Principal®

Principal Real Estate Income Fund (PGZ)

Annual Report

October 31, 2017

Section 19(b) disclosure

October 31, 2017 (Unaudited)

The Principal Real Estate Income Fund (the "Fund"), acting pursuant to a Securities and Exchange Commission ("SEC") exemptive order and with the approval of the Fund's Board of Trustees (the "Board"), have adopted a plan, consistent with the Fund's investment objectives and policies, to support a level monthly distribution of income, capital gains and/or return of capital (the "Plan"). In accordance with the Plan, the Fund currently distributes $0.11 per share on a monthly basis.

The fixed amount distributed per share is subject to change at the discretion of the Fund's Board. Under the Plan, the Fund will distribute all available investment income to its shareholders, consistent with the Fund's primary investment objectives and as required by the Internal Revenue Code of 1986, as amended (the "Code"). If sufficient investment income is not available on a monthly basis, the Fund will distribute long-term capital gains and/or return of capital to shareholders in order to maintain a level distribution. Each monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential distribution rate increases or decreases to enable the Fund to comply with the distribution requirements imposed by the Code.

Shareholders should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the Plan. The Fund's total return performance on net asset value is presented in its financial highlights table.

The Board may amend, suspend or terminate the Fund's Plan at any time without prior notice if it deems such action to be in the best interest of either the Fund or its shareholders. The suspension or termination of the Plan could have the effect of creating a trading discount (if a Fund's stock is trading at or above net asset value) or widening an existing trading discount. The Fund is subject to risks that could have an adverse impact on its ability to maintain level distributions. Examples of potential risks include, but are not limited to, economic downturns impacting the markets, increased market volatility, companies suspending or decreasing corporate dividend distributions and changes in the Code. Please refer to the Fund's prospectus for a more complete description of its risks.

Please refer to the Additional Information section in this shareholder report for a cumulative summary of the Section 19(a) notices for the Fund's current fiscal period. Section 19(a) notices for the Fund, as applicable, are available on the Principal Real Estate Income Fund's website; www.principalcef.com.

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INVESTMENT OBJECTIVE

The Principal Real Estate Income Fund's ("PGZ" or the "Fund") investment objective is to seek to provide high current income, with capital appreciation as a secondary objective, by investing in commercial real estate related securities.

PERFORMANCE OVERVIEW

As of October 31 2017, the Fund was 61.6% allocated to commercial mortgage backed securities ("CMBS") and 20.6% allocated to global real estate securities, primarily real estate investment trusts ("REITs"). For the 12-month period ended October 31, 2017, the Fund delivered a net return, at market price, of 13.37%, assuming dividends are reinvested back into the Fund, based on the closing share price of $17.09 on October 31, 2017. This compares to the return of the S&P 500® Index, over the same time-period, of 23.63% assuming dividends are reinvested into the index. This also compares to the return of the Barclays U.S. Aggregate Bond Index of 0.90% and the MSCI World Index of 22.77%.

The October 31, 2017 closing market price of $17.09 represented a -11.91% discount to the Fund's Net Asset Value ("NAV"). This compares to an average -6.72% discount for equity real estate closed-end funds and a -0.32% discount for mortgage-backed securities closed-end funds (source: Bloomberg). These discounts to NAV reflect the volatility that has occurred in the closed-end fund market since June 2013, as expectations for higher interest rates have negatively impacted the attractiveness of the market.

Based on NAV, the Fund returned 12.46%, including dividends, for the 12-month period ended October 31, 2017. At the beginning of this period, interest rates and the demand for risk in the market changed dramatically when Donald Trump was elected President on November 8th. After the initial market shock on the morning of the 9th, we believe investors realized the growth potential for both individuals and corporations of President Trump's campaign promises to repeal the Affordable Care Act, lower taxes and rollback regulations. At the beginning of the period and just after the election, 10-year interest rates increased from a pre-election low of 1.78% to a post-election high of 2.63% on March 13, 2017. Since that time, 10-year rates ranged between 2.00% and 2.40% and ended the period at 2.38%. During this same period, overall market volatility remained historically low with VIX averaging 11.5 after November 8th ranging from 9 to 16.

After a slow first quarter where CMBS issuance was down due to risk retention taking effect at the end of 2016 and demand for yield was softer due to uncertainty on how far interest rates would sell off following the election, both issuance and the demand for yield picked up during the second half of the period. As CMBS issuers found acceptable solutions to risk retention, issuance levels picked up to meet the strong demand for loans from borrowers needing to refinance mortgages originated in 2007. 1st quarter private label issuance totaled $12.6B which was down 48% quarter over quarter and down 27% year over year. This compared to $22.3B of issuance in the 2nd quarter and $25.5B in the 3rd quarter shows the strong recovery in the market post risk-retention and during a period of stable interest rates and low market volatility. The demand for yield also came back to the market and remained strong during this period which had a positive impact on CMBS credit spreads driven by the relative value of CMBS compared to alternatives. The result of this renewed demand was a flattening of the credit curve as spreads on A and BBB rated CMBS bonds tightened more than AAA spreads.

During this same period, Global REITS as represented by the FTSE EPRA NAREIT Developed Index returned 6.1% lagging broader equities (MSCI World index) which returned 22.8%. We believe Donald Trump's U.S. presidential election victory spurred a rotation away from yield towards cyclicals in anticipation that President Trump would introduce policies to boost growth such as tax reform, deregulation and stronger infrastructure spending. During the first quarter 2017, the Trump trade lost momentum following the lack of traction on President Trump's policy initiatives. Equity investors displayed a willingness to overlook these delays, however, as a result of generally encouraging economic data including better than expected job growth and improved confidence from small businesses and consumers. Markets took comfort from "Goldilocks" like economic conditions that we believe remained suggestive of a moderate Federal Reserve (the "Fed") rate hike trajectory. Strong corporate earnings out of the U.S. and China, resilient macroeconomic data particularly from China and Europe and renewed optimism for U.S. tax reform buoyed markets despite higher odds for another rate hike by year end and rising geopolitical tensions. The Fed also announced its balance sheet normalization plan would begin at a measured pace in October 2017, with negligible impact on markets. U.S. 10-year bond yields rose 56bps in the period as momentum on tax reform continued to build and economic data were generally firmer, a tailwind for the broader equities market. We believe the more dovish ECB tone and Draghi's willingness to extend quantitative easing for longer if need be was also another supportive factor for general equities.

CMBS

The CMBS holdings within the Fund returned approximately 8.17% for the 12 months ended October 31, 2017. The main drivers of returns for the period were the change in the market demand for higher yields and risk following the election, strong credit performance for deals issued post-GFC driven by positive commercial real estate fundamentals and the ability for legacy loans to continue to refinance. Higher interest rates brought a renewed bid for yield and lower volatility brought a renewed bid for credit. Both changes were positive for returns as most of the CMBS portfolio is exposed to lower rated, higher yielding CMBS securities. AAA spreads benefited from the demand for yield and ended the 12-month period 38bps tighter according to Wells Fargo. Lower rated CMBS bonds also benefited from the higher risk tolerance in the market as the credit curve relative to AAA bonds flattened as well. This was especially true for recently issued CMBS bonds rated A or BBB, as the spread relative to AAA bonds tightened 74bps for A rated bonds and 147bps for BBB rated bonds. The strong credit performance of CMBS loans originated since 2011 also helped support the bid for CMBS credit. The delinquency rate on post-crisis loans ended the period at 0.32% which is strong compared to pre-crisis vintages and reflects more conservative underwriting on post-crisis loans and the strong recovery in commercial real estate fundamentals since 2012. A headwind on demand for certain vintages and specific deals during the period was overall exposure to retail and specific exposure to regional malls and properties initially feared impacted by hurricanes Harvey and Irma. For legacy bonds, the refinance rate for loans maturing during the period remained strong with a payoff rate of over 80% driven by continued accommodative interest rates, availability of capital from the first mortgage market and most importantly, the availability of capital from the high yield debt market to help borrowers fill the gap between the 2006-2007 vintage loan amount and the first mortgage being offered from lenders in the 2.0 CMBS market. With respect to interest rates, another positive driver of relative performance was the duration of the CMBS bonds held in the portfolio being shorter than the market during a period where interest rates increased.

We believe the outlook for CMBS remains positive looking forward to 2018 based on our positive outlook for real estate fundamentals driving property level income growth over the next 1-2 years. In our view, this income growth should be positive for the credit quality of the underlying CMBS loans and should help support growth in property values even if interest rates continue to increase.

GLOBAL REAL ESTATE SECURITIES

The global real estate securities holdings within the Fund returned approximately 13.4% helped by strong economic growth and earnings results.

