REAL ESTATE VALUE FUND

AS OF DECEMBER 31, 2019

INSTITUTIONAL: TAREX | INVESTOR: TVRVX | Z: TARZX

PORTFOLIO MANAGER COMMENTARY

JASON WOLF, CFA | RYAN DOBRATZ, CFA

Dear Fellow Shareholders:

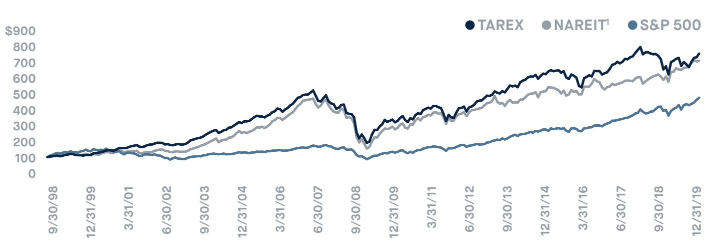
We are pleased to provide you with the Third Avenue Real Estate Value Fund's (the "Fund") report for the quarter ended December 31, 2019. For the calendar year, the Fund generated a return of +21.13% (after fees) versus +23.06% (before fees) for the Fund's most relevant benchmark, the FTSE EPRA NAREIT Developed Index[1].

The final quarter of the year was particularly rewarding as the Fund gained +7.45% (relative to the aforementioned Index's return of +2.00%), primarily driven by a number of the Fund's contrarian investments in UK property companies. As a result, the Fund enjoyed one of the strongest periods of absolute performance that it has delivered in its two decade-plus history (when viewed on a calendar year basis).

As always, Fund Management maintains the view that long-term results are the most relevant gauge of performance for a real estate strategy that adheres to a value-oriented approach such as the Third Avenue Real Estate Value Fund. Since the Fund's inception in September 1998, it has earned an annualized return of +9.94%. As highlighted in the ensuing chart, this performance indicates an initial investment of $100,000 in the Third Avenue Real Estate Value Fund would have a market value in excess of $750,000 (assuming distributions had been reinvested), or approximately 50% more than the same $100,000 would be worth had it been placed into a passive fund tracking the S&P 500 and held over the same time period.

VALUE OF $100,000 SINCE SEPTEMBER 1998[2]

As of December 31, 2019



FUND ACTIVITY

During the quarter, the Fund initiated a position in the common stocks of two companies that seem very well suited from a supply and demand standpoint in their respective markets: Great Portland Estates and Howard Hughes Corp. The Fund also sold out-of-the-money ("OTM"[3]) put options on Public Storage—a real estate enterprise that requires a larger margin-of-safety before an outright purchase given the fundamental backdrop in its property type and potential tax changes in California later this year.

Great Portland Estates plc ("Great Portland") is a UK-based Real Estate Investment Trust ("REIT") that was founded in 1959 and today controls more than 2.2 million square feet of prime office, retail, and residential properties in central London. The portfolio is approximately 98% leased, largely comprised of mid-rise office buildings on below-market rents, and exclusively located in the West-End, City, and Southbank sub-markets.

Fund Management has long admired Great Portland and its management team (headed by CEO Toby Courtauld). Not only has the company historically operated with very conservative debt levels (the current loan-to-value ratio is below 20%) but it also has a long track record of executing on value-add investments whereby it acquires underutilized properties, repurposes the sites, and then recycles the profits into new opportunities (or returns it to shareholders via dividends and share repurchases).

Since 2016, transaction and development activity have been subdued in London due to the uncertainty surrounding the UK's anticipated departure from the European Union. At the same time, however, the occupier market has remained firm with continued demand for office space from professional service firms as well as corporates relocating to the city alongside the anticipated opening of the Crossrail (i.e., the Elizabeth Line—a high speed rail running from East to West London that will bring an additional 1.5 million residents within a 45-minute commute of the City). As a result, occupancy rates for central London have remained above 95% and recent due diligence efforts indicate that there are less than 10 blocks of office space of 150,000 square feet or more available in the City (when excluding the Docklands).

1 The FTSE EPRA/NAREIT Developed Real Estate Index was developed by the European Public Real Estate Associa on (EPRA), a common interest group aiming to promote, develop and represent the European public real estate sector, and the North American Association of Real Estate Investment Trusts (NAREIT), the representative voice of the US REIT industry. The index series is designed to reflect the stock performance of companies engaged in specific aspects of the North American, European and Asian Real Estate markets. The Index is capitalization-weighted.
Please see Appendix for performance table and information.

