UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2025

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	**90-0115411**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4340 18th Ave S., Suite 200, Fargo, North Dakota	**58103**
(Address of principal executive offices)	(Zip Code)

(701) 353-2720
(Registrant's telephone number, including area code)

(Former name, former address and formal fiscal year, if changed since last report)

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, par value $0.01 per share	N/A	N/A

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 check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or 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, 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☐		

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Class	Outstanding at August 6, 2025
Common Shares of Beneficial Interest, $0.01 par value per share	13,054,291

STERLING REAL ESTATE TRUST AND SUBSIDIARIES

INDEX

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2025 (UNAUDITED) AND DECEMBER 31, 2024 (AUDITED)

	June 30, 2025	December 31, 2024
	(in thousands)	
ASSETS		
Real estate investments		
Land and land improvements	$ 142,811	$ 139,491
Buildings and improvements	909,519	905,504
Furniture, fixtures and equipment	35,743	35,721
Construction in progress	19,105	14,699
Real estate investments	1,107,178	1,095,415
Less accumulated depreciation	(249,861)	(237,416)
Real estate investments, net	857,317	857,999
Cash and cash equivalents	5,687	4,798
Restricted deposits	10,601	10,127
Investment in unconsolidated affiliates	27,991	28,407
Notes receivable	4,805	1,539
Notes receivable, affiliates	7,868	7,945
Lease intangible assets, less accumulated amortization	2,023	2,541
Other assets, net	23,662	24,416
Total Assets	$ 939,954	$ 937,772
LIABILITIES		
Mortgage notes payable, net	$ 499,363	$ 506,735
Mortgage notes payable, net, affiliates	56,841	57,983
Lines of credit	24,166	4,992
Dividends payable	9,426	9,039
Tenant security deposits payable	8,797	8,291
Lease intangible liabilities, less accumulated amortization	250	324
Accrued expenses and other liabilities	22,835	21,470
Total Liabilities	621,678	608,834
COMMITMENTS and CONTINGENCIES - Note 17		
SHAREHOLDERS' EQUITY		
Beneficial interest	153,256	153,834
Noncontrolling interest		
Operating partnership	147,763	154,353
Partially owned properties	10,034	9,290
Accumulated other comprehensive income	7,223	11,461
Total Shareholders' Equity	318,276	328,938
	$ 939,954	$ 937,772

See Notes to Consolidated Financial Statements

Table of Contents

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
THREE AND SIX MONTHS ENDED JUNE 30, 2025 AND 2024 (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	(in thousands, except per share data)		(in thousands, except per share data)	
Income from rental operations				
Real estate rental income	$ 43,000	$ 39,297	$ 85,180	$ 76,558
Expenses				
Expenses from rental operations				
Operating expenses	16,631	15,969	34,466	32,292
Real estate taxes	4,222	4,769	8,082	8,928
Depreciation and amortization	6,696	7,015	13,721	12,924
Interest	6,371	5,585	12,641	10,941
	33,920	33,338	68,910	65,085
Administration of REIT	1,443	1,539	2,944	2,885
Total expenses	35,363	34,877	71,854	67,970
Income from operations	7,637	4,420	13,326	8,588
Other (loss) income				
Equity in losses of unconsolidated affiliates	(979)	(679)	(1,898)	(1,413)
Other income	257	387	394	780
Gain on sale or conversion of real estate investments	—	2,014	—	2,828
Gain on involuntary conversion	—	1	—	—
Total other income	(722)	1,723	(1,504)	2,195
Net income	$ 6,915	$ 6,143	$ 11,822	$ 10,783
Net income (loss) attributable to noncontrolling interest:				
Operating partnership	4,083	3,809	7,114	6,659
Partially owned properties	(26)	31	(256)	82
Net income attributable to Sterling Real Estate Trust	$ 2,858	$ 2,303	$ 4,964	$ 4,042
Net income attributable to Sterling Real Estate Trust per common share, basic and diluted	$ 0.22	$ 0.20	$ 0.38	$ 0.36
Comprehensive income				
Net income	$ 6,915	$ 6,143	$ 11,822	$ 10,783
Other comprehensive (loss) income:				
(Loss) gain on cash flow hedges	(674)	(264)	(2,667)	3,243
Cash flow hedge (losses) gains reclassified to earnings	(782)	(163)	(1,571)	(2,153)
Total other comprehensive (loss) income	(1,456)	(427)	(4,238)	1,090
Total comprehensive income	5,459	5,716	7,584	11,873
Comprehensive income attributable to noncontrolling interest	3,200	3,573	4,361	7,419
Comprehensive income attributable to Sterling Real Estate Trust	$ 2,259	$ 2,143	$ 3,223	$ 4,454
Weighted average common shares outstanding, basic and diluted	12,977	11,357	12,939	11,348

See Notes to Consolidated Financial Statements

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
THREE AND SIX MONTHS ENDED JUNE 30, 2025 (UNAUDITED)

	Common Shares	Paid-in Capital	Accumulated Distributions in Excess of Earnings	Total Beneficial Interest	Noncontrolling Interest Operating Partnership	Noncontrolling Interest Partially Owned Properties	Accumulated Comprehensive Income (Loss)	Total
				(in thousands)				
BALANCE AT DECEMBER 31, 2024	12,829	$ 205,020	$ (51,186)	$ 153,834	$ 154,353	$ 9,290	$ 11,461	$ 328,938
Shares/units redeemed	(50)	(1,146)	-	(1,146)	(1,434)	-	-	(2,580)
Dividends and distributions declared ($0.3000 per share/unit)	-	-	(3,867)	(3,867)	(5,565)	-	-	(9,432)
Dividends reinvested - stock dividend	91	2,066	-	2,066	-	-	-	2,066
Issuance of shares under optional purchase plan	22	529	-	529	-	-	-	529
Owner Contribution	-	-	-	-	-	1,000	-	1,000
Total other comprehensive loss	-	-	-	-	-	-	(2,782)	(2,782)
Net income (loss)	-	-	2,106	2,106	3,031	(230)	-	4,907
BALANCE AT MARCH 31, 2025	12,892	$ 206,469	$ (52,947)	$ 153,522	$ 150,385	$ 10,060	$ 8,679	$ 322,646
Shares/units redeemed	(89)	(2,040)	-	(2,040)	(1,155)	-	-	(3,195)
Dividends and distributions declared ($0.3000 per share/unit)	-	-	(3,878)	(3,878)	(5,550)	-	-	(9,428)
Dividends reinvested - stock dividend	93	2,131	-	2,131	-	-	-	2,131
Issuance of shares under optional purchase plan	28	663	-	663	-	-	-	663
Total other comprehensive loss	-	-	-	-	-	-	(1,456)	(1,456)
Net income (loss)	-	-	2,858	2,858	4,083	(26)	-	6,915
BALANCE AT JUNE 30, 2025	12,924	$ 207,223	$ (53,967)	$ 153,256	$ 147,763	$ 10,034	$ 7,223	$ 318,276

See Notes to Consolidated Financial Statements

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY
THREE AND SIX MONTHS ENDED JUNE 30, 2024 (UNAUDITED)

					Noncontrolling Interest			
	Common Shares	Paid-in Capital	Accumulated Distributions in Excess of Earnings	Total Beneficial Interest	Operating Partnership	Partially Owned Properties	Accumulated Comprehensive Income (Loss)	Total
				(in thousands)				
BALANCE AT DECEMBER 31, 2023	11,257	$ 168,975	$ (44,880)	$ 124,095	$ 163,308	$ 2,555	$ 11,362	$ 301,320
Shares/units redeemed	(51)	(1,108)	-	(1,108)	(410)	-	-	(1,518)
Dividends and distributions declared ($0.2875 per share/unit)	—	—	(3,257)	(3,257)	(5,338)	-	-	(8,595)
Dividends reinvested - stock dividend	87	1,899	-	1,899	-	-	-	1,899
Issuance of shares under optional purchase plan	37	843	-	843	-	-	-	843
Total other comprehensive (loss) income	—	—	-	-	-	-	1,517	1,517
Net income	—	—	1,739	1,739	2,850	51	-	4,640
BALANCE AT MARCH 31, 2024	11,330	$ 170,609	$ (46,398)	$ 124,211	$ 160,410	$ 2,606	$ 12,879	$ 300,106
Contribution of assets in exchange for the issuance of noncontrolling interest shares	-	-	-	-	7,396	-	-	7,396
Shares/units redeemed	(132)	(2,885)	-	(2,885)	(2,910)	-	-	(5,795)
Dividends and distributions declared ($0.2875 per share/unit)	-	-	(3,251)	(3,251)	(5,392)	-	-	(8,643)
Dividends reinvested - stock dividend	84	1,838	-	1,838	-	-	-	1,838
Issuance of shares under optional purchase plan	27	629	-	629	-	-	-	629
Contributions from consolidated real estate entity noncontrolling interest	-	-	-	-	-	7,041	-	7,041
Change in fair value of interest rate swaps	-	-	-	-	-	-	(427)	(427)
Net income	-	-	2,303	2,303	3,809	31	-	6,143
BALANCE AT JUNE 30, 2024	11,309	$ 170,191	$ (47,346)	$ 122,845	$ 163,313	$ 9,678	$ 12,452	$ 308,288