Europe was the strongest region with double digit returns from German, French, and Spanish property owners. We believe further returns from the United Kingdom were boosted from signs of a slower and softer Brexit. In the United States, performance is boosted by secular growth in data center and towers and strong fundamentals in industrial stocks. The portfolio has significant weight in U.S. apartments and single-family rentals and the returns of these stocks in the period were material contributors to performance. The portfolio’s stocks in Singapore performed well driven by the industrial exposure, internalization of Croesus Retail Trust, as well as residential stocks benefitting from the upturn in the residential cycle. Limited supply, lower vacancy, and strong rental growth drove Australian office fundamentals and were material contributors to the performance in this country. Hong Kong developers were boosted by solid reported earnings, dividend increases, and expectations of the government introducing supportive policies to accelerate conversion of their vast farmland holdings, thereby unlocking latent value. We believe the most notable detractor to performance was exposure to retail stocks in the U.S. as the store closing landscape and especially weak sentiment continues to weigh on retail property owners. In addition, healthcare continued to underperform on the weakening outlook for the senior housing and the portfolio’s exposure to this group was a drag on performance. Redemptions from monthly dividend paying mutual funds hurt portfolio performance from the Japanese REIT sector. Globally, performance benefitted from the strong industrial property fundamentals evident.

Our proprietary financial model utilized to measure global real estate securities valuation levels indicates securities trade at attractive levels at the end of October 2017. This measure examines the spread between the stocks’ forward looking implied unlevered internal rates of returns (“IRRs”) to global treasury yields. That spread, or ‘risk premium’, of 4.9% as of the end of October is in excess of the trailing 10-year average of 4.8%. Global REITs remain a yield plus growth oriented investment and therefore have remained well supported amidst extraordinarily low sovereign yields across the globe.

For now, global economies still appear to be in a coordinated global cyclical recovery with improving economic data in the U.S., Europe, and China. We believe all this should mean that bond yields continue to firm upwards albeit in a more gradual fashion after their recent surge. At the same time, the appointment of Jerome Powell as Fed governor suggests a period of extended policy continuity for now as does Draghi’s willingness to extend quantitative easing for longer if necessary. We therefore do not anticipate a disruptive move up in yields as there remain many uncertainties around tax reform and geopolitical risks continue to be a key factor which should limit the upside for bond yields. We believe the medium outlook for REITs remains constructive given the ongoing “Goldilocks” like backdrop of a gradual growth recovery and controlled inflation.

References:

The Premium/Discount is the amount (stated in dollars or percent) by which the selling or purchase price of a fund is greater than (premium) or less than (discount) its face amount/value or net asset value (NAV).

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. The duration number is a calculation involving present value, yield, coupon, final maturity and call features. The bigger the duration number, the greater the interest-rate risk or reward for bond prices. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

2.0 CMBS is defined as bonds issued post-2009.

S&P 500® Index – A large cap U.S. equities index that includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

Bloomberg Barclays U.S. Aggregate Bond Index – A broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed rate taxable bond market, including Treasuries, government related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass throughs), ABS, and CMBS.

MSCI World Index – MSCI's market capitalization weighted index is composed of companies representative of the market structure of 23 developed market countries in North America, Europe, and the Asia/Pacific Region.

FTSE EPRA/NAREIT Developed NTR Index – A modified market capitalization weighted index, based on free float market capitalization designed to measure the stock performance of companies engaged in specific real estate activities of the North American, European and Asian real estate markets.

The Cboe Volatility Index® (VIX® Index®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Since its introduction in 1993, the VIX Index has been considered by many to be the world's premier barometer of investor sentiment and market volatility.

Basis point (bps) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

A bond rating is a grade given to bonds by private, independent ratings services that indicates their credit quality. Investment grade bonds range from AAA to BBB- and will usually see bond yields increase as ratings decrease.

The internal rate of return on an investment is defined as the discount rate at which the present value of all future cash flows is equal to the initial investment or, in other words, the rate at which an investment breaks even.

Issuance information – JPMorgan

October 31, 2017 (Unaudited)

PERFORMANCE *as of October 31, 2017*

TOTAL RETURNS[1]	CUMULATIVE	ANNUALIZED		
Fund	6 Month	1 Year	3 Year	Since Inception[2]
Net Asset Value (NAV)[3]	6.29%	12.46%	7.27%	10.10%
Market Price[4]	-0.26%	13.37%	5.72%	5.81%
Bloomberg Barclays U.S. Aggregate Bond Index	1.58%	0.90%	2.40%	3.10%
MSCI World Index	9.50%	22.77%	8.13%	10.89%

(1) *Total returns assume reinvestment of all distributions.*

(2) *The Fund commenced operations on June 25, 2013.*

(3) *Performance returns are net of management fees and other Fund expenses.*

(4) *Market price is the value at which the Fund trades on an exchange. This market price can be higher or lower than its NAV.*

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance data may be higher or lower than actual data quoted. For the most current month-end performance data please call 855.838.9485.

Total Annual Expense Ratio as a Percentage of Net Assets Attributable to Common Shares including interest expense, as of October 31, 2017, 3.03%.

Total Annual Expense Ratio as a Percentage of Net Assets Attributable to Common Shares excluding interest expense, as of October 31, 2017, 2.06%.

The Fund is a closed-end fund and does not continuously issue shares for sale as open-end mutual funds do. Since the initial public offering, the Fund now trades only in the secondary market. Investors wishing to buy or sell shares need to place orders through an intermediary or broker and additional charges or commissions will apply. The share price of a closed-end fund is based on the market's value.

Distributions may be paid from sources of income other than ordinary income, such as net realized short-term capital gains, net realized long-term capital gains and return of capital. Based on current estimates, we anticipate the most recent distribution has been paid from short-term and long-term capital gains. The actual amounts and sources of the amounts for tax reporting purposes will depend upon a Fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. If a distribution includes anything other than net investment income, the Fund provides a Section 19(a) notice of the best estimate of its distribution sources at that time. These estimates may not match the final tax characterization (for the full year's distributions) contained in shareholders' 1099-DIV forms after the end of the year.

Indices are unmanaged; their returns do not reflect any fees, expenses, or sales charges.

An investor cannot invest directly in an index.

ALPS Advisors, Inc. is the investment adviser to the Fund.

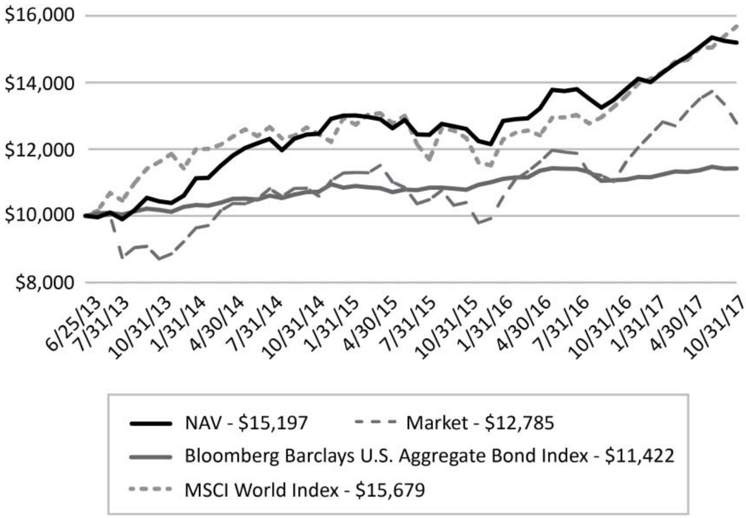
ALPS Portfolio Solutions Distributor, Inc. is a FINRA member.

Principal Real Estate Investors, LLC is the investment sub-adviser to the Fund. Principal Real Estate Investors, LLC is not affiliated with ALPS Advisors, Inc. or any of its affiliates.

Secondary market support provided to the Fund by ALPS Fund Services, Inc.'s affiliate, ALPS Portfolio Solutions Distributor, Inc.

GROWTH OF A HYPOTHETICAL $10,000 INVESTMENT

The graph below illustrates the growth of a hypothetical $10,000 investment assuming the purchase of common shares of beneficial interest at the closing market price (NYSE: PGZ) of $20.00 on June 25, 2013 (the date of commencement of operations), and tracking its progress through October 31, 2017.



Past performance does not guarantee future results. Performance will fluctuate with changes in market conditions. Current performance may be lower or higher than the performance data shown. Performance information does not reflect the deduction of taxes that shareholders would pay on Fund distributions or the sale of Fund shares. An investment in the Fund involves risk, including loss of principal.

SECTOR ALLOCATION^

^ *Holdings are subject to change.*
Percentages are based on total investments of the Fund.