2 Hypothetical Investment since September 30, 1998 (Fund Inception Date September 17, 1998). **Past performance does not guarantee future peformance results.**

3 Out of the money (OTM) is a term used to describe an option contract that only contains intrinsic value. These options will have a delta less than 50.0. An OTM put option has a strike price that is lower than the market price of the underlying asset.

Great Portland seems well placed to capitalize on this fundamental backdrop. In particular, more than 90% of the company's portfolio is within close proximity to a Crossrail station (800 meters or less), which should boost demand (and rental rates) once the Elizabeth Line is finally complete in 2021. Further, the company's pipeline includes major refurbishment and development projects in highly desirable sub-markets (e.g., Finsbury Square, Hanover Square, Minerva House, et al) that should command rent at premiums to market given the lack of competing space.

Howard Hughes Corp. ("Howard Hughes") is a US-based Real Estate Operating Company ("REOC") that was formed in 2010 as a focused owner of large-scale residential and commercial development opportunities. Originally spun-out of General Growth Properties, the company's key assets today comprise some of the most well-located master planned communities in the United States as the company controls Summerlin in Las Vegas, the Woodlands and Bridgeland in Houston, Ward Village in Honolulu, and Columbia (Maryland)—as well as the South Street Seaport district in lower Manhattan. Collectively, the portfolio accounts for nearly 10 million square feet of income-producing real estate with entitlements to build an additional 33,000 residential units and 21 million square feet of commercial space.

The Fund has held Howard Hughes Common in previous iterations and re-established a position in the most recent quarter following the conclusion of the company's strategic alternative process. During that review, Howard Hughes Board of Directors elected to forego a sale of the entire enterprise instead opting to (i) shed non-core assets, (ii) reshuffle its management structure, and (iii) refocus on unlocking the value in its prized land positions.

While the announcement seemed to disappoint those seeking a near-term profit, the move seemed to be in the best interests of long-term investors who are informed of supply and demand trends. Put otherwise, the population in the US continues to shift to the South and to the West, and the company's key assets in Houston and Las Vegas are directly in this path. For instance, the population within the metropolitan statistical areas (MSA's) of Houston and Las Vegas have increased by an average rate of more than 450 residents per day over the past five years when viewed in the aggregate. Further, residential inventories in these markets continue to be at record low levels with an estimated supply of 4.2 months in Houston and 3.1 months in Las Vegas at the end of 2019 (6 months is considered to be average).

As a result, it is Fund Management's expectation that the company will potentially (i) continue to sell residential "super-pad" sites within its master planned communities at a substantial profit given it low-cost basis, (ii) reinvest the proceeds into the continued build out of its commercial real estate portfolio, and (iii) experience a higher rate of Net-Asset Value ("NAV") growth with a leaner cost structure in place.

Public Storage is a US-based REIT that is the largest owner (and operator) of self-storage facilities in the US with a portfolio spanning 2,500 facilities and 167 million square feet of space. The platform has been assembled over a fifty-year span and generates more than $2 billion of recurring cash flow annually with market dominant positions in key urban markets such as Los Angeles, New York, and San Francisco. In addition to its wholly-owned portfolio, and 3.5 million square foot development pipeline, the company has a 42% stake in separately-listed PS Business Parks (a US-based REIT that owns 29 million square feet of multi-tenant industrial parks in North America) and a 35% stake in Shurgard Self Storage (a REOC listed in Europe that controls more than 13 million square feet of storage facilities on the Continent and in the UK).

Fund Management is fond of the self-storage business. Once built, the facilities have historically provided remarkably steady cash flows while requiring minimal capital expenditures and upkeep. Further, should a tenant not pay rent, the items in storage can be sold off and the space can be subsequently re-leased. Notwithstanding, the primary drawback for self-storage is that it is amongst the easiest property types to build (alongside industrial). In fact, it is estimated more than 110 million square feet of properties have been added in the top 25 metropolitan areas in the US since 2015 (or approximately 15% of existing stock). As a result, it has been more difficult lately for Public Storage (and other storage owners) to increase rent and offset rising operating costs, which has led to a decline in the cash flows for Public Storage's stabilized portfolio for the first time since the Great Recession.