See Notes to Consolidated Financial Statements

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2025 AND 2024 (UNAUDITED)

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
	(in thousands)	
OPERATING ACTIVITIES		
Net income	$ 11,822	$ 10,783
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of real estate investments	—	(2,828)
Equity in loss of unconsolidated affiliates	1,898	1,413
Allowance for uncollectible accounts receivable	—	12
Depreciation	13,091	11,826
Amortization	630	1,098
Amortization of debt issuance costs	—	3
Effects on operating cash flows due to changes in		
Other assets	(3,655)	(1,603)
Tenant security deposits payable	506	1,134
Accrued expenses and other liabilities	(3,628)	(5,298)
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,664	16,540
INVESTING ACTIVITIES		
Purchase of real estate investment properties	—	(28,510)
Capital expenditures and tenant improvements	(7,862)	(8,463)
Proceeds from sale of real estate investments and non-real estate investments	206	9,050
Proceeds from involuntary conversion	409	—
Investment in unconsolidated affiliates	(2,829)	—
Distributions in excess of earnings received from unconsolidated affiliates	1,348	1,219
Notes receivable issued net of payments received	(3,189)	963
NET CASH USED IN INVESTING ACTIVITIES	(11,917)	(25,741)
FINANCING ACTIVITIES		
Principal payments on special assessments payable	(203)	(42)
Proceeds from issuance of mortgage notes payable, net of financing costs	7,500	(152)
Principal payments on mortgage notes payable	(15,998)	(8,019)
Draws on lines of credit	19,174	5,176
Proceeds from contributions received from noncontrolling interest - partially owned properties	1,000	7,042
Draws (payments) on notes payable	—	8,500
Proceeds from issuance of shares under optional purchase plan	1,192	1,472
Shares/units redeemed	(5,775)	(7,314)
Dividends/distributions paid	(14,274)	(13,438)
NET CASH USED IN FINANCING ACTIVITIES	(7,384)	(6,775)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS	1,363	(15,976)
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT BEGINNING OF PERIOD	14,925	37,061
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT END OF PERIOD	$ 16,288	$ 21,085
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT END OF PERIOD		
Cash and cash equivalents	$ 5,687	$ 6,218
Restricted deposits	10,601	14,867
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS, END OF PERIOD	$ 16,288	$ 21,085

See Notes to Consolidated Financial Statements

Table of Contents

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2025 AND 2024 (UNAUDITED)

	Six Months Ended June 30,	
	2025	2024
	(in thousands)	
SCHEDULE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	$ 12,196	$ 10,513
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends reinvested	$ 4,197	$ 5,581
Dividends declared and not paid	3,879	3,252
UPREIT distributions declared and not paid	5,549	5,391
Acquisition of assets in exchange for the issuance of noncontrolling interest units in UPREIT	—	7,396
Assumed loans	—	80,774
Increase in land improvements due to increase in special assessments payable	3,320	1,013
Accrued capital expenditures	3,953	—
Total other comprehensive (loss) income	(4,238)	1,090
Acquisition of assets through assumption of debt and liabilities	—	653
Capitalized interest and real estate taxes related to construction in progress	140	76

See Notes to Consolidated Financial Statements

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024 (UNAUDITED)
(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" or the "Operating Partnership") 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 June 30, 2025 and December 31, 2024, Sterling owned approximately 41.13% and 40.80%, respectively, of the Operating Partnership.

NOTE 2 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2024, which have previously been filed with the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted from this report on Form 10-Q pursuant to the rules and regulations of the SEC.

The results for the interim periods shown in this report are not necessarily indicative of future financial results. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary to present fairly our consolidated financial statements as of and for the three and six months ended June 30, 2025. These adjustments are of a normal recurring nature.

Principles of Consolidation

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

As of June 30, 2025 the Trust owned approximately 41.13% 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 individual's respective redemption plan, 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. The Trust will consolidate the operations of a joint venture if the Trust determines that it is the primary beneficiary of a variable interest entity (VIE) and has substantial influence and control of the entity.

In instances where the Trust determines that it is not the primary beneficiary of a VIE and 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 (losses) of unconsolidated affiliates on its consolidated statements of operations and comprehensive income. 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 accounting.

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. 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.

Concentration of Credit Risk

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.

Use of Estimates

The preparation of consolidated financial statements in conformity with 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.

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 fair value at acquisition date of the individual assets acquired and liabilities assumed, which generally include (i) land, (ii) building and other improvements, (iii) in-place lease 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 a cost of the property.

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

For tangible assets acquired, including land, building and other improvements, the Trust considers available comparable market and industry information in estimating acquisition date fair value. Key factors considered in the calculation of fair value of both real property and intangible assets include the current market rent values, "dark" periods (building in vacant status), direct costs estimated with obtaining a new tenant, discount rates, escalation factors, standard lease terms, and tenant improvement costs.

Furniture and fixtures 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 expensed 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

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. At the end of each reporting period, the Trust separately determines whether impairment indicators exist for each property.

Based on our evaluation, there were no impairment losses during the three and six months ended June 30, 2025 and 2024.

Equity

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 June 30, 2025, was $11,998. 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 is in our best interest.

Any and all units redeemed by the Limited Partnership shall be canceled, and will have the status of authorized but unissued Units. Units acquired by the Limited Partnership through the Redemption Plan will not be reissued unless they are first registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and other appropriate state securities laws or otherwise issued pursuant to exemptions from applicable registration requirements of such laws.

Federal Income Taxes

We have elected to be taxed as a REIT under the Internal Revenue Code, as amended. A REIT calculates taxable income similar to 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 generally taxed on REIT distributions of ordinary income in the same manner as they are taxed on other corporate distributions.

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 of our taxable income; therefore, no provisions or liabilities for income taxes have been recorded in the financial statements.

We follow FASB 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 June 30, 2025 and December 31, 2024 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.

Revenue Recognition

The Trust is the lessor for its residential and commercial leases. Leases are analyzed on an individual basis to determine lease classification. As of June 30, 2025 all leases analyzed under the Trust's lease classification process were determined to be operating leases.

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 during the three and six months ended June 30, 2025 and 2024 and, therefore, basic earnings per common share was equal to diluted earnings per common share for all periods presented.

For the six months ended June 30, 2025 and 2024, Sterling's denominators for the basic and diluted earnings per common share were approximately 12,939,000 and 11,348,000, respectively.

Recent Accounting Pronouncements

In August 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-05, "Business Combinations - Joint Venture Formations" ("ASU 2023-05"), which addresses the accounting for contributions made to a joint venture. ASU 2023-05 requires joint ventures to measure all assets and liabilities upon formation at fair value. This guidance is to be applied prospectively for all joint venture formations with a formation date on or after January 1, 2025. During the current reporting period, we adopted ASU 2023-05. Adoption of ASU 2023-05 did not have an impact on our Condensed Consolidated Financial Statements.

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.

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

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, restaurant and medical properties. We assess and measure operating results based on 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 property administrative and management fees). 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. NOI is unaffected by financing, depreciation, amortization, legal and professional fees, and certain general and administrative expenses. The accounting policies of each segment are consistent with those described in Note 2 of this report.

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024 (UNAUDITED)
(Dollar amounts in thousands, except share and per share data)

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 three and six months ended June 30, 2025 and 2024, along with reconciliations to the consolidated financial statements. Segment assets are also reconciled to total assets as reported in the consolidated financial statements.