GEOGRAPHIC BREAKDOWN *as of October 31, 2017*

	% of Total Investments
United States	79.44%
Japan	2.98%
Australia	2.78%
Singapore	2.50%
Canada	1.92%
Hong Kong	1.66%
Germany	1.58%
France	1.46%
Netherlands	1.45%
Great Britain	1.31%
Spain	1.03%
Mexico	0.70%
Finland	0.59%
Sweden	0.17%
China	0.17%
Poland	0.14%
Ireland	0.12%
	100.00%

Holdings are subject to change.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of
Principal Real Estate Income Fund

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Principal Real Estate Income Fund (the "Fund") as of October 31, 2017, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five periods in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2017, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Principal Real Estate Income Fund as of October 31, 2017, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five periods in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Cohen & Company

COHEN & COMPANY, LTD.
Cleveland, Ohio
December 22, 2017

Description	Shares	Value (Note 2)
COMMON STOCKS (52.03%)		
Computer Software (0.61%)		
InterXion Holding N.V.[a]	15,400	$ 822,206
Real Estate Management/Services (2.98%)		
APAC Realty, Ltd.[a]	1,424,300	956,081
Charter Hall Group	118,167	524,547
Citycon OYJ	464,193	1,133,339
Deutsche Wohnen AG	24,571	1,046,547
Fabege AB	15,500	327,343
		3,987,857
Real Estate Operation/Development (4.43%)		
ADO Properties SA[b][c]	9,697	476,785
Atrium European Real Estate, Ltd.	175,086	819,875
Echo Investment SA	208,924	261,159
LEG Immobilien AG	8,000	812,599
Mitsui Fudosan Co., Ltd.	53,000	1,224,027
New World Development Co., Ltd.	388,000	577,917
Propertylink Group[c]	919,252	703,550
SOHO China, Ltd.	560,000	324,455
TLG Immobilien AG	18,000	416,620
Tokyo Tatemono Co., Ltd.	22,300	310,068
		5,927,055
REITS-Apartments (4.92%)		
Apartment Investment & Management Co., Class A	19,700	866,406
Essex Property Trust, Inc.	8,600	2,256,898
Independence Realty Trust, Inc.	153,950	1,562,592
Invitation Homes, Inc.	19,982	450,994
Japan Rental Housing Investments, Inc.	320	221,204
Starwood Waypoint Homes	33,855	1,229,275
		6,587,369
REITS-Diversified (12.70%)		
Altarea SCA	8,469	1,906,434
Arena REIT	350,087	600,184
CapitaLand Commercial Trust	448,210	570,497
Crombie Real Estate Investment Trust	21,015	217,953
Cromwell Property Group	2,170,000	1,660,810
Crown Castle International Corp.	9,653	1,033,643
Dexus	210,000	1,570,270
Empiric Student Property PLC	171,428	221,421
EPR Properties	8,400	581,112
Equinix, Inc.	1,500	695,250
Fonciere Des Regions	8,820	898,254
Frasers Logistics & Industrial Trust[c]	786,387	643,255
Hispania Activos Inmobiliarios SOCIMI SA	18,400	317,319
Invesco Office J-REIT, Inc.	185	169,047

Description	Shares	Value (Note 2)
REITS-Diversified (12.70%) (continued)		
Irish Residential Properties REIT PLC	140,000	$ 240,542
LondonMetric Property PLC	145,000	339,714
Merlin Properties Socimi SA	127,000	1,676,115
Secure Income REIT PLC	15,401	77,217
Segro PLC	96,224	693,954
Sekisui House REIT, Inc.	324	358,749
Spring Real Estate Investment Trust	2,870,000	1,261,838
STAG Industrial, Inc.	42,318	1,155,281
Viva Energy REIT	72,840	119,301
		17,008,160
REITS-Health Care (1.02%)		
Physicians Realty Trust	16,000	278,080
Sabra Health Care REIT, Inc.	10,556	210,280
Senior Housing Properties Trust	25,268	464,931
Welltower, Inc.	6,072	406,581
		1,359,872
REITS-Hotels (2.09%)		
Far East Hospitality Trust	1,430,000	734,356
Japan Hotel REIT Investment Corp.	1,200	792,577
Park Hotels & Resorts, Inc.	22,972	661,364
Sunstone Hotel Investors, Inc.	37,000	603,840
		2,792,137
REITS-Manufactured Homes (0.92%)		
Sun Communities, Inc.	13,643	1,231,417
REITS-Mortgage (0.56%)		
CYS Investments, Inc.	93,100	744,800
REITS-Office Property (4.28%)		
Alexandria Real Estate Equities, Inc.	5,800	718,968
alstria office REIT-AG	20,000	283,175
Brandywine Realty Trust	20,100	351,549
Champion REIT	405,000	292,275
City Office REIT, Inc.	103,278	1,346,745
Daiwa Office Investment Corp.	50	242,733
Kilroy Realty Corp.	11,500	819,145
MCUBS MidCity Investment Corp.	335	1,109,252
Viva Industrial Trust	789,500	567,611
		5,731,453
REITS-Regional Malls (3.20%)		
Frasers Centrepoint Trust	400,000	636,784
Simon Property Group, Inc.	18,700	2,904,671
Tanger Factory Outlet Centers, Inc.	15,000	341,250

Description	Shares	Value (Note 2)
REITS-Regional Malls (3.20%) (continued)		
Taubman Centers, Inc.	8,600	$ 406,092
		4,288,797
REITS-Shopping Centers (4.90%)		
Aventus Retail Property Fund, Ltd.	117,094	207,914
DDR Corp.	107,000	820,690
Eurocommercial Properties NV	26,783	1,115,335
Fortune Real Estate Investment Trust	587,000	711,045
Kenedix Retail REIT Corp.	436	860,458
Kite Realty Group Trust	28,000	523,320
Link REIT	129,500	1,088,103
NewRiver REIT PLC	219,556	976,580
Ramco-Gershenson Properties Trust	18,400	232,392
Vastned Retail N.V.	637	27,885
		6,563,722
REITS-Single Tenant (2.97%)		
Spirit Realty Capital, Inc.	206,000	1,711,860
STORE Capital Corp.	91,609	2,261,826
		3,973,686
REITS-Storage/Warehousing (0.95%)		
CubeSmart	22,000	598,840
Extra Space Storage, Inc.	8,200	669,038
		1,267,878
REITS-Warehouse/Industrials (5.34%)		
Gramercy Property Trust	25,000	742,500
Granite Real Estate Investment Trust	8,000	309,061
Industrial & Infrastructure Fund Investment Corp.	56	228,275
Japan Logistics Fund, Inc.	115	206,324
Liberty Property Trust	12,200	523,136
Macquarie Mexico Real Estate Management SA de CV	480,000	579,603
PLA Administradora Industrial S de RL de CV	380,100	582,489
Prologis Property Mexico SA de CV	95,900	186,830
Prologis, Inc.	24,000	1,549,920
Terreno Realty Corp.	11,000	403,920
WPT Industrial Real Estate Investment Trust	138,441	1,841,265
		7,153,323
Storage/Warehousing (0.16%)		
Safestore Holdings PLC	36,000	212,865
TOTAL COMMON STOCKS		
(Cost $64,317,121)		**69,652,597**

	Rate	Maturity Date	Principal Amount	Value (Note 2)
COMMERCIAL MORTGAGE BACKED SECURITIES (88.77%)				
Commercial Mortgage Backed Securities-Other (32.84%)				
Bank of America Commercial Mortgage Trust 2008-1[(d)]	6.309%	01/10/18	$ 2,500,000	$ 2,505,494
CD Commercial Mortgage Trust 2007-CD4[(d)]	5.398%	12/11/49	2,344,499	1,441,867
Commercial Mortgage Trust 2007-GG9[(d)]	5.505%	01/01/18	1,696,087	1,544,766
Credit Suisse Commercial Mortgage Trust Series 2007-C1	5.416%	02/15/40	6,473,945	6,559,520
Deutsche Bank Commercial Mortgage Trust 2017-C6[(d)(e)]	1.043%	06/10/27	26,221,264	1,899,793
FHLMC Multifamily Structured Pass Through Certificates[(d)(e)]	1.612%	01/25/26	9,690,000	1,045,190
FHLMC Multifamily Structured Pass Through Certificates[(d)(e)]	1.658%	06/25/42	27,830,000	686,485
FHLMC Multifamily Structured Pass Through Certificates[(d)(e)]	1.700%	04/25/40	30,601,130	684,465
FHLMC Multifamily Structured Pass Through Certificates[(d)(e)]	1.806%	01/25/19	27,555,000	512,446
FHLMC Multifamily Structured Pass Through Certificates[(d)(e)]	1.904%	12/25/18	59,523,998	1,119,819
FHLMC Multifamily Structured Pass Through Certificates[(d)(e)]	3.615%	06/25/21	9,000,000	1,014,605
JPMorgan Chase Commercial Mortgage Securities Trust 2006-CIBC17[(d)]	5.489%	12/12/43	1,652,295	1,387,928
JPMorgan Chase Commercial Mortgage Securities Trust 2007-CIBC19[(d)]	5.795%	06/01/18	3,500,000	2,805,078
JPMorgan Chase Commercial Mortgage Securities Trust 2013-C15[(b)(d)(e)]	1.520%	10/15/23	11,500,000	845,312
JPMorgan Chase Commercial Mortgage Securities Trust 2014-C21[(b)(d)]	3.900%	07/15/24	12,747,500	8,895,829
JPMorgan Chase Commercial Mortgage Securities Trust 2017-JP6[(d)(e)]	1.330%	05/15/27	11,978,089	938,434
LB Commercial Mortgage Trust 2007-C3[(d)]	5.908%	07/15/44	219,343	219,820
LB-UBS Commercial Mortgage Trust 2006-C7	5.407%	11/15/38	1,314,518	1,007,332
Morgan Stanley Bank of America Merrill Lynch Trust 2015-C20[(b)(d)(e)]	1.612%	02/15/25	23,967,000	2,104,686
Morgan Stanley Capital I Trust 2016-UB11[(b)(d)(e)]	1.500%	08/15/26	13,495,500	1,279,720
Wachovia Bank Commercial Mortgage Trust Series 2006-C29[(d)]	5.368%	11/18/48	2,380,725	2,399,175
Wachovia Bank Commercial Mortgage Trust Series 2007-C30[(d)]	5.413%	12/15/43	3,011,636	3,075,633
				43,973,397