A poor near-term outlook like this is often a prime opportunity to step in and establish a position in a well-capitalized and well-managed company such as Public Storage at a discount to its NAV. However, there is one other issue facing the company this year: Proposition 13. Expected to be on the ballot in California this November, a repeal of Proposition 13 for commercial real estate (which limits annual increases in assessed property values) could have a significant impact for companies such as Public Storage that have a large presence in California (approximately one-third of its portfolio value) alongside a lease structure that doesn't pass property taxes through directly to tenants. The Fund therefore sold Put Options on Public Storage, a win-win in Fund Management's view, as this generates income in the near-term on excess cash and provides a reduced basis in Public Storage common should the option be exercised during the contract term.

In addition to these new positions, the Fund added to its holding in the common stock of AMERCO ("U-Haul"), reduced its position in PNC Financial Services Group, and exited its investments in Lowe's, Tejon Ranch, and Land Securities. The Fund also extended out its hedges on the British Pound leaving it with instruments in place to help guard against outsized currency fluctuations in the primary foreign currencies to which it has exposure (British Pound, Hong Kong Dollar, and Singapore Dollar).

FUND POSITIONING

After incorporating the activity outlined above, the Fund ended the quarter with approximately 57% of its capital invested in **Commercial Real Estate** enterprises that are involved in long-term wealth creation. These holdings are largely capitalizing on the further densification of key urban corridors and primarily include: CK Asset Holdings, JBG Smith Properties, Wheelock & Co., Vornado Realty Trust, Henderson Land, Derwent London, City Developments, Segro plc, and Howard Hughes. Each of these enterprises represents a "modern-value" investment. Put otherwise, these issuers are very well-capitalized, their securities trade at a discount to our estimate of NAV, and they seem capable of increasing NAV by a low double-digit rate (including dividends)—primarily through the potential of further appreciation in the value of the underlying assets, by undertaking additional development and redevelopment activities, as well as making opportunistic acquisitions.

The Fund also has 26% of its capital invested in **Residential Real Estate** companies that have strong ties to the US and UK residential markets, where there are significant supply deficits after years of under-building. Further, there seems to be substantial demand for new product at an affordable price point (both for-sale and for-rent). As a result, these holdings seem poised to benefit from a continued recovery in residential construction, sales, and ancillary activities. Such a development would fundamentally benefit the Fund's diversified set of residential businesses including homebuilding (Lennar Group and Berkeley Group), timberland ownership and management (Weyerhaeuser and Rayonier), land development (Five Point Holdings), moving and storage (AMERCO) and multi-family ownership and development (Grainger plc).

An additional 11% of the Fund's capital is invested in **Real Estate Services.** These businesses are generally less capital intensive than direct property ownership and have historically offered higher returns on capital—provided the business has a favorable competitive positioning within the real estate value chain. At the present time, these holdings primarily include franchises involved with asset management (Brookfield Asset Management, Colony Capital, Patrizia Immobilien), brokerage and property management (Savills plc), financial services (PNC Group), and title insurance (FNF Group).

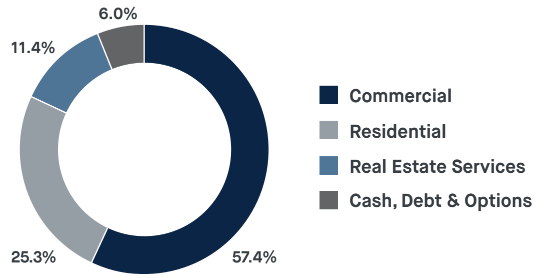
The remaining 6% of the Fund's capital is in cash & debt securities (e.g., Intu Convertible Notes). The Fund also has certain hedges in place, primarily relating to its currency exposure (as outlined above) as well as options outstanding on Lennar Corp. and Public Storage.

The Fund's allocations across these various business types are outlined in the chart below. In addition, Fund Management has elected to enhance its portfolio reporting so that shareholders can track the Fund's exposure by geography (North America, Europe, and Asia-Pacific) and strategy (Core/Core-Plus, Value-Added, Opportunistic, and Debt) to more closely align with institutional reporting standards.