	Three months ended June 30, 2025			Three months ended June 30, 2024		
	Residential	Commercial (in thousands)	Total	Residential	Commercial (in thousands)	Total
Income from rental operations	$ 38,147	$ 4,853	$ 43,000	$ 34,248	$ 5,049	$ 39,297
Real Estate Expenses						
Real Estate Taxes	3,748	474	4,222	4,307	462	4,769
Property Management	4,812	215	5,027	4,459	247	4,706
Utilities	2,975	217	3,192	2,467	239	2,706
Repairs and Maintenance	6,515	434	6,949	6,571	395	6,966
Insurance	1,423	40	1,463	1,551	40	1,591
Expenses from rental operations	19,473	1,380	20,853	19,355	1,383	20,738
Net operating income	$ 18,674	$ 3,473	$ 22,147	$ 14,893	$ 3,666	$ 18,559
Depreciation and amortization [1]			6,696			7,015
Interest [1]			6,371			5,585
Administration of REIT [1]			1,443			1,539
Other income (expense) [1]			722			(1,723)
Net income			$ 6,915			$ 6,143

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

	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Residential	Commercial (in thousands)	Total	Residential	Commercial (in thousands)	Total
Income from rental operations	$ 75,338	$ 9,842	$ 85,180	$ 66,403	$ 10,155	$ 76,558
Real Estate Expenses						
Real Estate Taxes	7,142	940	8,082	7,945	983	8,928
Property Management	9,727	450	10,177	8,893	439	9,332
Utilities	6,696	500	7,196	5,707	476	6,183
Repairs and Maintenance	13,112	958	14,070	12,814	773	13,587
Insurance	2,950	73	3,023	3,112	78	3,190
Expenses from rental operations	39,627	2,921	42,548	38,471	2,749	41,220
Net operating income	$ 35,711	$ 6,921	$ 42,632	$ 27,932	$ 7,406	$ 35,338
Depreciation and amortization [1]			13,721			12,924
Interest [1]			12,641			10,941
Administration of REIT [1]			2,944			2,885
Loss on impairment of property [1]			—			—
Other income [1]			1,504			(2,195)
Net income			$ 11,822			$ 10,783

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

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024 (UNAUDITED)
(Dollar amounts in thousands, except share and per share data)

Segment Assets and Accumulated Depreciation

As of June 30, 2025	Residential	Commercial (in thousands)	Total
Real estate investments	$ 927,659	$ 179,519	$ 1,107,178
Accumulated depreciation	(194,094)	(55,767)	(249,861)
Total real estate investments, net	$ 733,565	$ 123,752	$ 857,317
Lease intangible assets, less accumulated amortization	—	2,023	2,023
Cash and cash equivalents			5,687
Restricted deposits			10,601
Investment in unconsolidated affiliates			27,991
Notes receivable			4,805
Notes receivable, affiliates			7,868
Other assets, net			23,662
Total Assets			$ 939,954

As of December 31, 2024	Residential	Commercial (in thousands)	Total
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			28,407
Notes receivable			1,539
Notes receivable, affiliates			7,945
Other assets, net			24,416
Total Assets			$ 937,772

NOTE 4 – RESTRICTED DEPOSITS AND FUNDED RESERVES

The following table summarizes the Trust's restricted deposits and funded reserves.

	As of June 30, 2025	As of December 31, 2024
	(in thousands)	
Tenant security deposits	$ 8,279	$ 7,838
Real estate tax and insurance escrows	883	1,041
Replacement reserves	294	127
Other funded reserves	1,145	1,121
	$ 10,601	$ 10,127

NOTE 5 – INVESTMENT IN UNCONSOLIDATED AFFILIATES

The Company's investments in unconsolidated real estate ventures, are summarized as follows (in thousands):

			Total Investment in Unconsolidated Affiliates at		Total Assets in Unconsolidated Affiliates at		Total Liabilities of Unconsolidated Affiliates at	
Unconsolidated Affiliates	Date Acquired	Trust Ownership Interest	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Banner Building	2007	66.67%	$ 1,325	$ 1,276	$ 8,536	$ 8,561	$ 6,605	$ 6,704
Grand Forks INREIT, LLC	2003	50%	5,562	5,684	20,070	20,839	8,947	9,472
SE Savage, LLC	2019	60%	(180)	136	29,684	30,375	29,985	30,298
SE Maple Grove, LLC	2019	60%	(353)	(62)	27,092	27,754	27,632	27,938
SE Rogers, LLC	2020	60%	392	855	28,395	29,314	27,409	27,975
ST Oak Cliff, LLC	2021	70%	6,314	6,821	46,060	47,577	37,016	37,806
SE Brooklyn Park, LLC	2021	60%	514	871	27,342	28,121	26,545	26,877
ST Fossil Creek, LLC	2022	70%	6,299	7,038	47,465	48,229	38,966	38,175
Emory North Liberty, LC	2024	50%	7,585	5,494	39,575	33,281	24,654	22,294
SHG Emory North Liberty, LLC	2024	99%	(14)	232	491	500	380	268
			$ 27,444	$ 28,345	$ 274,710	$ 274,551	$ 228,139	$ 227,807
Negative investments presented in accrued expenses and other liabilities			547	62				
Total investment in unconsolidated affiliates			$ 27,991	$ 28,407				

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 owns 50% interest as 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 indebtedness.

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 $3,428 at June 30, 2025 and December 31, 2024, respectively. The note is included in Notes receivable, affiliates on the Consolidated Balance Sheet at June 30, 2025 and December 31, 2024.

SE Rogers, LLC - the Operating Partnership owns a 60% interest in a limited liability company that holds 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 $2,100 at June 30, 2025 and December 31, 2024, respectively. The note is included in Notes Receivable on the Consolidated Balance Sheet at June 30, 2025 and December 31, 2024.

ST Oak Cliff, LLC - the Operating Partnership owns a 70% interest in a limited liability company, with a related party a multifamily property. The entity is located in Dallas, Texas. The entity 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 $2,294 at June 30, 2025 and December 31, 2024, respectively. The note is included in Notes Receivable on the Consolidated Balance Sheet at June 30, 2025 and December 31, 2024.

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

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024 (UNAUDITED)
(Dollar amounts in thousands, except share and per share data)

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 June 30, 2025 and December 31, 2024.

	June 30, 2025	December 31, 2024
	(in thousands)	
ASSETS		
Real estate investments	$ 311,129	$ 305,398
Accumulated depreciation	(45,186)	(38,078)
Total Real Estate Investments, net	265,943	267,320
Cash and cash equivalents	5,530	4,147
Restricted deposits	1,211	1,263
Financing and lease costs, net	753	796
Other assets, net	1,273	1,025
Total Assets	$ 274,710	$ 274,551
LIABILITIES		
Mortgage notes payable, net	$ 222,331	$ 221,819
Tenant security deposits payable	516	487
Accrued expenses and other liabilities	5,292	5,501
Total Liabilities	$ 228,139	$ 227,807
SHAREHOLDERS' EQUITY		
Total Shareholders' Equity	$ 46,571	$ 46,744
Total liabilities and shareholders' equity	$ 274,710	$ 274,551

The following is a summary of results of operations of the unconsolidated affiliates for the three and six months ended June 30, 2025

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)		(in thousands)	
Income from rental operations	$ 7,995	$ 6,213	$ 15,890	$ 12,012
Expenses from rental operations	3,500	2,879	7,046	5,673
Net operating income	$ 4,495	$ 3,334	$ 8,844	$ 6,339
Depreciation and Amortization	3,606	2,699	7,228	5,181
Interest	2,237	1,611	4,427	3,239
Other expense	174	-	134	-
Net loss	$ (1,522)	$ (976)	$ (2,945)	$ (2,081)

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 June 30, 2025	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
Lease Intangible Assets		(in thousands)	
In-place leases	$ 16,188	$ (14,521)	$ 1,667
Above-market leases	1,416	(1,060)	356
	$ 17,604	$ (15,581)	$ 2,023
Lease Intangible Liabilities			
Below-market leases	$ (2,314)	$ 2,064	$ (250)

As of December 31, 2024	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
Lease Intangible Assets		(in thousands)	
In-place leases	$ 16,188	$ (14,047)	$ 2,141
Above-market leases	1,415	(1,015)	400
	$ 17,603	$ (15,062)	$ 2,541
Lease Intangible Liabilities			
Below-market leases	$ (2,315)	$ 1,991	$ (324)

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 (July - December)	$ 320	$ 74
2026	490	77
2027	381	38
2028	311	19
2029	207	17
Thereafter	314	25
	$ 2,023	$ 250

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 also expires December 2026. We also have a $19,800 variable rate (Prime-1.50%) line of credit agreement with Gate City Bank, which expires in September 2025. The lines of credit are secured by specific properties. At June 30, 2025, the lines of credit have $28,215 available and an unused balance of $4,049 under the agreements. These operating lines are designed to enhance treasury management activities and more effectively manage cash balances. As of June 30, 2025 and December 31, 2024, there was an outstanding balance on the lines of credit of $24,166 and $4,992, respectively.

Certain lines of credit agreements include covenants that, in part, impose maintenance of certain debt service coverage and debt to net worth ratios.

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024 (UNAUDITED)
(Dollar amounts in thousands, except share and per share data)

NOTE 8 - NOTES PAYABLE

The following table summarizes the Trust's mortgage notes payable.

	Principal Balance At	
	June 30, 2025	December 31, 2024
	(in thousands)	
Mortgage notes payable, net (a)	$ 501,056	$ 508,644
Mortgage notes payable, net, affiliates	56,841	57,983
Less unamortized debt issuance costs	1,693	1,909
	$ 556,204	$ 564,718

(a) Includes $125,102 and $127,050 of variable rate mortgage debt that was swapped to a fixed rate at June 30, 2025 and December 31, 2024, respectively.

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 (July - December)	$ 47,789
2026	71,428
2027	79,071
2028	46,904
2029	91,238
Thereafter	221,467
Total payments	$ 557,897

NOTE 9 – DERIVATIVES AND HEDGING ACTIVITIES

As part of our interest rate risk management strategy, we have used derivative instruments 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, the Trust makes fixed rate payments over the life of the agreement without exchange of the underlying notional amount.

