	939	(1,285)
Balance at December 31,	\$ 1,095,415	\$ 970,804	\$ 971,148

- (c) The changes in accumulated depreciation for the years ended December 31, 2024, 2023 and 2022 are as follows (in thousands):

	2024	2023	2022
Balance at January 1,	\$ 214,584	\$ 194,849	\$ 179,155
Depreciation expense	24,580	23,257	22,161
Property held for sale	110	(110)	—
Sale and disposal of real estate investment	(1,858)	(3,412)	(6,467)
Balance at December 31,	\$ 237,416	\$ 214,584	\$ 194,849

- (d) The aggregate cost of our real estate for federal income tax purposes is \$840,190.

**STERLING REAL ESTATE TRUST AND SUBSIDIARIES**  
**SCHEDULE IV – REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2024**  
(Dollar amounts in thousands)

**Sterling Real Estate Trust**  
**Schedule IV - Mortgage Loans on Real Estate**  
**December 31, 2024**

(in thousands)									
Location	Interest Rate	Final Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest		
United States - MN	7.25%	2026	Principal and interest until maturity	\$ —	7,869	\$ 7,869	\$ —		
United States - MN	12.00%	2027	Interest only until maturity	—	1,539	1,539	—		
Other	N/A	N/A	N/A	—	76	76	—		
<b>Totals</b>				<b>\$ —</b>	<b>9,484</b>	<b>\$ 9,484</b>	<b>\$ —</b>		

Year Ended December 31,		
	2024	2023
		2022

Reconciliation of mortgage loans:			
Balance at beginning of year	\$	8,885	\$ 8,448
Additions:			
Advances on loans		1,515	2,991
Deductions:			
Collection of principal		(916)	(2,554)
Balance at end of year	\$	9,484	\$ 8,885
			\$ 8,448
			7,457
			9,247
			(8,256)
			8,448

### Exhibit Index

Exhibit number	Exhibit Description	Filed here with	Incorporated by reference		
			Form	Period ending	Exhibit Filing Date
3.1	Articles of Organization of Sterling Real Estate Trust filed December 3, 2002		10-12G		3.1 03/10/11
3.2	Amendment to Articles of Organization of Sterling Real Estate Trust dated August 1, 2014		8-K		5.02 06/24/14
3.3	Amended and Restated Bylaws dated June 2, 2020		8-K		3.1 06/03/20
4.1	Sterling Third Amended and Restated Declaration of Trust dated June 23, 2016		8-K		4.1 06/29/16
4.2	Amended and Restated Share Redemption Plan effective June 20, 2024		8-K		10.1 07/11/24
4.3	Amended and Restated Unit Repurchase Plan effective June 20, 2024		8-K		10.2 07/11/24
4.4	Description of Registrant's Securities		10-K	12/31/2019	4.11 03/13/20
10.1	Third Amended and Restated Agreement of Limited Liability Limited Partnership of Sterling Properties, LLLP dated January 1, 2014		8-K		5.04 06/24/14
10.2	Amended and Restated Dividend Reinvestment Plan effective January 1, 2025		8-K		10.3 07/11/24
10.3	Amendment to Certificate of Limited Liability Partnership of Sterling Properties, LLLP dated August 1, 2014		8-K		5.03 06/24/14
10.4	Form of Secured Promissory Note (15-Year Note) dated as of December 19, 2014		8-K		10.3 12/23/14
10.5	Form of Secured Promissory Note (10-Year Note) dated as of December 19, 2014		8-K		10.4 12/23/14
10.6	Form of Mortgage, Security Agreement and Fixture Filing dated as of December 19, 2014		8-K		10.5 12/23/14
10.7	Form of Promissory Note dated as of December 19, 2014		8-K		10.6 12/23/14
10.8	Form of Mortgage dated as of December 19, 2014		8-K		10.7 12/23/14
10.9	Form of Commercial Security Agreement dated as of December 19, 2014		8-K		10.8 12/23/14
10.10	Amended and Restated Sterling Real Estate Trust Independent Trustee Common Shares Plan approved June 18, 2015		8-K		10.1 06/23/15
10.11	Form of Promissory Note dated as of August 13, 2015		8-K		10.2 08/18/15
10.12	Form of Mortgage, Security Agreement and Fixture Filing dated as of August 13, 2015		8-K		10.3 08/18/15
10.13	Amendment No. 1 to Amended and Restated Independent Trustee Stock Plan		8-K		99.3 04/04/18
10.14	Amended and Restated Sterling Real Estate Trust Independent Trustee Common Shares Plan dated March 25, 2021		8-K		10.1 03/31/21
10.15	Fourteenth Amended and Restated Advisory Agreement effective January 1, 2025		8-K		10.1 12/19/24
10.16	Bell Bank Promissory Note, dated December 29, 2022 between Bell Bank and Sterling Properties, LLLP, together with commercial Guaranty of Sterling Real Estate Trust, dated December 29, 2022		8-K		10.1 01/04/23
10.17	Bell Bank Promissory Note, dated June 25, 2024, between Bell Bank and Sterling Properties, LLLP, together with Commercial Guaranty of Sterling Real Estate Trust, dated June 25, 2024		8-K		10.1 07/03/24
10.18	Credit Agreement, dated July 12, 2024, between Gate City Bank and Sterling Properties, LLLP, together with Commercial Guaranty of Sterling Real Estate Trust, dated July 12, 2024		8-K		10.1 07/18/24
10.19	Guaranty Agreement, dated July 12, 2024, between Gate City Bank and Sterling Properties, LLLP, together with Commercial Guaranty of Sterling Real Estate Trust, dated July 12, 2024		8-K		10.2 07/18/24
16.1	Letter of Baker Tilly US, LLP dated March 31, 2021 to the SEC regarding statements in Item 4.01(a)		8-K		16.1 03/31/21
21.1	Subsidiaries of Registrant	X			
23.1	Consent of Independent Registered Public Accounting Firm - RSM, LLP	X			
31.1	Section 302 Certification of Chief Executive Officer	X			
31.2	Section 302 Certification of Chief Financial Officer	X			
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer	X			
101	The following materials from Sterling Real Estate Trust's Annual Report on Form 10-K for the year ended December 31, 2024, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2024 and 2023; (ii) Consolidated Statements of Operations and Comprehensive Income for years ended December 31, 2024, 2023 and 2022; (iii) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2024, 2023 and 2022; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023 and 2022, and; (v) Notes to Consolidated Financial Statements	X			
104	Cover Page Interactive Data File, formatted in IXBRL and contained in Exhibit 101	X			



# STERLING

MULTIFAMILY TRUST

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