October 31, 2017

	Rate	Maturity Date	Principal Amount	Value (Note 2)
Commercial Mortgage Backed Securities-Subordinated (55.93%)				
BANK 2017-BNK5[(b)(d)]	4.400%	07/15/27	$ 7,500,000	$ 5,007,533
Bank of America Commercial Mortgage Trust 2016-UBS10[(b)]	3.000%	05/15/26	3,500,000	2,563,597
CD Commercial Mortgage Trust 2017-CD5[(b)]	3.350%	07/15/27	3,000,000	2,463,916
CFCRE Commercial Mortgage Trust 2016-C3[(b)(d)]	3.052%	01/10/26	5,484,000	4,061,962
CFCRE Commercial Mortgage Trust 2016-C7[(b)(d)]	4.441%	12/10/26	1,500,000	1,249,679
Commercial Mortgage Pass Through Certificates Series 2014-CR14[(b)(d)]	3.496%	01/10/24	2,000,000	1,325,383
Commercial Mortgage Trust 2013-CCRE11[(b)(d)]	4.371%	10/10/23	5,108,000	3,974,371
Commercial Mortgage Trust 2014-CCRE17[(b)(d)]	4.299%	05/10/24	8,600,000	5,573,036
Commercial Mortgage Trust 2014-UBS2[(b)(d)]	5.015%	02/10/24	2,432,500	2,107,443
Commercial Mortgage Trust 2014-UBS5[(b)]	3.495%	09/10/24	4,250,000	3,274,852
CSAIL Commercial Mortgage Trust 2015-C4[(d)]	3.584%	11/15/25	5,000,000	3,702,663
Goldman Sachs Mortgage Securities Trust 2013-GC13[(b)(d)]	4.066%	07/10/23	3,000,000	2,792,920
Goldman Sachs Mortgage Securities Trust 2013-GC16[(b)(d)]	5.320%	11/10/46	2,342,405	2,293,612
Goldman Sachs Mortgage Securities Trust 2013-GCJ14[(b)(d)]	4.763%	08/10/23	2,000,000	1,559,983
Goldman Sachs Mortgage Securities Trust 2014-GC20[(b)(d)]	4.859%	04/10/47	2,750,000	1,979,124
Goldman Sachs Mortgage Securities Trust 2014-GC22[(b)]	3.582%	06/10/47	8,326,000	5,409,750
JPMorgan Chase Commercial Mortgage Securities Trust 2006-CIBC16	5.623%	05/12/45	2,017,431	1,828,202
JPMorgan Chase Commercial Mortgage Securities Trust 2013-C15[(b)]	3.500%	10/15/23	2,500,000	1,861,264
JPMorgan Chase Commercial Mortgage Securities Trust 2013-C16[(b)(d)]	3.744%	11/15/23	1,433,000	1,076,202
JPMorgan Chase Commercial Mortgage Securities Trust 2013-C16[(b)(d)]	4.975%	11/15/23	2,117,483	2,027,657
Morgan Stanley Bank of America Merrill Lynch Trust 2013-C8[(b)(d)]	4.061%	02/15/23	3,000,000	2,774,595
Morgan Stanley Bank of America Merrill Lynch Trust 2015-C26[(b)(d)]	4.410%	10/15/25	3,576,000	2,523,831
Morgan Stanley Bank of America Merrill Lynch Trust 2017-C34[(b)(d)(f)]	3.300%	10/15/27	3,450,000	2,002,887
Morgan Stanley Capital I Trust 2016-UB11[(b)(d)]	2.708%	08/15/26	5,000,000	3,059,897

	Rate	Maturity Date	Principal Amount	Value (Note 2)
Commercial Mortgage Backed Securities-Subordinated (continued)				
Wells Fargo Commercial Mortgage Trust 2014-LC18(b)(d)	3.957%	12/15/24	$ 2,490,000	$ 2,107,908
Wells Fargo Commercial Mortgage Trust 2015-NXS1(d)	4.103%	04/15/25	3,440,000	3,072,073
Wells Fargo Commercial Mortgage Trust 2015-NXS3(b)	3.153%	09/15/57	1,500,000	1,158,048
WFRBS Commercial Mortgage Trust 2014-C20(b)	3.986%	05/15/24	2,650,000	2,046,739
				74,879,127
TOTAL COMMERCIAL MORTGAGE BACKED SECURITIES (Cost $117,168,036)				**118,852,524**

	7-Day Yield	Shares	Value (Note 2)
SHORT TERM INVESTMENTS (3.28%)			
State Street Institutional Treasury Plus Money Market Fund	0.930%	4,396,273	4,396,273
TOTAL SHORT TERM INVESTMENTS (Cost $4,396,273)			**4,396,273**
TOTAL INVESTMENTS (144.08%) (Cost $185,881,430)			**$ 192,901,394**
Liabilities in Excess of Other Assets (-44.08%)			(59,015,797)
NET ASSETS (100.00%)			**$ 133,885,597**

(a) *Non-income producing security.*

(b) *Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may normally be sold to qualified institutional buyers in transactions exempt from registration. The total value of Rule 144A securities amounts $79,878,521, which represents approximately 59.66% of net assets as of October 31, 2017.*

(c) *Securities were purchased pursuant to Regulation S under the Securities Act of 1933, which exempts securities offered and sold outside of the United States from registration. Such securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. As of October 31, 2017, the aggregate market value of those securities was $1,823,590, representing 1.36% of net assets.*

(d) *Variable rate investment. Interest rates reset periodically. Interest rate shown reflects the rate in effect at October 31, 2017. For securities based on a published reference rate and spread, the references rate and spread are indicated in the description above. Certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and are based on current market conditions. These securities do not indicate a reference rate and spread in their description above.*

(e) *Interest only security.*

(f) *Security determined to be fair valued under the procedures approved by the Fund's Board of Trustees.*

See Notes to Financial Statements.

Statement of Assets and Liabilities

October 31, 2017

ASSETS:		
Investments, at value	$	192,901,394
Cash		8,872
Cash denominated in foreign currency, at value (Cost $551,509)		551,680
Receivable for investments sold		246,116
Interest receivable		864,974
Dividends receivable		136,979
Prepaid and other assets		53,125
Total Assets		194,763,140
LIABILITIES:		
Loan payable (Note 3)		60,000,000
Interest due on loan payable		179,162
Payable for investments purchased		408,801
Payable to adviser		173,743
Payable to administrator		33,428
Payable to transfer agent		2,345
Payable for trustee fees		26,670
Other payables		53,394
Total Liabilities		60,877,543
Net Assets	$	133,885,597
NET ASSETS CONSIST OF:		
Paid-in capital	$	130,175,528
Distributions in excess of net investment income		(1,765,631)
Accumulated net realized loss on investments and foreign currency transactions		(1,541,204)
Net unrealized appreciation on investments and translation of assets and liabilities denominated in foreign currencies		7,016,904
Net Assets	$	133,885,597
PRICING OF SHARES:		
Net Assets	$	133,885,597
Shares of beneficial interest outstanding (unlimited number of shares authorized, no par value per share)		6,899,800
Net asset value per share	$	19.40
Cost of Investments	$	185,881,430

See Notes to Financial Statements.