As of June 30, 2025, 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 qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) and are reclassified into interest expense as interest payments are made on the Trust's variable rate debt. During the next twelve months, the Trust estimates that an additional $2,955,295 will be reclassified as a decrease to interest expense.

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

The following table summarizes the Trust's interest rate swaps as of June 30, 2025, which effectively convert one month floating rate LIBOR or 30-day average SOFR to a fixed rate:

Effective Date		Notional	Fixed Interest Rate	Maturity Date
November 1, 2019	$	6,036	3.15%	November 1, 2029
November 1, 2019	$	4,201	3.28%	November 1, 2029
January 10, 2020	$	2,746	3.39%	January 10, 2030
December 2, 2020	$	11,439	2.91%	December 2, 2027
July 1, 2021	$	23,962	2.99%	July 1, 2031
November 10, 2021	$	26,572	3.54%	August 1, 2029
December 1, 2021	$	10,051	3.32%	December 1, 2031
August 15, 2022	$	1,372	3.07%	June 15, 2030
August 15, 2022	$	2,657	3.07%	June 15, 2030
August 15, 2022	$	1,483	2.94%	June 15, 2030
August 15, 2022	$	3,925	2.94%	June 15, 2030
May 10, 2023	$	4,458	2.79%	June 10, 2030
April 15, 2024	$	9,427	3.57%	May 15, 2032
April 15, 2024	$	3,680	3.57%	May 15, 2032
April 15, 2024	$	13,093	3.57%	May 15, 2032

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

	Number of Instruments			Notional		
Interest Rate Derivatives	June 30, 2025	December 31, 2024		June 30, 2025		December 31, 2024
Interest rate swaps	15	15	$	125,102	$	127,050

The table below presents the estimated fair value of the Trust'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.

Derivatives designated as	June 30, 2025			December 31, 2024		
cash flow hedges:	Balance Sheet Location		Fair Value	Balance Sheet Location		Fair Value
Interest rate swaps	Other assets, net	$	9,979	Other assets, net	$	14,449

The carrying amounts of the swaps have been adjusted to their fair value at the end of the quarter, which because of changes in forecasted levels and 30-day average SOFR, resulted in reporting an asset for the fair value of the future net payments forecasted under the swap. The interest rate swap is accounted for as an effective hedge in accordance with ASC 815-20 whereby it is recorded at fair value and changes in fair value are recorded to other comprehensive income.

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024 (UNAUDITED)
(Dollar amounts in thousands, except share and per share data)

The following table presents the effect of the Trust's derivative financial instruments on the accompanying consolidated statements of operations and other comprehensive income for the three months ended June 30, 2025 and 2024:

Derivatives in Cash Flow Hedging Relationships		Total Comprehensive (Loss) Income	Location of Gain Reclassified from Accumulated other Comprehensive Income (AOCI) into Income		Amount of Gain (Loss) Reclassified from AOCI into Income
		2025			2025
Interest rate swaps	$	(1,456)	Interest expense	$	(782)
		2024			2024
Interest rate swaps	$	427	Interest expense	$	(163)

The following table presents the effect of the Trust's derivative financial instruments on the accompanying consolidated statements of operations and other comprehensive income for the six months ended June 30, 2025 and 2024:

Derivatives in Cash Flow Hedging Relationships		Total Comprehensive (Loss) Income	Location of Gain Reclassified from Accumulated other Comprehensive Income (AOCI) into Income		Amount of Gain (Loss) Reclassified from AOCI into Income
		2025			2025
Interest rate swaps	$	(4,238)	Interest expense	$	(1,571)
		2024			2024
Interest rate swaps	$	(1,090)	Interest expense	$	(2,153)

Credit-risk-related Contingent Features

The Trust's agreements with each of its derivative counterparties also contain a provision whereby if the Trust consolidates with, merges with or into, or transfers all or substantially all of its assets to another entity and the creditworthiness of the resulting, surviving or transferee entity, is materially weaker than the Trust's, the counterparty has the right to terminate the derivative obligations. As of June 30, 2025, the termination value of derivatives in a liability position was $—. The termination value of derivatives in an asset position was $9,979. As of June 30, 2025, the Trust has pledged the properties related to the loans which are hedged as collateral.

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024 (UNAUDITED)
(Dollar amounts in thousands, except share and per share data)

NOTE 10 - FAIR VALUE MEASUREMENT

The amounts included in the consolidated financial statements for cash and cash equivalents, short-term investments, leasing receivables from tenants and accounts payable and accrued liabilities approximates their fair values because of the short-term maturities of these instruments.

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

	June 30, 2025		December 31, 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)			
Financial assets:				
Notes receivable	$ 4,805	$ 4,668	$ 1,539	$ 1,534
Notes receivable, affiliates	$ 7,868	$ 7,737	$ 7,945	$ 7,559
Derivative assets	$ 9,979	$ 9,979	$ 14,449	$ 14,449
Financial liabilities:				
Lines of Credit	$ 24,166	$ 24,166	$ 4,992	$ 4,992
Mortgage notes payable	$ 501,056	$ 470,619	$ 508,644	$ 483,630
Mortgage notes payable, affiliates	$ 56,841	$ 54,976	$ 57,983	$ 55,594

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.

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024 (UNAUDITED)
(Dollar amounts in thousands, except share and per share data)

Recurring Fair Value Measurements

The following table presents the Company'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)		
June 30, 2025				
Derivative assets	$ —	$ 9,979	$ —	$ 9,979
December 31, 2024				
Derivative assets	$ —	$ 14,449	$ —	$ 14,449

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 its derivative valuations in their entirety are classified 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 Trust'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)		
June 30, 2025				
Lines of Credit	$ —	$ —	$ 24,166	$ 24,166
Mortgage notes payable	$ —	$ —	$ 470,619	$ 470,619
Mortgage notes payable, affiliate	$ —	$ —	$ 54,976	$ 54,976
Notes receivable	$ —	$ —	$ 4,668	$ 4,668
Notes receivable, affiliate	$ —	$ —	$ 7,737	$ 7,737
December 31, 2024				
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

Line of credit: The Trust estimates the fair value of its line of credit approximates the carrying value due to the relatively short maturity of the instruments and that they carry a variable rate of interest.

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 5.85% to 6.00% and from 5.87% to 5.87% at June 30, 2025 and December 31, 2024, respectively.

Note payable: The Trust estimates the fair value of its note payable approximates the carrying value due to the relatively short maturity of the instruments and that they carry a variable rate of interest.

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 rate used was 12.00% at June 30, 2025 and December 31, 2024.

NOTE 11 – LEASES

As of June 30, 2025, we derived 82.7% of our revenues from residential leases that are generally for terms of one year or less. The residential leases may include lease income related items such as parking, storage and non-refundable deposits that we treat as a single lease component because the 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 June 30, 2025, we derived 17.3% 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.

Lease income related to the Company's operating leases is comprised of the following:

	Three months ended June 30, 2025		
	Residential	Commercial (in thousands)	Total
Lease income related to fixed lease payments	$ 35,637	$ 3,941	$ 39,578
Lease income related to variable lease payments	1	969	970
Other (a)	(44)	(104)	(148)
Lease Income (b)	$ 35,594	$ 4,806	$ 40,400

	Three months ended June 30, 2024		
	Residential	Commercial (in thousands)	Total
Lease income related to fixed lease payments	$ 32,696	$ 3,873	$ 36,569
Lease income related to variable lease payments	1	1,194	1,195
Other (a)	(263)	(55)	(318)
Lease Income (b)	$ 32,434	$ 5,012	$ 37,446

(a) For the three months ended June 30, 2025 and 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 three months ended June 30, 2025 and 2024 of $2,600 and $1,850, respectively, which is accounted for under the revenue recognition standard.

	Six months ended June 30, 2025		
	Residential	Commercial (in thousands)	Total
Lease income related to fixed lease payments	$ 70,598	$ 7,877	$ 78,475
Lease income related to variable lease payments	1	2,075	2,076
Other (a)	(264)	(181)	(445)
Lease Income (b)	$ 70,335	$ 9,771	$ 80,106

	Six months ended June 30, 2024		
	Residential	Commercial (in thousands)	Total
Lease income related to fixed lease payments	$ 63,551	$ 7,780	$ 71,331
Lease income related to variable lease payments	1	2,339	2,340
Other (a)	(483)	(41)	(524)
Lease Income (b)	$ 63,069	$ 10,078	$ 73,147

(a) For the six months ended June 30, 2025 and 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 six months ended June 30, 2025 and 2024 of $5,074 and $3,408. respectively, which is accounted for under the revenue recognition standard.

As of June 30, 2025, non-cancelable commercial operating leases provide for future minimum rental income as follows. Residential leases are not included, as the terms are generally for one year or less.