ASSET ALLOCATION AS OF DECEMBER 31, 2019

(allocations subject to change)

BY BUSINESS TYPE



BY GEOGRAPHY

BY STRATEGY

FUND COMMENTARY:

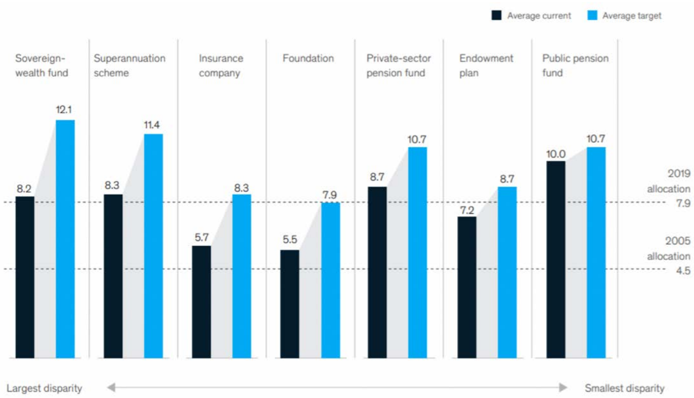
In the most recent quarter, McKinsey & Company published an intriguing report: "A Turning Point for Real Estate Investment Management." Rich in analysis, the annual assessment of institutional allocations to property had three notable implications for investment in the listed real estate space:

1. **Property remains a core allocation.** Real Estate has long been considered a desirable asset class with the opportunity to earn competitive cash yields, equity-like returns with modest leverage, and lower correlations with the broader capital markets alongside historical inflation protection. As a result, institutional investors have increased their allocations to real estate from approximately 5% in 2005 to 9% more recently with the total amount of institutional capital invested in property surpassing $3 trillion globally (or nearly $4 trillion when including listed securities).

2. **Allocations likely to increase.** Despite the increase in real estate allocations over the past decade and a half, most institutional investors remain below their targeted allocations as they continue to seek out alternatives to the low yields offered in traditional fixed-income. Therefore, McKinsey suggests that there remains an additional $300 billion of capital targeted towards property—with the largest allocations expected to come from sovereign wealth funds and insurance companies as included in the following chart.

REAL ESTATE ALLOCATIONS HAVE ROOM TO GROW

Investors' average allocations to real estate in 2019, %



Source: Prequin; McKinsey Analysis.

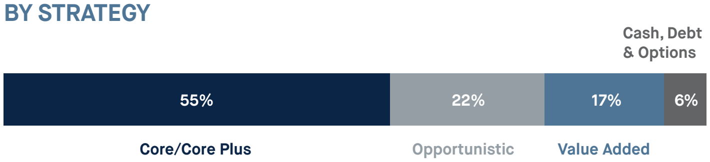
3. **Investors are targeting "core-plus" strategies.** As noted in the report, initial yields (e.g., cap rates) for class-A commercial property have been driven down to very low levels with 3% yields cited for certain "core" assets (e.g., fully-stabilized and well-located property). Consequently, institutional investors are increasingly seeking out "core-plus" strategies that combine the yield of "core" property with the opportunity to earn incremental return through active management of the property or portfolio. In addition, "value-added" strategies that involve more complex repurposing and "opportunistic" strategies which usually includes ground-up development remain significant allocations as evidenced in the ensuing chart.

2018 REAL ESTATE INVESTMENT MANAGEMENT MARKET*

$ billion (total market size: $3,143 billion)

BY GEOGRAPHY

BY STRATEGY



*Gross assets under management (excludes listed securities).
Source: Institutional Real Estate; IPD Global Quarterly Property Fund Index; Prequin; McKinsey Analysis.

As we enter 2020, a similar shift could also be prudent for those invested in the listed real estate space. To wit, US Real Estate Investment Trusts ("REITs")—which are generally comprised of "core" real estate—are currently priced at levels that represent implied cap rates of less than 5.5% and free cash flow multiples in excess of 24 times (relative to 7.3% implied cap rates and free cash flow multiples below 20 times at the beginning of the decade).

With that starting point, it is Fund Management's view that a more balanced strategy has the highest likelihood of generating equity-like returns over the next decade. In particular, one that can invest in real estate enterprises that offer (i) "core-plus" like strategies through the ownership of incredibly well-located and high-quality assets as well as active portfolio management, (ii) "value-added" opportunities with redevelopment and lease-up efforts, and (iii) select "opportunistic" ground-up development and larger-scale repurposing activities. In addition, a strategy that can invest in less-competitive international markets (where prices are often much more compelling) and capitalize on inefficiencies throughout the capital structure seems structurally advantaged.

