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 January 31, 2016.

Recent Developments

There have been a number of challenging periods in the Fund's 18-year history. Some of those periods--not only for real estate securities, but the broader equity markets as a whole--have included the tragic events of 9/11 and its aftermath, corporate accounting scandals and large scale bankruptcies in 2002, the sub-prime mortgage and housing crisis in 2007, the global financial crisis pinnacling in 2009, a sovereign debt crisis in Europe during 2011, and the taper tantrum of 2013. While each one of these time periods impacted the Fund to different degrees, and for various durations, there were no doubt similarities among them.

The Fund and the vast majority of the securities held at those times, experienced negative price performance as market sentiment tended to outweigh corporate fundamentals. However, the issues faced during those times ultimately passed and security prices returned to levels that more closely resembled intrinsic values. As a result, the investments made during those volatile times, both additions to existing holdings and new positions, led to the Fund achieving outsized returns once conditions stabilized. Fund Management believes the current environment will yield similar results for the Third Avenue Real Estate Value Fund. While history doesn't repeat itself, it often rhymes.

During the most recent quarter, the Fund's challenges were twofold. One, the Fund experienced elevated redemptions, which primarily occurred following the news relating to the Third Avenue Focused Credit Fund in early December. As outlined in the letter from Third Avenue's Management Committee[1], these events did not impact the Third Avenue Real Estate Value Fund, its long-tenured management team, nor the differentiated strategy that it has employed for 18 years. In fact, the overlap between the two Funds' holdings was only one holding representing less than 0.1% of the Fund's net assets. Nonetheless, some Fund shareholders elected to redeem their shares following the news. These redemptions have tapered off materially since the first few weeks after the announcement. While significant redemptions can have serious implications for portfolios comprised of less-liquid securities, this was not the case for the Fund. Fund Management satisfied all redemptions from the Fund's existing cash resources and by selectively reducing holdings, largely on a pro-rata basis, in order to keep the portfolio positions and weightings intact.

The continued integrity of the Fund and the relative ease in which redemptions are met is due to the liquidity of its holdings. The Fund primarily invests in equity securities of real estate and real estate related companies (more than 99% of current holdings are equities) with equity market capitalization in excess of $1.0 billion (median market cap of holdings exceeded $4.5 billion USD at quarter end). Further, guidelines imposed by Third Avenue and Fund Management provide limitations on individual position sizes, exposure to any single country outside of the US, and amount of capital that can be invested in any single property type.

Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Real Estate Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of January 31, 2016: Weyerhaeuser Co., 4.97%; Macerich Co., 4.95%; First Industrial Realty Trust, Inc., 4.82%; Forest City Realty Trust, Inc., Class A, 4.78%; Westfield Corp., 4.65%; Vornado Realty Trust, 4.00%; Rayonier, Inc., 3.97%; Cheung Kong Property Holdings, Ltd., 3.73%; Brookfield Asset Management, Inc., 3.65%; Inmobiliaria Colonial S.A., 3.59%

[1]Please see the Third Avenue Management Committee's letter to Shareholders dated December 23, 2015 available on our website http://thirdave.com/commentary/a-letter-from-the-management-committee/

The second challenge, which we also believe will prove to be temporary, is negative performance. The Fund's NAV declined by 11.6% during the quarter (assuming dividends were reinvested).[2] The vast majority of the decline occurred during January when falling oil prices, concerns about China, and challenging credit markets dominated the headlines, all leading to continued volatility in global equity markets. From our prior experience, we are confident that short-term market volatility will ultimately pass, fundamentals and corporate values will start to weigh in, and the discounts to net asset value ("NAV") that currently persist will narrow either through public market recognition or private market transactions (i.e., mergers, acquisitions, management buy outs, etc.). Should conditions prove to be more difficult than a reasonable worst case scenario, though, our focus on well-capitalized property companies should allow the businesses in which the Fund is invested to not only weather the storm but to take advantage of dislocations along the way.