Years ending December 31,	Amount (in thousands)
2025 (July - December)	$ 9,390
2026	14,883
2027	13,401
2028	12,381
2029	10,965
Thereafter	25,626
	$ 86,646

NOTE 12 – 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 Mr. Kenneth P. Regan, by Trustee Mr. James S. Wieland, by President, Interim Chief Financial Officer and Treasurer Megan E. Schreiner, by General Counsel and Secretary Michael P. Carlson, by Chief Investment Officer Luke B. Swenson, and by Vice President David F. Perkins. In addition, Messrs. Regan, Wieland, Carlson, Swenson, Perkins, and Ms. Schreiner all serve on the Board of Governors of the Advisory 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. performs property management services for the Trust.

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.

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024 (UNAUDITED)
(Dollar amounts in thousands, except share and per share data)

Property Management Fees

We paid fees to GOLDMARK Property Management, Inc. related to the management of properties, on-site staff costs and other miscellaneous fees required to run the property. 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.

	Three Months ended June 30,				Six Months ended June 30,			
	2025		2024		2025		2024	
	(in thousands)				(in thousands)			
Onsite staff costs, and other misc.	$	4,588	$	4,229	$	9,268	$	8,395
Goldmark Management fees	$	1,702	$	1,505		3,380		2,994
R&M related payroll and payroll related expenses	$	2,490	$	2,330		4,899		4,615
Sterling Management fees	$	25	$	30	$	51	$	60

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 following is a brief description of the current fees and compensation that may be and was received by the Advisor under the Advisory Agreement, which must be renewed on an annual basis and approved by a majority of the independent trustees. The Advisory Agreement was approved by the Board of Trustees (including all the independent Trustees) on March 20, 2025, and is effective until March 31, 2026.

The below table summarizes the fees incurred to our Advisor.

	Three Months ended June 30,				Six Months ended June 30,			
	2025		2024		2025		2024	
	(in thousands)				(in thousands)			
Fee:								
Advisory	$	1,133	$	997	$	2,257	$	1,940
Acquisition	$	-	$	750	$	-	$	750
Disposition	$	-	$	180	$	-	$	264
Financing	$	18	$	96	$	31	$	96
Development	$	-	$	350	$	-	$	350
Project Management	$	42	$	257	$	423	$	374

The below table summarizes the fees payable to our Advisor.

	Payable at			
	June 30, 2025		December 31, 2024	
	(in thousands)			
Fee:				
Advisory	$	4	$	5

Operating Partnership Units Issued in Connection with Acquisitions

During the three months ended June 30, 2025, there were no Operating Partnership units issued. During the three months ended June 30, 2024, 276,000 Operating Partnerships units were issued to an entity affiliated with Messrs. Regan and Wieland, two of our trustees, in connection with the acquisition of Urban Plains. The aggregate value of these units was $6,339. During the six months ended June 30, 2025, there were no Operating Partnerships units issued. During the six months ended June 30, 2024, 276,000 Operating Partnerships units were issued to an entity affiliated with Messrs. Regan and Wieland, two of our trustees, in connection with the acquisition of Urban Plains. The aggregate value of these units was $6,339.

Commissions

During the three months ended June 30, 2025, there were no commissions paid to GOLDMARK Commercial Real Estate, Inc. During the three months ended June 30, 2024, we incurred real estate commissions of $531 paid to GOLDMARK Commercial Real Estate, Inc., in which Messrs. Regan and Wieland jointly own an interest. During the six months ended June 30, 2025, there were no real estate commissions paid to GOLDMARK Commercial Real Estate, Inc. During the six months ended June 30, 2024, we incurred real estate commissions of $531 paid to GOLDMARK Commercial Real Estate, Inc., in which Messrs. Regan and Wieland jointly own an interest. As of June 30, 2025 and December 31, 2024, there were no unpaid commission to GOLDMARK Commercial Real Estate, Inc.

During the three months ended June 30, 2025, there were no commissions paid to GOLDMARK Property Management. During the three months ended June 30, 2024, we incurred real estate commissions of $39 paid to GOLDMARK Property Management. During the six months ended June 30, 2025, there were no commissions paid to GOLDMARK Property Management. During the six months ended June 30, 2024, we incurred real estate commissions of $39 paid to GOLDMARK Property Management. As of June 30, 2025 and December 31, 2024, there were no unpaid commissions to GOLDMARK Property Management.

Rental Income

	Three Months ended June 30,		Six Months ended June 30,	
	2025	2024	2025	2024
	(in thousands)		(in thousands)	
Rental Income:				
Operating lease agreement with our Advisor	$ 34	$ 34	$ 68	$ 67
Goldmark Property Management, Inc.	$ 70	$ 69	$ 140	$ 138
Bell Bank	$ 320	$ 287	$ 640	$ 570

Due to Related Parties

As of June 30, 2025, and December 31, 2024, the Trust had $126 and $160, respectively, for other related party payables.

Debt Financing

At June 30, 2025 and December 31, 2024, the Trust had $56,841 and $57,983, respectively, of outstanding principal on loans entered into with Bell Bank. During the three months ended June 30, 2025 and 2024, the Trust incurred interest expense on debt held with Bell Bank of $589 and $571, respectively. During the six months ended June 30, 2025 and 2024, the Trust incurred interest expense on debt held with Bell Bank of $1,160 and $1,152 , respectively. Accrued interest as of June 30, 2025 and December 31, 2024 related to this debt was $128 and $135, respectively.

At June 30, 2025 and December 31, 2024, the Trust had no outstanding principal on loans entered into with Sterling Office and Industrial Properties, LLLP. During the three months ended June 30, 2025 and 2024, the Trust incurred interest expense on debt held with Sterling Office and Industrial Properties, LLLP of $25 and $-, respectively. During the six months ended June 30, 2025 and 2024, the Trust incurred interest expense on debt held with Sterling Office and Industrial Properties, LLLP of $135 and $-, respectively. Accrued interest as of June 30, 2025 and December 31, 2024, related to this debt was $24 and $-, respectively.

Mezzanine Financing

The Trust offers mezzanine financing to joint ventures. See Note 5 for investment in unconsolidated affiliates. At June 30, 2025 and December 31, 2024, Sterling issued $7,821 and $7,821 respectively, in second mortgage financing to related entries.

During the three months ended June 30, 2025 and 2024, the Trust earned interest income of $143 and $144 respectively, related to the second mortgage financing. During the six months ended June 30, 2025 and 2024, the Trust earned interest income of $285 and $296 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 and Residential Segment as well as Director and Officer general and liability coverage. For the the three months ended June 30, 2025, total premiums incurred for this policy were $65. For the three months ended June 30, 2025, there were no premiums incurred. For the six months ended June 30, 2025 and 2024, total premiums incurred for this policy were $65 and $76, respectively. At June 30, 2025 and December 31, 2024, there was no outstanding liabilities.

Development Arrangements

During the three months ended June 30, 2025 and 2024, the Trust had no development fees to Trumont Group. During the six months ended June 30, 2025 and 2024, the Trust had no development fees to Trumont Group. At June 30, 2025 and December 31, 2024, the Trust had no costs owed for development fees to Trumont Group.

During the three months ended June 30, 2025 and 2024, the Trust incurred $- and $38, respectively, in construction fees to Trumont Construction. During the six months ended June 30, 2025 and 2024, the Trust incurred $- and $73, respectively. At June 30, 2025 the Trust had no costs owed for any construction fees to Trumont Construction. At December 31, 2025, the Trust had no costs owed for construction fees to Trumont Construction.

During the three months ended June 30, 2025 and 2024, the Trust incurred $- and $126, respectively, in general construction costs to Trumont Construction. During the six months ended June 30, 2025 and 2024, the Trust incurred $- and $210, respectively. At June 30, 2025 and December 31, 2025, the Trust had no costs owed for any general construction costs.

STERLING REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024 (UNAUDITED)
(Dollar amounts in thousands, except share and per share data)

NOTE 13 - 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 Trust 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 Trust.

NOTE 14 – DISPOSITIONS

The Trust had no dispositions during the six months ended June 30, 2025.

The Trust had eight dispositions during the six months ended June 30, 2024.

Date	Property Name	Location	Property Type	Units/ Square Footage/ Acres (Unaudited)	Total Disposition Cost	Gain on Sale
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
					$ 10,563	$ 2,828

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

NOTE 15 – ACQUISITIONS OF CONSOLIDATED PROPERTIES

The Trust had no acquisitions during the six months ended June 30, 2025.

The Trust had two acquisitions during the six months ended June 30, 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
					$ 35,906

For the acquisition of Lexington Lofts, Sterling determined that it controls the key decision-making rights related to Lexington Lofts from the respective date it was acquired that most impact the economic benefits and obligations of the venture. The VIE that owned legal title to Lexington Lofts was included in Sterling's consolidated financial statements as a consolidated variable interest entity from the date it was acquired.

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 is as follows:

		Quarter Ending June 30, 2024
Real estate investments, net	Increase/(Decrease)	$ (3,313)
Other assets, net - interest income receivable	Increase/(Decrease)	$ 39
Other assets, net - fair value of interest rate swap	Increase/(Decrease)	$ (106)
Other comprehensive income	Decrease/(Increase)	$ 3,335
Net income	Decrease/(Increase)	$ 44

The table below represents a summary of the purchase accounting allocation and reconciliation to net cash consideration of the properties acquired.