For the Year Ended October 31, 2017

INVESTMENT INCOME:		
Interest	$	8,423,627
Dividends (net of foreign withholding tax of $110,732)		2,432,408
Total Investment Income		10,856,035
EXPENSES:		
Investment advisory fees		2,018,537
Interest on loan		1,291,339
Administration fees		313,973
Transfer agent fees		27,169
Audit fees		31,000
Legal fees		66,969
Custodian fees		31,582
Trustee fees		97,869
Printing fees		26,827
Insurance fees		31,988
Excise tax		13,799
Other		60,176
Total Expenses		4,011,228
Net Investment Income		6,844,807
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY:		
Net realized gain/(loss) on:		
Investments		1,098,005
Foreign currency transactions		(2,818)
Net realized gain		1,095,187
Net change in unrealized appreciation/(depreciation) on:		
Investments		6,440,688
Translation of assets and liabilities denominated in foreign currencies		9,157
Net change in unrealized appreciation		6,449,845
Net Realized and Unrealized Gain on Investments and Foreign Currency		7,545,032
Net Increase in Net Assets Resulting from Operations	$	14,389,839

See Notes to Financial Statements.

Statements of Changes in Net Assets

		For the Year Ended October 31, 2017		For the Year Ended October 31, 2016
OPERATIONS:				
Net investment income	$	6,844,807	$	9,300,975
Net realized gain on investments and foreign currency transactions		1,095,187		2,135,145
Net change in unrealized appreciation/(depreciation) on investments and translation of assets and liabilities denominated in foreign currencies		6,449,845		(5,348,791)
Net increase in net assets resulting from operations		14,389,839		6,087,329
DISTRIBUTIONS TO SHAREHOLDERS:				
From net investment income		(10,395,296)		(12,005,652)
From net realized gains		(228,918)		–
From tax return of capital		(1,139,946)		–
Net decrease in net assets from distributions to shareholders		(11,764,160)		(12,005,652)
Net Increase/(Decrease) in Net Assets		2,625,679		(5,918,323)
NET ASSETS:				
Beginning of period		131,259,918		137,178,241
End of period (including distributions in excess of net investment income of $(1,765,631) and $(628,565))	$	133,885,597	$	131,259,918
OTHER INFORMATION:				
Share Transactions:				
Shares outstanding - beginning of period		6,899,800		6,899,800
Net increase in shares outstanding		–		–
Shares outstanding - end of period		6,899,800		6,899,800

See Notes to Financial Statements.

For the Year Ended October 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase in net assets resulting from operations	$	14,389,839
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:		
Purchases of investment securities		(85,496,203)
Proceeds from disposition of investment securities		88,616,853
Net proceeds from short-term investment securities		1,456,944
Net realized (gain)/loss on:		
Investments		(1,098,005)
Net change in unrealized (appreciation)/depreciation on:		
Investments		(6,440,688)
Amortization of premiums and accretion of discounts on investments		854,299
Increase in interest receivable		(9,755)
Decrease in dividends receivable		37,583
Increase in prepaid and other assets		(15,026)
Increase in interest due on loan payable		50,683
Increase in payable to transfer agent		179
Increase in payable to adviser		2,861
Increase in payable to administrator		3,526
Increase in payable for trustee fees		4,760
Decrease in other payables		(33,309)
Net cash provided by operating activities	$	12,324,541
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Cash distributions paid	$	(11,764,160)
Net cash used in financing activities	$	(11,764,160)
Effect of exchange rates on cash	$	171
Net increase in cash	$	560,552
Cash, beginning balance	$	–
Cash, ending balance	$	560,552
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest from bank borrowing	$	1,240,656

See Notes to Financial Statements.

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Net asset value - beginning of period
Income/(loss) from investment operations:
Net investment income[(a)]
Net realized and unrealized gain/(loss) on investments
Total income from investment operations
Less distributions to common shareholders:
From net investment income
From net realized gains
From tax return of capital
Total distributions
Capital share transactions:
Common share offering costs charged to paid-in capital
Total capital share transactions
Net increase/(decrease) in net asset value
Net asset value - end of period
Market price - end of period
Total Return[(b)]
Total Return - Market Price[(b)]
Supplemental Data:
Net assets, end of period (in thousands)
Ratios to Average Net Assets:
Total expenses
Total expenses excluding interest expense
Net investment income
Total expenses to average managed assets[(d)]
Portfolio turnover rate
Borrowings at End of Period
Aggregate Amount Outstanding (in thousands)
Asset Coverage Per $1,000 (in thousands)

(a) *Calculated using average shares throughout the period.*

(b) *Total investment return is calculated assuming a purchase of common share at the opening on the first day and a sale at closing on the last day of each period reported. For purposes of this calculation, dividends and distributions, if any, are assumed to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions, if any. Periods less than one year are not annualized.*

(c) *Annualized.*

(d) *Average managed assets represent net assets applicable to common shares plus average amount of borrowings during the period.*

(e) *Not annualized.*

See Notes to Financial Statements.

For a share outstanding throughout the periods presented.

For the Year Ended October 31, 2017	For the Year Ended October 31, 2016	For the Year Ended October 31, 2015	For the Year Ended October 31, 2014	For the Period June 25, 2013 (Commencement) to October 31, 2013
$ 19.02	$ 19.88	$ 21.02	$ 19.68	$ 19.10
0.99	1.35	1.46	1.57	0.33
1.10	(0.47)	(0.87)	1.44	0.70
2.09	0.88	0.59	3.01	1.03
(1.51)	(1.74)	(1.67)	(1.67)	(0.41)
(0.03)	–	(0.06)	–	–
(0.17)	–	–	–	–
(1.71)	(1.74)	(1.73)	(1.67)	(0.41)
–	–	–	–	(0.04)
–	–	–	–	(0.04)
0.38	(0.86)	(1.14)	1.34	0.58
$ 19.40	$ 19.02	$ 19.88	$ 21.02	$ 19.68
$ 17.09	$ 16.62	$ 17.56	$ 19.34	$ 17.76
12.46%	5.94%	3.61%	16.82%	5.40%
13.37%	4.80%	(0.54%)	19.10%	(9.16%)
$ 133,886	$ 131,260	$ 137,178	$ 145,023	$ 135,798
3.03%	2.82%	2.59%	2.59%	2.15%(c)
2.06%	2.07%	2.08%	2.04%	1.99%(c)
5.18%	7.04%	7.02%	7.74%	5.01%(c)
2.09%	1.94%	1.83%	1.81%	1.93%(c)
45%	41%	22%	18%	1%(e)
$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000
$ 3,231	$ 3,188	$ 3,286	$ 3,417	$ 3,263

1. ORGANIZATION

Principal Real Estate Income Fund (the ''Fund'') is a Delaware statutory trust registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the ''1940 Act'').

The Fund's investment objective is to seek to provide high current income, with capital appreciation as a secondary investment objective, by investing in commercial real estate related securities.

Investing in the Fund involves risks, including exposure to below-investment grade investments. The Fund's net asset value will vary and its distribution rate may vary and both may be affected by numerous factors, including changes in the market spread over a specified benchmark, market interest rates and performance of the broader equity markets. Fluctuations in net asset value may be magnified as a result of the Fund's use of leverage.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements during the period reported. Management believes the estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the financial statements may differ from the value the Fund ultimately realizes upon sale of the securities. The Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board *Accounting Standards Codification* Topic 946 Financial Services – Investment Companies. The financial statements have been prepared as of the close of the New York Stock Exchange ("NYSE") on October 31, 2017.

Portfolio Valuation: The net asset value per Common Share of the Fund is determined no less frequently than daily, on each day that the NYSE is open for trading, as of the close of regular trading on the NYSE (normally 4:00 p.m. New York time). The Fund's net asset value per Common Share is calculated in the manner authorized by the Fund's Board of Trustees (the "Board"). Net asset value is computed by dividing the value of the Fund's total assets, less its liabilities by the number of shares outstanding.

The Board has established the following procedures for valuation of the Fund's assets under normal market conditions. Marketable securities listed on foreign or U.S. securities exchanges generally are valued at closing sale prices or, if there were no sales, at the mean between the closing bid and ask prices on the exchange where such securities are primarily traded.

The Fund values commercial mortgage-backed securities and other debt securities not traded in an organized market on the basis of valuations provided by an independent pricing service, approved by the Board, which uses information with respect to transactions in such securities, interest rate movements, new issue information, cash flows, yields, spreads, credit quality, and other pertinent information as determined by the pricing service, in determining value. If the independent primary or secondary pricing service is unable to provide a price for a security, if the price provided by the independent primary or secondary pricing service is deemed unreliable, or if events occurring after the close of the market for a security but before the time as of which the Fund values its Common Shares would materially affect net asset value, such security will be valued at its fair value as determined in good faith under procedures approved by the Board.