Notwithstanding the recent challenges, it remains business as usual for Fund Management. We continue to concentrate the Fund's capital in the securities of well-financed property companies trading at discounts to conservative estimates of NAV. Further, the team continues to scout out new investments for inclusion in the Fund to enhance the risk-adjusted return prospects going forward. For example, as detailed below, four new securities were added to the Fund during the quarter. Each was included in our "T-2" portfolio (or shadow portfolio), which we have maintained over the years, comprised of securities that we would like to include in the portfolio—just at lower prices. As always, we continue to take a long-term view while remaining focused on our singular objective: to earn outsized risk-adjusted returns for our shareholders, on an after-tax basis, by investing in real estate and real estate related securities while adhering to our strict value discipline. Despite the need to sell securities to meet redemptions, we are pleased to report that, through quarter-end, the Fund hasn't accrued short-term or long-term capital gains (which, of course, are passed through to shareholders at year-end).

Recent Activity

During the quarter, the Fund's primary activity (other than trimming holdings to meet redemptions) included exiting more fully-valued positions, increasing certain positions where the price to value proposition became more favorable, and initiating positions in four well-capitalized real estate operating companies trading at discounts to NAV.

The positions exited during the quarter were mostly comprised of more mature investments in European and Australian REITs, where the discount to NAV had closed considerably since first investing (e.g., Gecina, Wereldhave, and Dexus Property Group). The Fund also sold its investments in residential brokerage businesses as they seem to be facing the prospects of fee compression due to technological disruption in the home purchase process (e.g., Realogy and Countrywide plc). The positions increased during the quarter largely included real estate operating companies with common stocks that could be purchased at prices below the underlying value of their direct investments, without ascribing any value for their sizable asset management businesses (e.g., Brookfield Asset Management, Kennedy Wilson Holdings, and Global Logistic Properties).

1 The Fund's Institutional share class one year, five year and ten year average annual returns for the period ended January 31, 2016 were -14.28%, 6.30% and 3.66%, respectively. The Fund's Institutional share class one year, five year and ten year average annual returns for the period ended December 31, 2015 were -3.65%, 8.67% and 10.91%, respectively. 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. The Fund's total operating expense ratio, gross of any fee waivers or expense reimbursements, was 1.10%, as of October 31, 2015. 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. Prospectuses contain more complete information on management fees, distribution charges, and other expenses. Please read the Prospectus carefully before investing or sending money. For current Fund performance or a copy of the Prospectus please visit our website: www.thirdave.com or call 800-443-1021. M.J. Whitman LLC, Distributor. Member FINRA/ SIPC.

The Fund also added to its investment in Trinity Place Holdings ("Trinity") by participating in the company's Rights Offering outlined in detail in the previous quarterly letter. After the offering, Trinity completed its listing on the New York Stock Exchange and announced plans for its development site in lower Manhattan, which has been renamed 77 Greenwich Street and will include a 476-seat elementary school and 7,000 square feet of retail at its base with an 85 unit residential tower above. The Fund's new positions during the quarter included the Common stocks of Lennar Corp., Howard Hughes Corp, FNF Group, and Sun Hung Kai Properties (each discussed below).

Lennar Corp. ("Lennar") is a well-capitalized and well-managed US homebuilder that focuses on some of the most desirable markets on the West Coast, in Texas, and throughout the Southeast. The Fund has owned Lennar Common twice before--holding it as recently as 2013--but exited the position along with its other homebuilding investments as Fund Management believed the price of those securities had outpaced the underlying fundamental value. During the quarter, Lennar's stock price fell back below a reasonable estimate of NAV, allowing the Fund to re-establish a position with a more adequate margin of safety. While Lennar is known as a best-in-class homebuilder, it is now much more than that. Over the past few years the company's highly-regarded management team has strategically built out other platforms including: (i) one of the most valuable land development companies in the US through its investment in Five Point Communities; (ii) one of the largest developers of apartment communities through Lennar Multifamily; (iii) a sizable commercial real estate investment and asset management platform in its Rialto subsidiary; and (iv) a profitable mortgage and title business in Lennar Financial Services. Looking out over the next few years, its not inconceivable to believe that Lennar may take steps to establish some of the subsidiaries as standalone businesses to surface value (e.g., Five Point, Lennar Multifamily, and Rialto), leaving Lennar as more of an asset-light homebuilder that may trade at a premium to book value given the increasing cash flow profile of its highly profitable homebuilding business as home starts return to more normalized levels.