As it has for the past twenty-one years, the Third Avenue Real Estate Value Fund will continue to utilize its flexible-mandate to concentrate its capital on such value-oriented opportunities (irrespective of whether or not they are components of widely followed benchmarks for listed real estate). Three existing holdings in the Fund that exemplify these differentiated strategies within the real estate space (and seem likely to surface value during 2020 from initiatives that have been underway for a numbers of years) include the common stocks of:

1. **Vornado Realty Trust** ("Vornado"), a US-based REIT that owns approximately 24 million square feet of office, street retail, and multi-family space in New York City ("NYC")—as well as nearly 5 million square feet of marquee properties through its ownership of the Merchandise Mart in Chicago and 555 California in San Francisco. The portfolio is approximately 97% leased, generates nearly $1.0 billion of cash flow annually, with approximately 50% of the NYC value located in the Penn Station sub-market after a multi-year effort to divest non-core assets and spin-off its strip center and Washington, D.C. office platforms into separately-listed businesses (i.e., Urban Edge and JBG Smith Properties, respectively).

   While the years of heavy lifting have been far from easy, Steve Roth (Vornado's Chairman and CEO) and the long-tenured management team have positioned the company to be a big winner from the migration of office tenants to the west side of Manhattan. As close followers of NYC are aware, approximately 25 million square feet of commercial and residential space has been added to this area in recent years through the build out of Hudson Yards and Manhattan West. Further, the success of these projects has shifted the center of gravity in Manhattan, placing the Penn Station sub-market as a critical hub for decades to come—something that will be solidified further if NYC follows through with its announced plans of adding 8 tracks to Penn Station increasing capacity by another 40%.

   Already capitalizing on this shift in demand through its "core-plus" strategy, Vornado is actively repositioning more than 5 million square feet of space in the area through its key assets of Penn One and Penn Two (where previous rents are below existing market rates) as well as repurposing the Farley Post Office for modern-day occupiers. As the initial phases of these projects begin to stabilize at the end of 2020, Vornado's cash flows should increase substantially and the company can turn its focus to unlocking value from its other holdings within the area—including Hotel Penn (a 3-star hotel in a 5-star location) that is adjacent to Penn Station and approved for more than 2 million square feet of office development should the right tenant materialize.

2. **Seritage Growth Properties** ("Seritage"), a US-based REIT that was spun out of Sears Holdings ("Sears") in 2015 with more than 250 properties that were mostly leased to Sears and its affiliated brands (Sears, K-Mart, Sears Auto & Land's End). As a standalone company, Seritage adopted a "value-add" strategy whereby it is focused on putting these legacy Sears and K-Mart locations to a higher-and-better-use primarily by sub-dividing the space and re-leasing to more productive retail concepts at higher rates. The company also pursued selective redevelopment opportunities where it has demolished certain locations and rebuilt modern space in key urban locations, as well as activated excess land within its 3,000 acre portfolio for alternative uses (e.g., storage, multi-family, hotels, etc.).

   Seritage and its management team (which is headed by CEO Ben Schall) continue to exceed Fund Management's expectations in terms of execution on the business plan. In fact, the company originally derived about 80% of its rental income from Sears, but third-party retailers now account for more than 80% (on a cash basis) with significant space leased to expanding retail, dining, entertainment and ancillary concepts (e.g., Old Navy, TJ Maxx, Ross Stores, REI, Dave & Buster's, Industrious, etc.). Further, the space occupied by these third-party retailers has been re-leased at average rents of $18 per square foot, or more than four times previous levels, leading to attractive returns on incremental capital and substantial value creation.

   In Fund Management's view, 2020 will mark an inflection point for Seritage as the recent redevelopment projects (including large-scale projects such as Aventura, UTC San Diego, Santa Monica) are expected to increase the company's cash flows to levels that are more than three times the amount reported in the most recent quarter. Further, the company's capital structure has improved immensely in recent years (alongside a credit facility from Berkshire Hathaway and non-core asset sales), putting the company in a position to self-finance its continued expansion with its reset dividend level. As a result, we believe that Seritage has moved on from Sears and can focus on realizing the potential of its non-income producing assets (approximately 12.5 million square feet) as well as begin to partner with other real-estate rich retailers to unlock the value in their property.