When applicable, fair value of an investment is determined by the Fund's Fair Valuation Committee as a designee of the Board. In fair valuing the Fund's investments, consideration is given to several factors, which may include, among others, the following: the fundamental business data relating to the issuer, borrower, or counterparty; an evaluation of the forces which influence the market in which the investments are purchased and sold; the type, size and cost of the investment; the information as to any transactions in or offers for the investment; the price and extent of public trading in similar securities (or equity securities) of the issuer, or comparable companies; the coupon payments, yield data/cash flow data; the quality, value and salability of collateral, if any, securing the investment; the business prospects of the issuer, borrower, or counterparty, as applicable, including any ability to obtain money or resources from a parent or affiliate and an assessment of the issuer's, borrower's, or counterparty's management; the prospects for the industry of the issuer, borrower, or counterparty, as applicable, and multiples (of earnings and/or cash flow) being paid for similar businesses in that industry; one or more independent broker quotes for the sale price of the portfolio security; and other relevant factors.

Securities Transactions and Investment Income: Investment security transactions are accounted for on a trade date basis. Dividend income is recorded on the ex-dividend date. Certain dividend income from foreign securities will be recorded, in the exercise of reasonable diligence, as soon as the Fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date and may be subject to withholding taxes in these jurisdictions. Interest income, which includes amortization of premium and accretion of discount, is recorded on the accrual basis. Realized gains and losses from securities transactions and unrealized appreciation and depreciation of securities are determined using the first-in/first-out cost basis method for both financial reporting and tax purposes.

Fair Value Measurements: The Fund discloses the classification of its fair value measurements following a three-tier hierarchy based on the inputs used to measure fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available.

Various inputs are used in determining the value of the Fund's investments as of the end of the reporting period. When inputs used fall into different levels of the fair value hierarchy, the level in the hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The designated input levels are not necessarily an indication of the risk or liquidity associated with these investments. These inputs are categorized in the following hierarchy under applicable financial accounting standards:

Level 1 – Unadjusted quoted prices in active markets for identical investments, unrestricted assets or liabilities that a Fund has the ability to access at the measurement date;

Level 2 – Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

Level 3 – Significant unobservable prices or inputs (including the Fund's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

The following is a summary of the inputs used to value the Fund's investments as of October 31, 2017:

Principal Real Estate Income Fund

Investments in Securities at Value*	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs	Total
Common Stocks	69,652,597	–	–	69,652,597
Commercial Mortgage Backed Securities	–	118,852,524	–	118,852,524
Short Term Investments	4,396,273	–	–	4,396,273
Total	$ 74,048,870	$ 118,852,524	$ –	$ 192,901,394

* *See Statement of Investments for industry classifications.*

The Fund recognizes transfers between levels as of the end of the period. For the year ended October 31, 2017, the Fund did not have any significant transfers between Level 1 and Level 2 securities. The Fund did not have any securities that used significant unobservable inputs (Level 3) in determining fair value, during the year.

Commercial Mortgage Backed Securities ("CMBS"): As part of its investments in commercial real estate related securities, the Fund will invest in CMBS which are subject to certain risks associated with direct investments in CMBS. A CMBS is a type of mortgage-backed security that is secured by a loan (or loans) on one or more interests in commercial real estate property. Investments in CMBS are subject to the various risks which relate to the pool of underlying assets in which the CMBS represents an interest. CMBS may be backed by obligations (including certificates of participation in obligations) that are principally secured by commercial real estate loans or interests therein having multi-family or commercial use. Securities backed by commercial real estate assets are subject to securities market risks as well as risks similar to those of direct ownership of commercial real estate loans because those securities derive their cash flows and value from the performance of the commercial real estate underlying such investments and/or the owners of such real estate.

Real Estate Investment Trusts ("REITs"): As part of its investments in real estate related securities, the Fund will invest in REITs and is subject to certain risks associated with direct investment in REITs. REITs possess certain risks which differ from an investment in common stocks. REITs are financial vehicles that pool investors' capital to acquire, develop and/or finance real estate and provide services to their tenants. REITs may concentrate their investments in specific geographic areas or in specific property types, e.g., regional malls, shopping centers, office buildings, apartment buildings and industrial warehouses. REITs may be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. REITs depend generally on their ability to generate cash flow to make distributions to shareowners, and certain REITs have self-liquidation provisions by which mortgages held may be paid in full and distributions of capital returns may be made at any time.

As REITs generally pay a higher rate of dividends than most other operating companies, to the extent application of the Fund's investment strategy results in the Fund investing in REIT shares, the percentage of the Fund's dividend income received from REIT shares will likely exceed the percentage of the Fund's portfolio that is comprised of REIT shares. Distributions received by the Fund from REITs may consist of dividends, capital gains and/or return of capital.

Dividend income from REITs is recognized on the ex-dividend date. The calendar year-end amounts of ordinary income, capital gains, and return of capital included in distributions received from the Fund's investments in REITs are reported to the Fund after the end of the calendar year; accordingly, the Fund estimates these amounts for accounting purposes until the characterization of REIT distributions is reported to the Fund after the end of the calendar year. Estimates are based on the most recent REIT distribution information available.

The performance of a REIT may be affected by its failure to qualify for tax-free pass-through of income under the Internal Revenue Code of 1986, as amended (the "Code"), or its failure to maintain exemption from registration under the 1940 Act. Due to the Fund's investments in REITs, the Fund may also make distributions in excess of the Fund's earnings and capital gains. Distributions, if any, in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's Common Shares and, after that basis has been reduced to zero, will constitute capital gains to the Common Shareholder.

Concentration Risk: The Fund invests in companies in the real estate industry, which may include CMBS, REITs, REIT-like structures, and other securities that are secured by, or otherwise have exposure to, real estate. Any fund that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly. Any market price movements, regulatory changes, or economic conditions affecting CMBS, REITs, REIT-like structures, and real estate more generally, will have a significant impact on the Fund's performance.

Foreign Currency Risk: The Fund expects to invest in securities denominated or quoted in currencies other than the U.S. dollar. Changes in foreign currency exchange rates may affect the value of securities owned by the Fund, the unrealized appreciation or depreciation of investments and gains on and income from investments. Currencies of certain countries may be volatile and therefore may affect the value of securities denominated in such currencies, which means that the Fund's net asset value could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar. These risks often are heightened for investments in smaller, emerging capital markets.

The accounting records of the Fund are maintained in U.S. dollars. Prices of securities denominated in foreign currencies are translated into U.S. dollars at the closing rates of the exchanges at period end. Amounts related to the purchase and sale of foreign securities and investment income are translated at the rates of exchange prevailing on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period-end, resulting from changes in exchange rates.

A foreign currency contract is a commitment to purchase or sell a foreign currency at a future date, at a negotiated rate. The Fund may enter into foreign currency contracts to settle specific purchases or sales of securities denominated in a foreign currency and for protection from adverse exchange rate fluctuation. Risks to a Fund include the potential inability of the counterparty to meet the terms of the contract.

3. LEVERAGE

Under normal market conditions, the Fund’s policy is to utilize leverage through Borrowings and the issuance of preferred shares in an amount that represents up to 33 1/3% of the Fund’s total assets, including proceeds from such Borrowings and issuances (or approximately 50% of the Fund’s net assets). It is possible that the assets of the Fund will decline due to market conditions such that this 33 1/3% limit will be exceeded. In that case, the leverage risk to shareholders will increase. Borrowings will be subject to interest costs, which may or may not be recovered by appreciation of the securities purchased. In certain cases, interest costs may exceed the return received on the securities purchased.

The Fund maintains a $70,000,000 line of credit with State Street Bank and Trust Company (“SSB”), which by its terms expires on September 14, 2018, subject to the restrictions and terms of the credit agreement. As of October 31, 2017, the Fund has drawn down $60,000,000 from the SSB line of credit, which was the maximum borrowing outstanding during the period. The Fund is charged an interest rate of 1.00% (per annum) above the three-month LIBOR (London Interbank Offered Rate) of 1.320%, as of the last renewal date, for borrowing under this credit agreement, on the last day of the interest period. The Fund is charged a commitment fee on the average daily unused balance of the line of credit at the rate of 0.15% (per annum). The Fund pledges its investment securities as the collateral for the line of credit per the terms of the agreement. The average annualized interest rate charged and the average outstanding loan payable for the year ended October 31, 2017, was as follows:

Average Interest Rate	2.125%
Average Outstanding Loan Payable	$60,000,000

4. INVESTMENT ADVISORY AND OTHER AGREEMENTS

ALPS Advisors, Inc. (“AAI”) serves as the Fund’s investment adviser pursuant to an Investment Advisory Agreement with the Fund. As compensation for its services to the Fund, AAI receives an annual investment advisory fee of 1.05% based on the Fund’s average Total Managed Assets (as defined below). Pursuant to an Investment Sub-Advisory Agreement, AAI has retained Principal Real Estate Investors, LLC (‘‘PrinRei’’) as the Fund’s sub-advisor and pays PrinRei an annual fee of 0.55% based on the Fund’s average Total Managed Assets.