Howard Hughes Corp. ("Howard Hughes") is a US-based real estate operating company that controls some of the largest mixed-use development projects and master planned communities in North America. The company has been on Fund Management's radar since it was spun out of General Growth Properties ("GGP") when the US REIT emerged from bankruptcy in 2010. As a separate company, Howard Hughes owned nearly all of the development projects and master planned communities that GGP had previously acquired when it purchased Rouse Properties in 2005. Today Howard Hughes is financed with modest debt levels and its key assets include a $2.5 billion plus commercial real estate portfolio and substantial entitlements at its (i) Summerlin projects in Las Vegas, NV, (ii) Woodlands and Bridgeland communities in Houston, TX, (iii) South Street Seaport site in lower Manhattan, (iv) Ward Project in the Ala Moana area of Honolulu, HI, and (v) Crescent master plan in Columbia, MD. Together these projects form a diverse set of development opportunities that is among the most valuable development pipelines in the country. While the company has the opportunity to create tremendous value as these projects are built out, the stock price declined by more than 40% during the quarter primarily due to concerns about weakening fundamentals for its Houston projects and general market sentiment for residential-related businesses. As a result, the Fund was able to establish a position in Howard Hughes Common at prices that represent conservative values for its key projects.

In the medium term, Howard Hughes' management team should be able to capture additional profits at some of its large scale projects with more favorable fundamentals (e.g., Summerlin, Honolulu, Maryland, South Street Seaport), and over the longer-term the company is likely to prove capable of realizing substantial value from its well-located master planned communities in Houston.

FNF Group is a very well-capitalized US based holding company that controls Fidelity National Title, the largest title insurance company in the US, as well as a 54% stake in separately-listed Black Knight Financial Services, the leading mortgage servicing platform in the US that is utilized by many major banks. Similar to Howard Hughes Corp, FNF Group has been on Fund Management's radar for a number of years as the company owns the leading provider of title insurance in the US with more than 30% market share. While the title insurance business doesn't generate incredibly high margins and returns relative to other lines of insurance, losses have historically been quite limited since the work is done upfront and the barriers-to-entry in the business are significant given the costs associated with building title plants and the regulatory hurdles associated with entering the business. As a result, the business could largely be described as an oligopoly with rational pricing and one that provides substantial free cash flow for the larger players. In FNF Group's case, the surplus cash flow has historically been very profitably reinvested by the company's control group, which is led by Chairman Bill Foley, who has a long track record of creating value for shareholders. During the quarter, FNF Group's stock traded down to a point where if one would assign a conservative value for its stake in Black Knight (slight discount to market values despite owning a controlling stake, which should command a premium), the implied value for its leading title insurance business was quite modest with a high single digit free cash flow yield. It is our view that the volume of home purchases, and to a lesser extent refinancings, should continue to increase from relatively low levels leading to additional demand for title insurance (which works as a levy on nearly all real estate transactions) and higher cash flow for FNF Group. We expect that increased cash flows will be profitably reinvested in related businesses or returned to shareholders via stock dividends and accretive share repurchases.

Sun Hung Kai Properties is a Hong Kong-based real estate operating company and one of the most dominant property companies in all of Asia. The company owns a world- class investment portfolio comprised of some of the highest quality office and retail properties in the region with assets such as the International Finance Center (IFC) and International Commerce Center (ICC) in Hong Kong. The investment property portfolio is approximately 95% leased and has most recently been appraised for more than $33 billion USD. In addition to those assets, Sun Hung Kai has outsized growth prospects with more than $24 billion of development projects where it has historically had a lot of success, as well as 690 acres of agricultural land in Hong Kong that could ultimately be converted to a higher and better use. The Fund has owned Sun Hung Kai Common in the past but sold it in 2012 after management issues surfaced. Now that those issues have been resolved and the stock price trades below levels where it was initially sold, the Fund opportunistically purchased the shares once again at prices that Fund Management deems to be in outright bargain territory. To put it in perspective, with the stock currently trading at less than $85 per share, the price to book ratio is less than 50% and the implied cap rate for its class-A property portfolio is in excess of 10% vs. market cap rates for comparable properties in the 3-4% range. These types of NAV discounts haven't been seen since the Asian Financial Crisis. Fund Management recognizes that fundamentals are cooling in both Hong Kong and China; however, Sun Hung Kai seems well positioned to not only withstand any sort of downturn but to take advantage of it along the way given its super strong financial position.