	June 30, 2025	June 30, 2024	June 30, 2023
Real estate investment acquired	$ -	$ 111,290	$ -
Assumed interest rate derivative	-	3,331	-
Acquired lease intangible assets	-	2,261	-
Assumed assets	-	451	-
Total Assets Acquired	$ -	$ 117,333	$ -
Assumed loans	-	(80,774)	-
Other liabilities	-	(653)	-
Net assets acquired	-	35,906	-
Equity/limited partnership unit consideration	-	(7,396)	-
Net cash consideration	$ -	$ 28,510	$ -

Table of Contents

NOTE 16 - SUBSEQUENT EVENTS

On July 4, 2025, the President signed H.R. 1, the "One Big Beautiful Bill Act," into law. The legislation includes several changes to federal tax law that generally allow for more favorable deductibility of certain business expenses beginning in 2025, including the restoration of immediate expensing of domestic R&D expenditures, reinstatement of 100% bonus depreciation, and more favorable rules for determining the limitation on business interest expense. These changes were not reflected in the income tax provision for the period ended June 30, 2025, as enactment occurred after the balance sheet date. The Company is currently evaluating the impact on future periods.

On July 15, 2025, we paid a dividend or distribution of $0.3000 per share on our common shares of beneficial interest or limited partnership units, respectively, to common shareholders and limited partnership unit holders of record on June 30, 2025.

On July 16, 2025, the Trust acquired a residential property located in Grand Forks, ND for $21,300.

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

All dollar amounts in this Form 10-Q in Part I Item 2. through Item 4 and Part II Item 2. are stated in thousands with the exception of share and per share amounts, unless otherwise indicated.

Item 2. 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 included in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q, including, without limitation, the information set forth under the section entitled “Risk Factors” 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.

The following discussion of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the Securities and Exchange Commission (“SEC”) on March 14, 2024 and our condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

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 consist of real estate assets and that 75% of its gross income 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 June 30, 2025. The portfolio has a net book value of real estate investments (cost less accumulated depreciation) of $857,317, which includes construction in progress. Sterling’s current acquisition strategy and focus is on multifamily apartment properties.

Critical Accounting Estimates

Below are accounting policies and estimates that management believes are critical to the preparation of the unaudited 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 unaudited 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 our evaluation, there were no impairment losses during the three and six months ended June 30, 2025 and 2024.

There have been no material changes in our Critical Accounting Policies as disclosed in Note 2 to our financial statements for the six months ended June 30, 2025 included elsewhere in this report.

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, included 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 considered 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 as 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.

Principal Business Activity

Sterling currently owns 177 properties included in the consolidated financial statements. The Trust's 140 residential properties are located in North Dakota, Minnesota, Missouri, Nebraska, and Texas and are principally multifamily apartment buildings. The Trust owns 37 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, restaurant and medical properties. Presently, the Trust's mix of properties is 82.7% residential and 17.3% commercial (based on cost) with a total carrying value of $857,317 at June 30, 2025. 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.

Residential Property	Location	No. of Properties	Units
	North Dakota	118	7,499
	Minnesota	16	3,383
	Missouri	1	164
	Nebraska	4	639
	Texas	1	270
		140	11,955

Commercial Property	Location	No. of Properties	Sq. Ft
	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

Results of Operations

Management Highlights

- Increased revenues from rental operations by $3,703 or 9.4% for the three months ended June 30, 2025, compared to the same three month period in 2024.
- Increased revenues from rental operations by $8,622 or 11.3% for the six months ended June 30, 2025, compared to same nine month period in 2024.
- Declared dividends aggregating $0.6000 per common share for the six months ended June 30, 2025

Results of Operations for the Three Months Ended June 30, 2025 and 2024

	Three months ended June 30, 2025			Three months ended June 30, 2024		
	Residential	Commercial (unaudited) (in thousands)	Total	Residential	Commercial (unaudited) (in thousands)	Total
Real Estate Revenues	$ 38,147	$ 4,853	$ 43,000	$ 34,248	$ 5,049	$ 39,297
Real Estate Expenses						
Real Estate Taxes	3,748	474	4,222	4,307	462	4,769
Property Management	4,812	215	5,027	4,459	247	4,706
Utilities	2,975	217	3,192	2,467	239	2,706
Repairs and Maintenance	6,515	434	6,949	6,571	395	6,966
Insurance	1,423	40	1,463	1,551	40	1,591
Total Real Estate Expenses	19,473	1,380	20,853	19,355	1,383	20,738
Net Operating Income	$ 18,674	$ 3,473	22,147	$ 14,893	$ 3,666	18,559
Interest			6,371			5,585
Depreciation and amortization			6,696			7,015
Administration of REIT			1,443			1,539
Other expense			722			(1,723)
Net Income			$ 6,915			$ 6,143
Net Income Attributed to:						
Noncontrolling Interest			$ 4,057			$ 3,840
Sterling Real Estate Trust			$ 2,858			$ 2,303
Dividends per share [1]			$ 0.3000			$ 0.2875
Earnings per share			$ 0.22			$ 0.20
Weighted average number of common shares			12,977			11,357

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

Revenues

Property revenues of $43,000 for the three months ended June 30, 2025 increased $3,703 or 9.4% in comparison to the same period in 2024. Residential property revenues increased $3,899 and commercial property revenues decreased $196.

The following table illustrates occupancy percentages for the three month periods indicated:

	June 30, 2025	June 30, 2024
Residential occupancy	93.8 %	93.2 %
Commercial occupancy	91.1 %	90.0 %

Residential revenues for the three months ended June 30, 2025 increased $3,899 or 11.4% in comparison to the same period for 2024. Residential properties acquired since January 1, 2024 contributed approximately $2,018 of the increase in total residential revenues in the three months ended June 30, 2025. The remaining increase is due to increased rent charges at our stabilized properties. Residential revenues comprised 88.7% of total revenues for the three months ended June 30, 2025 compared to 87.2% of total revenues for the three months ended June 30, 2024.

For the three months ended June 30, 2025 total commercial revenues decreased $196 or 3.9% in comparison to the same period for 2024. The decrease is primarily attributed to decrease in common area maintenance reconciliation revenue in the three months ended June 30, 2025, compared to the three months ended June 30, 2024. Commercial revenues comprised 11.3% of the total revenues for the three months ended June 30, 2025 compared to 12.8% of total revenues for the three months ended June 30, 2024. Due to the sale of commercial properties, it is anticipated that the decline in commercial revenues as a percentage of total revenues will continue.

Expenses

Residential expenses from operations of $19,473 during the three months ended June 30, 2025 increased $118 or 0.6% in comparison to the same period in 2024. The increase is attributed to an increase of $353 or 7.9% and $508 or 20.6% for property management fees and utilities, respectively as a result of acquisitions of properties in the second quarter of 2024. This is partially offset by a decrease of $559 or 13.0% and $128 or 8.3% in real estate taxes and insurance, respectively, during the three months ended June 30, 2025 in comparison to the same period in 2024.

Commercial expenses from operations of $1,380 during the three months ended June 30, 2025 decreased $3 or 0.2% in comparison to the same period in 2024. The decrease is primarily attributed to a $32 or 13% decrease in real estate taxes and a $22 or 9.2% decrease in utilities. The decrease is partially offset by an increase of $39 or 9.9% for repairs and maintenance, during the three months ended June 30, 2025.

Interest expense of $6,371 during the three months ended June 30, 2025 increased $786 or 15.4% in comparison to the same period in 2024. Interest expense related to financing activities increased by $850 during the three months ended June 30, 2025 as compared to the same period in 2024. The primary reason for increased interest expense on financing activities is due to the new interest on the Lexington Lofts mortgage of $650. Overall interest expense will decrease as more debt is paid down. During the three months ended June 30, 2025 interest expense was 14.8% of total revenues.

Depreciation and amortization expense of $6,696 during the three months ended June 30, 2025 decreased $319 or 4.5% in comparison to the same period in 2024. 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 three months ended June 30, 2025 and 2024 was 15.6% and 18.0%, respectively.

REIT administration expenses of $1,443 during the three months ended June 30, 2025 decreased $97 or 6.3% in comparison to the same period in 2024. The decrease is related to a one time $350 development fee in an unconsolidated affiliate entity, ST Oak Cliff LLC, in the three months ended June 30, 2024. This is partially offset by an increase of $135 and $138 related to audit fees and advisory fees, respectively during the three months ended June 30, 2025 in comparison to the same period in 2024.

Other expense of $722 during the three months ended June 30, 2025 decreased $2,445 or 141.9% in comparison to the same period in 2024. This is due to an increase in losses of unconsolidated affiliates and decrease in interest income. Additionally, realized gain on sale of real estate investments decreased $2,014 during the three months ended June 30, 2025 in comparison to the same period in 2024.