ALPS Fund Services, Inc. (‘‘AFS’’), an affiliate of AAI, serves as administrator to the Fund. Under an Administration, Bookkeeping and Pricing Services Agreement, AFS is responsible for calculating the net asset values, providing additional fund accounting and tax services, and providing fund administration and compliance-related services to the Fund. AFS is entitled to receive a monthly fee, accrued daily based on the Fund’s average Total Managed Assets, as defined below, plus reimbursement for certain out-of-pocket expenses.

DST Systems, Inc. (‘‘DST’’), the parent company of AAI and AFS, serves as the Transfer Agent to the Fund. Under the Transfer Agency Agreement, DST is responsible for maintaining all shareholder records of the Fund. DST is entitled to receive an annual minimum fee of $22,500 plus out-of-pocket expenses.

The Fund pays no salaries or compensation to any of its interested Trustee or Officers. Effective July 1, 2017, the three independent Trustees of the Fund receive an annual retainer of $18,000 and an additional $3,000 for attending each meeting of the Board. In addition to the Attendance Fee, the Chairman of the Board will be paid a meeting fee of $1,000 for each Board Meeting and the Chairman of the Audit Committee of the Board will be paid a meeting attendance fee of $1,000 for each Meeting of the Audit Committee of the Board. Prior to July 1, 2017, the three independent Trustees of the Fund received an annual retainer of $17,000 and an additional $2,000 for attending each meeting of the Board. The independent Trustees are also reimbursed for all reasonable out-of-pocket expenses relating to attendance at meetings of the Board.

A Trustee and certain Officers of the Fund are also officers of AAI and AFS.

Total Managed Assets: For these purposes, the term Total Managed Assets is defined as the value of the total assets of the Fund minus the sum of all accrued liabilities of the Fund (other than aggregate liabilities representing Limited Leverage, as defined below), calculated as of 4:00 p.m. Eastern time on such day or as of such other time or times as the Board may determine in accordance with the provisions of applicable law and of the declaration and bylaws of the Fund and with resolutions of the Board as from time to time in force. Under normal market conditions, the Fund’s policy is to utilize leverage through Borrowings (as defined below) and through the issuance of preferred shares (if any) in an amount that represents approximately 33 1/3% of the

Fund's total assets, including proceeds from such Borrowings and issuances (or approximately 50% of the Fund's net assets) (collectively, ''Limited Leverage''). ''Borrowings'' are defined to include: amounts received by the Fund pursuant to loans from banks or other financial institutions; amounts borrowed from banks or other parties through reverse repurchase agreements; amounts received by the Fund from the Fund's issuance of any senior notes or similar debt securities. Other than with respect to reverse repurchase agreements, Borrowings do not include trading practices or instruments that, according to the SEC or its staff, may cause senior securities concerns, and are intended to include transactions that are subject to the asset coverage requirements in Section 18 of the 1940 Act for the issuance of senior securities evidencing indebtedness (e.g., bank borrowings and the Fund's issuance of any senior notes or similar securities) and senior securities in the form of stock (e.g., the Fund's issuance of preferred shares).

5. DISTRIBUTIONS

The Fund intends to make a level monthly distribution to Common Shareholders after payment of interest on any outstanding borrowings or dividends on any outstanding preferred shares. Distributions to shareholders are recorded by the Fund on ex-dividend date. The Fund may also retain cash reserves if deemed appropriate by PrinRei to meet the terms of any leverage or derivatives transactions. Such distributions shall be administered by DST. While a portion of the Fund's distributed income may qualify as qualified dividend income, all or a portion of the Fund's distributed income may also be fully taxable. Any such income distributions, as well as any distributions by the Fund of net realized short-term capital gains, will be taxed as ordinary income. A portion of the distributions the Fund receives from its investments may be treated as return of capital. While the Fund anticipates distributing some or all of such return of capital, it is not required to do so in order to maintain its status as a regulated investment company under Subchapter M of the Code.

On September 13, 2017 the Board approved the adoption of a managed distribution plan in accordance with AAI's Section 19(b) exemptive order described below (the "Managed Distribution Plan"). Under the Managed Distribution Plan, to the extent that sufficient investment income is not available on a monthly basis, the Fund will make regular monthly distributions, which may consist of long-term capital gains and/or return of capital in order to maintain the distribution rate. In accordance with the Managed Distribution Plan, beginning with its October 2017 distribution, the Fund made monthly distributions to common shareholders set initially at a fixed monthly rate of $0.11 per common share. For the period of November 2016 through September 2017, the Fund paid regular monthly distributions of $0.145 per share.

The amount of the Fund's distributions pursuant to the Managed Distribution Plan are not related to the Fund's performance and, therefore, investors should not make any conclusions about the Fund's investment performance from the amount of the Fund's distributions or from the terms of the Fund's Managed Distribution Plan. The Board may amend, suspend or terminate the Managed Distribution Plan at any time without notice to shareholders.

AAI has received an order granting an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder to permit the Fund, subject to certain terms and conditions, to include realized long-term capital gains as a part of its regular distributions to its stockholders more frequently than would otherwise be permitted by the 1940 Act (generally once per taxable year). To the extent that the Fund relies on the exemptive order, the Fund will be required to comply with the terms and conditions therein, which, among other things, requires the Fund to make certain disclosures to shareholders and prospective shareholders regarding distributions, and would require the Board to make determinations regarding the appropriateness of the use of the distribution policy. Under such a distribution policy, it is possible that the Fund might distribute more than its income and net realized capital gains; therefore, distributions to shareholders may result in a return of capital. The amount treated as a return of capital will reduce a shareholder's adjusted basis in the shareholder's shares, thereby increasing the potential gain or reducing the potential loss on the sale of shares. There is no assurance that the Fund will continue to rely on the exemptive order in the future.

Subsequent to October 31, 2017, the Fund paid the following distributions:

Ex-Date	Record Date	Payable Date	Rate (per share)
November 16, 2017	November 17, 2017	November 30, 2017	$0.11
December 14, 2017	December 15, 2017	December 28, 2017	$0.11

6. CAPITAL TRANSACTIONS

The Fund is a statutory trust established under the laws of the state of Delaware by an Agreement and Declaration of Trust dated August 31, 2012, as amended and restated through the date hereof. The Declaration of Trust provides that the Trustees of the Fund may authorize separate classes of shares of beneficial interest. The Trustees have authorized an unlimited number of Common Shares. The Fund intends to hold annual meetings of Common Shareholders in compliance with the requirements of the NYSE.

Additional shares of the Fund may be issued under certain circumstances pursuant to the Fund's Dividend Reinvestment Plan, as defined within the Fund's organizational documents. Additional information concerning the Dividend Reinvestment Plan is included within this report.

7. PORTFOLIO INFORMATION

For the year ended October 31, 2017, the cost of purchases and proceeds from sales of securities, excluding short-term securities, were as follows:

Purchases	Sales
$ 84,330,866	$ 87,335,699

8. TAXES

Classification of Distributions: Net investment income/(loss) and net realized gain/(loss) may differ for financial statement and tax purposes. The character of distributions made during the year from net investment income or net realized gains may differ from its ultimate characterization for federal income tax purposes. Also, due to the timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or realized gain was recorded by the Fund.

The tax character of distributions paid during the year ended October 31, 2017 and October 31, 2016, were as follows:

Principal Real Estate Income Fund	For the Year Ended October 31, 2017	For the Year Ended October 31, 2016
Ordinary Income	$ 10,624,214	$ 12,005,652
Return of Capital	1,139,946	–
Total	$ 11,764,160	$ 12,005,652

Components of Earnings: Tax components of distributable earnings are determined in accordance with income tax regulations which may differ from composition of net assets reported under accounting principles generally accepted in the United States. Accordingly, for the year ended October 31, 2017, certain differences were reclassified.

The reclassifications were as follows:

	Paid-in capital	Undistributed net investment income	Accumulated net realized loss on investments and foreign currency transactions
Principal Real Estate Income Fund	$ –	$ 2,413,423	$ (2,413,423)

These differences are primarily attributed to the different tax treatment of foreign currency, passive foreign investment companies (PFICs), paydowns and to the different tax treatment of certain other investments.

Capital losses deferred to the next tax year were as follows:

	Non-Expiring Short-Term	Non-Expiring Long-Term
Principal Real Estate Income Fund	$ –	$ 1,540,424

Tax Basis of Distributable Earnings: Tax components of distributable earnings are determined in accordance with income tax regulations which may differ from composition of net assets reported under GAAP.