3. **Five Point Holdings** ("Five Point"), a US-based real estate operating company that controls three of the most well-located master planned communities in North America with a focus on Coastal California through its projects in Orange County (Great Park), Los Angeles County (Valencia), and San Francisco (Hunters Point/Candlestick). Through its "opportunistic" strategy, the company has plans to develop these irreplaceable locations into communities that will comprise approximately 40,000 residential homes and nearly 23 million square feet of commercial space.

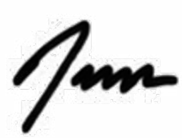
   While the company's stock price has not performed well over the past few years for various reasons, Five Point's fundamental value seems to have increased and the common stock currently trades at prices that represent more than a 50% discount to Fund Management's estimate of Net-Asset Value. Further, for the first time as a public company, Five Point should generate meaningful profits in 2020 through (i) substantial land sales at Valencia, (ii) introducing a joint-venture partner at Candlestick Park for the initial phase of development and (iii) continued residential and commercial land sales at Great Park (which are likely to accrue to Five Point as preferred interests have largely been repaid).

   These transactions would likely stand to highlight the underappreciated value embedded in the company's unique land positions. Further, the capital generated from these sales can be reinvested into the unmatched locations that Five Point's management team (headed by CEO Emile Haddad) have spent more than two decades relentlessly preparing for this upcoming phase of development.

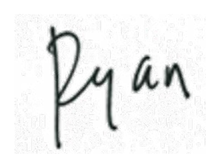
We thank you for your continued support and look forward to writing to you again next quarter. In the interim, please don't hesitate to contact us with any questions, comments, or ideas at realestate@thirdave.com.

Sincerely,

The Third Avenue Real Estate Team



Jason Wolf, CFA



Ryan Dobratz, CFA

IMPORTANT INFORMATION

Date of first use of portfolio manager commentary: January 21, 2020

REAL ESTATE VALUE FUND

AS OF DECEMBER 31, 2019

INSTITUTIONAL: TAREX | INVESTOR: TVRVX | Z: TARZX

FUND PERFORMANCE

As of December 31, 2019

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Real Estate Value Fund (Inst. Class)	7.45%	21.13%	5.83%	3.86%	8.39%	9.94%	9/17/1998
Third Ave Real Estate Value Fund (Inv. Class)	7.40%	20.84%	5.56%	3.59%	8.13%	8.13%	12/31/2009
Third Ave Real Estate Value Fund (Z Class)	7.49%	21.19%	N/A	N/A	N/A	0.38%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAREX
Lennar Corp.	6.7%
Brookfield Asset Management, Inc.	5.8%
Five Point Holdings, LLC, Class A	5.3%
Weyerhaeuser Co.	5.0%
CK Asset Holdings, Ltd.	5.0%
Wheelock & Co. Ltd.	4.6%
JBG Smith Properties	4.6%
Derwent London PLC	4.4%
Berkeley Group Holdings PLC	4.4%
Rayonier, Inc.	3.9%
Total	**49.7%**

Past performance is no guarantee of future results; returns include reinvestment of all distributions. The above represents past performance and current performance may be lower or higher than performance quoted above. Investment return and principal value fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. For the most recent month-end performance, please visit the Fund's website at www.thirdave.com. The gross expense ratio for the Fund's Institutional, Investor and Z share classes is 1.12%, 1.41% and 1.03%, respectively, as of March 1, 2019. Risks that could negatively impact returns include: overbuilding and increased competition, increases in property taxes and operating expenses, lack of financing, vacancies, environmental contamination and its related clean-up, changes in interest rates, casualty or condemnation losses, and variations in rental income.

Third Avenue Funds are offered by prospectus only. The prospectus contains important information, including investment objectives, risks, advisory fees and expenses. Please read the prospectus carefully before investing in the Funds. Investment return and principal value fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. For updated information or a copy of our prospectus, please call 1-800-443-1021 or go to our website at www.thirdave.com. Distributor of Third Avenue Funds: Foreside Fund Services, LLC.

Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

THIRD AVENUE MANAGEMENT

/third-ave-management

Third Avenue offers multiple investment solutions with unique exposures and return profiles. Our core strategies are currently available through '40Act mutual funds and customized accounts. If you would like further information, please contact a Relationship Manager at:

622 Third Avenue, 32nd floor
New York, New York 10017
www.thirdave.com

E: clientservice@thirdave.com
P: 212.906.1160