Results of Operations for the Six Months Ended June 30, 2025 and 2024

	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Residential	Commercial (in thousands)	Total	Residential	Commercial (in thousands)	Total
Real Estate Revenues	$ 75,338	$ 9,842	$ 85,180	$ 66,403	$ 10,155	$ 76,558
Real Estate Expenses						
Real Estate Taxes	7,142	940	8,082	7,945	983	8,928
Property Management	9,727	450	10,177	8,893	439	9,332
Utilities	6,696	500	7,196	5,707	476	6,183
Repairs and Maintenance	13,112	958	14,070	12,814	773	13,587
Insurance	2,950	73	3,023	3,112	78	3,190
Real Estate Expenses	39,627	2,921	42,548	38,471	2,749	41,220
Net Operating Income	$ 35,711	$ 6,921	42,632	$ 27,932	$ 7,406	35,338
Interest			12,641			10,941
Depreciation and amortization			13,721			12,924
Administration of REIT			2,944			2,885
Other expense (income)			1,504			(2,195)
Net Income			$ 11,822			$ 10,783
Net Income Attributed to:						
Noncontrolling Interest			$ 6,858			$ 6,741
Sterling Real Estate Trust			$ 4,964			$ 4,042
Dividends per share [(1)]			$ 0.6000			$ 0.5750
Earnings per share			$ 0.3800			$ 0.3600
Weighted average number of common shares			12,939			11,348

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

Revenues

Property revenues of $85,180 for the six months ended June 30, 2025 increased $8,622 or 11.3% in comparison to the same period in 2024. Residential property revenues increased $8,935 and commercial property revenues decreased $313 for the six months ended June 30, 2025 from the prior year's comparable period.

The following table illustrates occupancy percentages for the six month periods indicated:

	June 30, 2025	June 30, 2024
Residential occupancy	93.3 %	92.7 %
Commercial occupancy	91.1 %	90.0 %

Residential revenues for the six months ended June 30, 2025 increased $8,935 or 13.5% in comparison to the same period for 2024. The increase is due to increased rent charges at our stabilized properties. Residential revenues comprised 88.4% of total revenues for the six months ended June 30, 2025 compared to 87.2% of total revenues for the six months ended June 30, 2024.

For the six months ended June 30, 2025, total commercial revenues decreased $313 or 3.1% in comparison to the same period for 2024. The decrease is attributed to the sale of three commercial buildings in 2024 resulting in a $100 decrease in revenue. The decrease is also attributed to the decrease of tenant reimbursements of $200. Commercial revenues comprised 11.6% of the total revenues for the six months ended June 30, 2025 compared to 13.3% of total revenues for the six months ended June 30, 2024.

Expenses

Residential expenses from operations of $39,627 during the six months ended June 30, 2025 increased $1,156 or 3.0% in comparison to the same period in 2024. The increase is primarily attributed to an increase $989 or 17.3% for property management fees, and $834 or 9.4% for property insurance as a result of acquisitions of properties in the second quarter of 2024. The increase is offset by a decrease in real estate tax expense of $803 or 10.1% during the six months ended June 30, 2025.

Commercial expenses from operations of $2,921 during the six months ended June 30, 2025 increased $172 or 6.3% in comparison to the same period in 2024. The increase is primarily attributed to an increase of $185 or 23.9% in repairs and maintenance during the six months ended June 30, 2025.

Interest expense of $12,641 during the six months ended June 30, 2025 increased $1,700 or 16.2% in comparison to the same period in 2024. Interest expense related to financing activities increased by $1,660 during the six months ended June 30, 2025 as compared to the same period in 2024. The primary reason for the increase in interest expense on financing activities is due to the increase of $1,517 of interest expense with the new Lexington Lofts mortgages. Overall interest expense will continue to decrease as debt is paid down. During the six months ended June 30, 2025, interest expense was 14.8% of total revenues.

Depreciation and amortization expense of $13,721 for the six months ended June 30, 2025 increased $797 or 6.2% in comparison to the same period in 2024. The primary reason for the increase is attributed to depreciation at Lexington Lofts of $854. Amortization expense, however, will continue to decrease as lease intangibles become fully amortized. Depreciation and amortization expense as a percentage of rental income for the six months ended June 30, 2025 and 2024 at 16.1% and 16.9%, respectively.

REIT administration expenses of $2,944 for the six months ended June 30, 2025 increased $58 or 2.0% in comparison to the same period in 2024. The increase is due to an increase in advisor fees and income tax expense of $318 and $183, respectively. This is partially offset by a decrease in legal and accounting fees of $99 and a one time development fee of $350.

Other expense of $1,504 for the six months ended June 30, 2025, increased $3,699 or 168.5% in comparison to the same period in 2024. This is due to an increase in losses of unconsolidated affiliates of $485 and a decrease of of $2,800 in realized gain on sale of real estate investments from the properties disposed of in 2024.

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, and all project-related costs included in construction in process are reclassified to land and building and other improvements.

Construction in progress as of June 30, 2025, consists primarily of construction at residential properties located in North Dakota and Minnesota. Rosedale Estates located in Roseville, MN has two projects for a parking structure and a parking lot. The parking structure is budgeted for $2,568, of which $2,478 has been incurred. The parking lot has a budget of $5,214, of which $4,740 has been incurred. Remaining construction in progress projects are primarily related to parking lot replacements, rehabs, window and patio replacements, roof upgrades, new CCTV cameras, and various property upgrades on multiple residential properties.

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, 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. 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 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 to net income, for the three and six months ended June 30, 2025 and 2024, 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

	Three months ended June 30, 2025		Three months ended June 30, 2024	
	Amount	Weighted Avg Shares and Units	Amount	Weighted Avg Shares and Units
	(unaudited) (in thousands, except per share data)			
Net Income attributable to Sterling Real Estate Trust	$ 2,858	12,977	$ 2,302	11,357
Adjustments:				
Noncontrolling Interest - Operating Partnership Units	4,083	18,523	3,781	18,807
Depreciation & Amortization from continuing operations (1)	6,363		6,873	
Pro rata share of unconsolidated affiliate depreciation and amortization	2,250		1,674	
Gain on sales of land, depreciable real estate, investment in equity method investee, and change in control of real estate investments	—		(2,014)	
Funds from operations applicable to common shares and limited partnership units (FFO)	$ 15,554	31,500	$ 12,616	30,164

(1) Excludes the portion allocated to noncontrolling interest in the amount of $333 and $143 for the three months ended June 30, 2025 and 2024, respectively.

	Six months ended June 30, 2025		Six months ended June 30, 2024	
	Amount	Weighted Avg Shares and Units	Amount	Weighted Avg Shares and Units
	(in thousands, except per share data)			
Net Income attributable to Sterling Real Estate Trust	$ 4,964	12,939	$ 4,042	11,348
Adjustments:				
Noncontrolling Interest - Operating Partnership Units	7,114	18,544	6,659	18,690
Depreciation & Amortization from continuing operations (1)	12,977		12,639	
Pro rata share of unconsolidated affiliate depreciation and amortization	4,509		3,196	
Gain on sale of depreciable real estate	—		(2,828)	
Funds from operations applicable to common shares and limited partnership units (FFO)	$ 29,564	31,483	$ 23,708	30,038

(1) Excludes the portion allocated to noncontrolling interest in the amount of $745 and $285 six months ended June 30, 2025 and 2024, 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 current lease terms and projected expiration dates.

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.

As of June 30, 2025, our unrestricted cash resources consisted of cash and cash equivalents totaling $5,687. 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 $72,636, 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 also expires in December 2026. We also have a $19,800 variable rate (Prime minus 1.50%) line of credit agreement with Gate City Bank, which expires in July 2025. The lines of credit are secured by specific properties. At June 30, 2025, the lines of credit had $28,215 available and an unused balance of $4,049 under the agreements. The Trust anticipates it will hold the lines of credit as cash resources to the Trust.

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 the Trust.

During the six months ended June 30, 2025, we did not sell any common shares in private placement. During the six months ended June 30, 2025, we issued 184,000 and 49,000 common shares under the dividend reinvestment plan and optional share purchases, respectively, which raised gross proceeds of $5,389. During the six months ended June 30, 2025, we did not sell any common shares in private placements. During the six months ended June 30, 2024, we issued 171,000 and 64,000 common shares under the dividend reinvestment plan and as optional share purchases, respectively, which raised gross proceeds of $5,209.

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 six months ended June 30, 2025, no limited partnership units of the Operating Partnership were issued in related to the acquisition of real estate investmments. During the six months ended June 30, 2024, the Trust issued approximately 322,000 limited partnership units of the Operating Partnership value at $23.00 per unit of an aggregate consideration of approximately $7,396 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 as appropriate, 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 tenants' 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 the dividends from 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.

	Six Months Ended June 30,	
	2025	2024
	(in thousands)	
Net cash flows provided by operating activities	$ 20,664	$ 16,540
Net cash flows used in investing activities	$ (11,917)	$ (25,741)
Net cash flows used in financing activities	$ (7,384)	$ (6,775)

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, building maintenance costs, and real estate taxes. Additionally, we incur general and administrative expenses, advisory fees, acquisition and disposition expenses, and financing fees.