The Kwok family, which controls Sun Hung Kai with more than a 40% stake in the business, seems to agree with Fund Management's assessment: insiders have recently been purchasing shares in the open market for the first time in years.

Portfolio Positioning

After accounting for the quarterly activity, the Fund's capital is as close to being fully invested as it has been since the fourth quarter of 2011, a time when opportunities were also abundant.

Approximately 41% of the Fund's capital is now invested in property companies that Fund Management believes can compound capital at 10% or better per year, when viewed on a per share basis, over a five-year period. These investments primarily include well-capitalized real estate operating companies and REITs in the US and UK that own irreplaceable commercial real estate portfolios, which generate substantial cash flows that can be profitably reinvested into developments, redevelopments, and opportunistic acquisitions. Such holdings include Westfield Corp., Forest City Realty Trust, Vornado Realty Trust, Hammerson plc, and Brookfield. That said, the exposure to these "long-term compounders" has increased by nearly 10% over the past year primarily by adding to a select set of well-financed real estate operating companies with aligned control groups that focus on Hong Kong and Singapore (Cheung Kong Property, Henderson Land, City Developments, and Wheelock). In Fund Management's view, these central business district (CBD) locations are the most favorable markets in the region when viewed on a long-term basis given the supply-demand dynamics. It is our expectation that these companies, as well as the other "long-term compounders," will benefit from an increase in the underlying value of the business as fundamentals for well-located commercial real estate in high-barrier-to-entry markets remain favorable (NAV growth) while the discounts to NAV should narrow as market conditions stabilize.

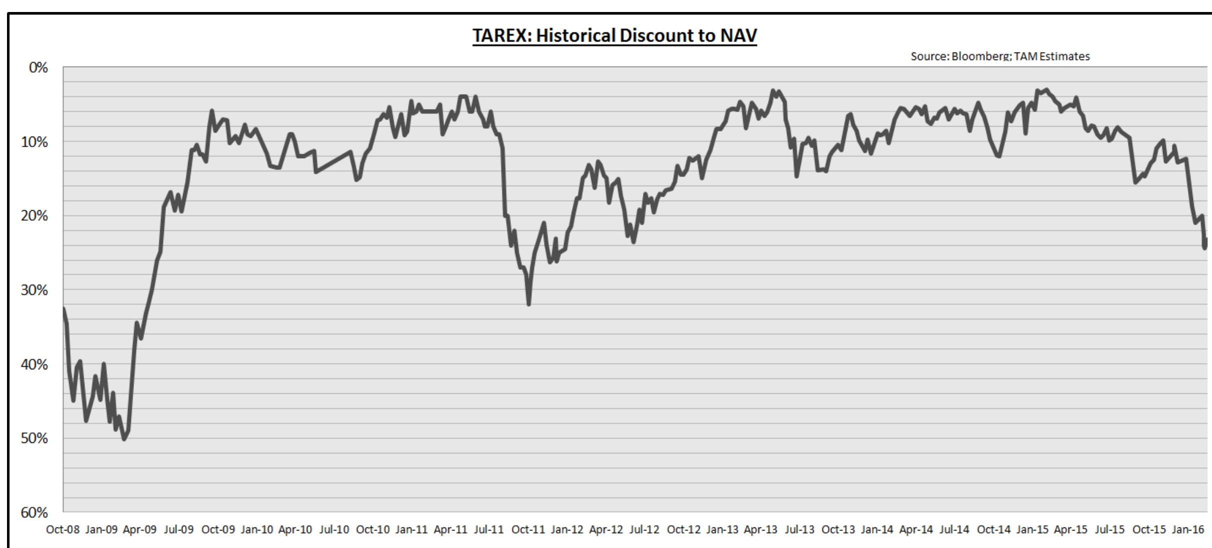
During the quarter, the Fund also increased its exposure to real estate companies that have strong ties to the US residential markets. Collectively, these investments account for approximately 29% of the Fund's capital and primarily include timber REITs (Weyerhaeuser, Rayonier), land development companies (Newhall Land, Tejon Ranch), residential development companies (Lennar, Howard Hughes), and other residential related businesses (Lowe's, FNF Group). While the stock price performance of most companies involved in the US residential markets has been quite weak over the past six months, and included some of the primary short-term detractors to the Fund's performance, the underlying fundamentals for the US residential markets continue to strengthen. For instance, during 2015 US home starts reached 1.2 million annually, a 14% increase over the previous year and approximately two times the levels reached at the depths of the financial crisis. Further, there continues to be a supply deficit in most major markets as measured by the amount of available homes for sale (4.0 months of inventory). As additional buyers enter the market, the incremental demand should be met through additional building activity, bringing home starts back to more normalized levels at some point over the next two to three years (1.5-1.6 million homes). As this occurs, the companies owned in the Fund with strong ties to the homebuilding process should generate higher levels of earnings and cash flows, leading to improved valuations given the depressed levels at which their shares currently trade relative to their embedded earnings power in a normalized housing market.

An additional 25% of the Fund's capital is invested in "special situations", which mostly include companies that could be viewed as attractive acquisition candidates for larger REITs looking to expand their portfolios or private equity groups attempting to acquire hard-to-replicate platforms. These investments include the common stock of Macerich, First Industrial, Post Properties, and Tanger Outlets. The Fund also has more tactical investments in real estate related businesses that seem undervalued on a long-term basis and seem capable of generating much higher levels of earnings, especially in a higher interest rate environment (i.e., US banks, hotel companies). Given the steep discounts to their private market values, Fund Management would not be surprised to see an elevated level of M&A activity over the next six to 12 months. As we have written about before, record levels of private equity capital have been raised in recent years to target commercial real estate and the current volatility should prove an attractive entry point for those vehicles. Further, due to recent changes in US tax laws, sovereign wealth funds are no longer subject to an onerous tax that was imposed on foreign investors in US real estate (i.e., FIRPTA), which may stimulate additional demand for high quality portfolios and platforms owned in the Fund.

In addition to those investments, the Fund continues to maintain its currency hedges relating to its Euro and Hong Kong Dollar exposure, as well as hold cash and equivalents, which accounted for 5% of the Fund's assets at the end of the quarter.

Embedded Value

Through a combination of declining security prices, recycling capital from more fully valued investments into more discounted opportunities, and adding other bargain priced securities, the Fund is now trading at more than a 20% discount to Fund Management's conservative estimates of NAV for the underlying holdings in aggregate and more than a 30% discount to private market values. Having tracked the discount to NAV for the portfolio holdings for a number of years, there have been only three other times in the past decade where the valuations have been as attractive. As shown in the chart below, these points in time have included the financial crisis in 2009, the sovereign debt crisis in 2011, and a brief period in 2012.



Security prices can certainly drift lower from here, but in all three cases where valuations were at similar levels before, the discount to NAV for the portfolio had narrowed within one year, providing investors with a positive total return (on average +30%). Each of the Fund's Portfolio Managers recognize the opportunity and have recently increased their personal investments in the Third Avenue Real Estate Value Fund. The Fund is accepting new investments and we encourage like-minded, long-term investors to consider taking advantage of the market volatility by adding to their investment in the Fund. As our Chairman Marty Whitman has reminded us numerous times, "this too shall pass."

We thank you for your continued support and look forward to writing to you again next quarter.

Sincerely,

The Third Avenue Real Estate Team

Michael Winer, Lead Portfolio Manager

Jason Wolf, Lead Portfolio Manager

Ryan Dobratz, Lead Portfolio Manager

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If you should have any questions, please call 1-800-443-1021, or visit our web site at: www.thirdave.com, for the most recent month-end performance data or a copy of the Funds' prospectus. Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

M.J. Whitman LLC, Distributor. Date of first use of portfolio manager commentary: 2/19/2016

About Third Avenue Management

Third Avenue Management LLC is a New York-based global asset manager that has adhered to a proven value investment philosophy since its founding in 1986. Third Avenue's disciplined approach seeks to maximize long-term, risk-adjusted returns by focusing on corporate financial stability, and price conscious, opportunistic security selection throughout the capital structure.

If you would like further information about Third Avenue Funds, please contact your relationship manager or email clientservice@thirdave.com

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