Net cash provided by operating activities was $20,664 and $16,540 for the six months ended June 30, 2025 and 2024, 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 and reserve escrows.

Net cash used in investing activities was $11,917 for the six months ended June 30, 2025. Net cash provided by investing activities was $25,741 for the six months ended June 30, 2024 (this does not include the value of UPREIT units issued in connection with investing activities). For the six months ended June 30, 2025 and 2024, cash flows used in investing activities related specifically to the acquisition of properties and capital expenditures was $7,862 and $36,973, respectively. Cash outlays related to investments in unconsolidated affiliates were $(2,829 and $- for the six months ended June 30, 2025 and 2024, respectively. During the six months ended June 30, 2025 and 2024, there were no proceeds from the maturity of securities. Proceeds from the sale of real estate investments during the six months ended June 30, 2025 and 2024, were $206 and $9,050, 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 $7,384 for the six months ended June 30, 2025. Net cash used in financing was $6,775 for the six months ended June 30, 2024. During the six months ended June 30, 2025, we paid $14,274 in dividends and distributions, redeemed $5,775 of shares and units, and made mortgage principal payments of $15,998. Net cash used in financing activities was $6,775 for the six months ended June 30, 2024. For the six months ended June 30, 2024, we paid $13,438 in dividends and distributions, redeemed $7,314 of shares and units, received $152 from new mortgage notes payable, and made mortgage principal payments of $8,019.

Dividends and Distributions

Common Stock

We declared cash dividends to our shareholders during the period from January 1, 2025 to June 30, 2025 totaling $7,744 or $0.6000 per share, of which $3,483 were cash dividends and $4,261 were reinvested through the dividend reinvestment plan. The cash dividends were paid from our $20,664 of cash flows from operations.

We declared cash dividends to our shareholders during the period from January 1, 2024 to June 30, 2024 totaling $6,509 or $0.5750 per share, of which $2,827 were cash dividends and $3,682 were reinvested through the dividend reinvestment plan. The cash dividends were paid from our $16,540 of cash flows from operations.

The Amended and Restated Dividend Reinvestment Plan, effective January 1, 2025, permits us to provide eligible shareholders with a simple and convenient way to invest dividends as well as additional cash in additional shares of the Trust's Common Shares. The Plan is intended to be used as a vehicle for long-term investment in the Trust's common shares of beneficial interest. The number of common shares of the Trust issuable under the plan is 10,000,000. The cap on the quarterly dividend reinvestments and quarterly optional cash purchases, in each case, is $25,000. The Annual cap on purchases under the Dividend Reinvestment Plan is $100,000 and provides participants the ability to exceed such cap with approval of the Trust.

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 cash flow 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:

	Six months ended June 30,	
	2025	2024
	(in thousands)	
Cash flows provided by operations (net income of $11,822 and $10,783, respectively)	$ 20,664	$ 16,540
Distributions in excess of earnings received from unconsolidated affiliates	1,348	1,219
Proceeds from sale of real estate investments and non-real estate investments	206	9,050
Dividends declared	(7,744)	(6,509)
Excess	$ 14,474	$ 20,300

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 six months ended June 30, 2025, the Operating Partnership declared distributions totaling $11,114 to holders of limited partnership units in our Operating Partnership, which we paid on April 15; and July 15, 2025. Declared distributions are included in dividends payable on the balance sheet. Distributions were paid at a rate of $0.3000 per unit per quarter, which is equal to the per share distribution rate paid to the common shareholders.

For the six months ended June 30, 2024, we declared quarterly distributions totaling $10,729 to holders of limited partnership units in our Operating Partnership, which we paid on April 15; and July 15, 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 six months ended June 30, 2025, we paid aggregate dividends of $7,556, of which $3,483 were paid with cash flows provided by operating activities and $4,197 were reinvested. Our FFO for the six months ended June 30, 2025 was $29,564. Therefore, our management believes our distribution policy is sustainable over time. For the six months ended June 30, 2024, we paid aggregate dividends of $6,494, of which $4,164 were paid with cash flows provided by operating activities and $5,581 were reinvested. Our FFO was $23,708 for the six months ended June 30, 2024. For a further discussion of FFO, including a reconciliation of FFO to net income, see "Funds from Operations" above.

Item 3. 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 six months ended June 30, 2025, 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 $125,102 at June 30, 2025. 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 June 30, 2025, the Trust had $125,102 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.

Item 4. Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and interim-Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and interim-Chief Financial Officer have concluded that, as of June 30, 2025, such disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the second fiscal quarter of 2025 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time we may be involved in disputes or litigation relating to claims arising out of our operations. We are not currently a party to any legal proceedings that could reasonably be expected to have a material adverse effect on our business, financial condition, results of operation, or cash flows.

Item 1A. Risk Factors.

There have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the period ended December 31, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Sale of Securities

Neither Sterling nor the Operating Partnership issued any unregistered securities during the three months ended June 30, 2025.

Redemptions of Securities

Set forth below is information regarding common shares and limited partnership units redeemed during the three and six months ended June 30, 2025:

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, 2025	27,000	13,000	$ 22.80	1,858,000	1,605,000	$ 16,857
February 1-28, 2025	21,000	50,000	$ 22.80	1,879,000	1,655,000	$ 15,242
March 1-31, 2025	2,000	—	$ 22.80	1,881,000	1,655,000	$ 15,193
Total	50,000	63,000				
April 1-30, 2025	4,000	5,000	$ 22.80	1,885,000	1,660,000	$ 7,558
May 1-31, 2025	10,000	16,000	$ 22.80	1,895,000	1,676,000	$ 3,833
June 1-30, 2025	75,000	30,000	$ 22.80	1,970,000	1,706,000	$ 2,374
Total	89,000	51,000				

For the three months ended June 30, 2025, we redeemed all shares or units for which we received redemption requests. In addition, for the three months ended June 30, 2025, 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 June 30, 2025, was $11,998. 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 is in our best interest.

The Trust may, at its sole discretion, acting for itself, or as General Partner of the Limited Partnership, redeem up to an aggregate of $75,000 of Shares and/or Units presented to the Trust or Limited Partnership for cash to the extent it has sufficient proceeds to do so and subject to the conditions and limitations set forth herein. Any and all units redeemed by the Limited Partnership shall be canceled, and will have the status of authorized but unissued Units. Units acquired by the Limited Partnership through the Redemption Plan will not be reissued unless they are first registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and other appropriate state securities laws or otherwise issued pursuant to exemptions from applicable registration requirements of such laws.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Title of Document
3.1	Articles of Organization of Sterling Real Estate Trust filed December 3, 2002 (incorporated by reference to Exhibit 3.1 to the Company's General Form for Registration of Securities on Form 10-12G filed on March 7, 2011).
3.2	Amendment to Articles of Organization of Sterling Real Estate Trust dated August 1, 2014 (incorporated by reference to Exhibit 5.02 to the Company's Current Report on Form 8-K filed June 24, 2014).
3.3	Amended and Restated Bylaws dated June 2, 2020 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 3, 2020).
10.1	Revolving Promissory Note, dated June 25, 2025, between Sterling Real Estate Trust and Sterling Office and Industrial Properties, LLLP(incorporated by reference to Exhibit No. 10.1 to the Trust's current report on Form 8-K filed June 30, 2025).
31.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the of the Sarbanes-Oxley Act of 2002.
101	The following materials from Sterling Real Estate Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at June 30, 2025 and December 31, 2024; (ii) Consolidated Statements of Operations and Other Comprehensive Income for the three and six months ended June 30, 2025 and 2024; (iii) Consolidated Statements of Shareholders' Equity for the three and nine months ended June 30, 2025 and 2024; (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2025 and 2024, and; (v) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File, formatted in iXBRL and contained in Exhibit 101.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused the report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 6, 2025

STERLING REAL ESTATE TRUST

By: /s/ Kenneth P. Regan
Kenneth P. Regan
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Megan E. Schreiner
Megan E. Schreiner
Interim Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

OFFICER'S CERTIFICATE
PURSUANT TO SECTION 302

I, Kenneth P. Regan, certify that:

1. I have reviewed this quarterly report on Form 10-Q for Sterling Real Estate Trust.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-5(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

   Dated: August 6, 2025

By:/s/ Kenneth P. Regan
Chief Executive Officer

Exhibit 31.2

OFFICER'S CERTIFICATE
PURSUANT TO SECTION 302

I, Megan E. Schreiner, certify that:

1. I have reviewed this quarterly report on Form 10-Q for Sterling Real Estate Trust.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-5(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2025

By:/s/ Megan E. Schreiner
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Sterling Real Estate Trust (the "Company") on Form 10-Q for the period ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: August 6, 2025

By: /s/ Kenneth P. Regan
Chief Executive Officer

By: /s/ Megan E. Schreiner
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Sterling Real Estate Trust and will be retained by Sterling Real Estate Trust and furnished to the Securities and Exchange Commission or its staff upon request.