As of October 31, 2017, the components of distributable earnings on a tax basis were as follows:

Principal Real Estate Income Fund	
Accumulated Capital Loss	(1,540,424)
Unrealized Appreciation	5,250,493
Total	$ 3,710,069

Tax Basis of Investments: Net unrealized appreciation/(depreciation) of investments based on federal tax cost as of October 31, 2017, were as follows:

Principal Real Estate Income Fund		
Cost of investments for income tax purposes	$	187,647,743
Gross appreciation on investments (excess of value over tax cost)	$	10,525,833
Gross depreciation on investments (excess of tax cost over value)		(5,272,280)
Net depreciation of foreign currency and derivatives		(3,060)
Net unrealized appreciation on investments	$	5,250,493

The differences between book-basis and tax-basis are primarily due to investments in foreign currency, wash sales, passive foreign investment companies and tax treatment of certain other investments.

Federal Income Tax Status: For federal income tax purposes, the Fund currently qualifies, and intends to remain qualified, as a regulated investment company under the provisions of Subchapter M of the Code by distributing substantially all of its investment company taxable net income and realized gain, not offset by capital loss carryforwards, if any, to its shareholders. No provision for federal income taxes has been made.

As of and during the year ended October 31, 2017, the Fund did not have a liability for any unrecognized tax benefits. The Fund files U.S. federal, state, and local tax returns as required. The Fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Unless the registered owner of Common Shares elects to receive cash by contacting DST Systems, Inc. (the "Plan Administrator"), all dividends declared on Common Shares will be automatically reinvested by the Plan Administrator for shareholders in the Fund's Automatic Dividend Reinvestment Plan (the "Plan"), in additional Common Shares. Common Shareholders who elect not to participate in the Plan will receive all dividends and other distributions in cash paid by check mailed directly to the shareholder of record (or, if the Common Shares are held in street or other nominee name, then to such nominee) by the Plan Administrator as dividend disbursing agent. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Administrator prior to the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend or other distribution. Such notice will be effective with respect to a particular dividend or other distribution (together, a "Dividend"). Some brokers may automatically elect to receive cash on behalf of Common Shareholders and may re-invest that cash in additional Common Shares.

The Plan Administrator will open an account for each Common Shareholder under the Plan in the same name in which such Common Shareholder's Common Shares are registered. Whenever the Fund declares a Dividend payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Administrator for the participants' accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized Common Shares from the Fund ("Newly Issued Common Shares") or (ii) by purchase of outstanding Common Shares on the open market ("Open-Market Purchases") on the NYSE or elsewhere. If, on the payment date for any Dividend, the closing market price plus estimated brokerage commissions per Common Share is equal to or greater than the NAV per Common Share, the Plan Administrator will invest the Dividend amount in Newly Issued Common Shares on behalf of the participants. The number of Newly Issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the Dividend by the NAV per Common Share on the payment date; provided that, if the NAV is less than or equal to 95% of the closing market value on the payment date, the dollar amount of the Dividend will be divided by 95% of the closing market price per Common Share on the payment date. If, on the payment date for any Dividend, the NAV per Common Share is greater than the closing market value plus estimated brokerage commissions, the Plan Administrator will invest the Dividend amount in Common Shares acquired on behalf of the participants in Open-Market Purchases.

In the event of a market discount on the payment date for any Dividend, the Plan Administrator will have until the last business day before the next date on which the Common Shares trade on an "ex-dividend" basis or 30 days after the payment date for such Dividend, whichever is sooner (the "Last Purchase Date"), to invest the Dividend amount in Common Shares acquired in Open-Market Purchases. It is contemplated that the Fund will pay monthly income Dividends. If, before the Plan Administrator has completed its Open-Market Purchases, the market price per Common Share exceeds the NAV per Common Share, the average per Common Share purchase price paid by the Plan Administrator may exceed the NAV of the Common Shares, resulting in the acquisition of fewer Common Shares than if the Dividend had been paid in Newly Issued Common Shares on the Dividend payment date. Because of the foregoing difficulty with respect to Open-Market Purchases, the Plan provides that if the Plan Administrator is unable to invest the full Dividend amount in Open-Market Purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Administrator may cease making

Open-Market Purchases and may invest the uninvested portion of the Dividend amount in Newly Issued Common Shares at the NAV per Common Share at the close of business on the Last Purchase Date provided that, if the NAV is less than or equal to 95% of the then current market price per Common Share, the dollar amount of the Dividend will be divided by 95% of the market price on the payment date for purposes of determining the number of shares issuable under the Plan.

The Plan Administrator maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common Shares in the account of each Plan participant will be held by the Plan Administrator on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Administrator will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants.

In the case of Common Shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Administrator will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Plan.

There will be no brokerage charges with respect to Common Shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred in connection with Open-Market Purchases. The automatic reinvestment of Dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Dividends. Participants that request a sale of Common Shares through the Plan Administrator are subject to brokerage commissions.

The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence or questions concerning the Plan should be directed to the Plan Administrator.

The following table includes information regarding the Fund's trustees and officers, and their principal occupations and other affiliations during the past five years. The address for all trustees is 1290 Broadway, Suite 1100, Denver, CO 80203. The ''independent trustees'' consist of those trustees who are not ''interested persons'' of the Fund, as that term is defined under the 1940 Act.

INDEPENDENT TRUSTEES

Name and Year of Birth	Position(s) Held with Registrant	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex(1) Overseen by Trustee	Other Directorships(2) Held by Trustee During Past 5 Years
Rick A. Pederson (1952)	Trustee	Term expires in 2018. Has served since April 2013.	President, Foundation Properties, Inc. (a real estate investment management company), 1994 - present; Advisory Board member, Bow River Capital Partners (private equity management), 2003 - present; Advisor, Pauls Corporation (real estate investment management and development), 2008 - present; Chairman, Ross Consulting Group (real estate consulting services) 1983-2013; Advisory Board, Neenan Company (construction services) 2002-present; Board Member, Prosci Inc. (private business services) 2013-present; Board Member, Citywide Banks (Colorado community bank) 2014-present; Board Member, Strong-Bridge Consulting, 2015-present; Director, National Western Stock Show (not for profit) 2010 - present; Director, History Colorado (not for profit) 2015-present.	21	Westcore Trust (14 funds); ALPS ETF Trust (20 funds)

Name and Year of Birth	Position(s) Held with Registrant	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex[(1)] Overseen by Trustee	Other Directorships[(2)] Held by Trustee During Past 5 Years
Jerry G. Rutledge (1944)	Trustee	Term expires in 2020. Has served since April 2013.	President and owner of Rutledge's Inc. (retail clothing business); Regent of the University of Colorado (1994 – 2007). Director, University of Colorado Hospital (2007–present).	13	Clough Global Allocation Funds (1 fund); Clough Global Equity Fund (1 fund); Clough Global Opportunities Fund (1 fund); Financial Investors Trust (33 funds)
Ernest J. Scalberg (1945)	Chairman and Trustee	Term expires in 2019. Has served since April 2013. Appointed Chairman effective July 1, 2017.	Formerly the Research Professor and Director of the GLOBE Center, Monterey Institute of International Studies (2009 – 2014); Associate Vice President for External Programs and Dean of Fisher Graduate School of International Business (2001 – 2009); Director, Advisor or Trustee to numerous non-profit organizations (1974 – present); and Chairman of the Board of the Foundation, International University in Geneva (IUG), Switzerland (2005 – present).	1	The Select Sector SPDR Trust (10 funds).

INTERESTED TRUSTEES[3] AND OFFICERS[4]

Name and Year of Birth	Position(s) Held with Registrant	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex[1] Overseen by Trustee	Other Directorships[2] Held by Trustee During Past 5 Years
Thomas A. Carter[5] (1966)	Trustee	Has served since August 2012.	Mr. Carter joined ALPS in 1994 and was President and Director of the Adviser, and APSD, and Executive Vice President and Director of ALPS, ADI and AHI until 2017. Because of his position with AHI, ALPS, ADI, the Adviser and APSD, Mr. Carter is deemed an affiliate of the Fund as defined under the 1940 Act. Before joining ALPS, Mr. Carter was with Deloitte & Touche LLP, where he worked with a diverse group of clients, primarily within the financial services industry. Mr. Carter is a Certified Public Accountant and received his Bachelor of Science in Accounting from the University of Colorado at Boulder.	31	ALPS Variable Investment Trust (10 funds) and formerly ALPS ETF Trust (20 funds) 2008-2017.
Jeremy Held (1974)	Trustee and President	Has served since December 2017	Mr. Held joined ALPS in 1996 and is currently Senior Vice President and Director of Portfolio Strategy and Research at the Adviser. Because of his position with the Adviser, Mr. Held is deemed an affiliate of the Fund as defined under the 1940 Act. Mr. Held is also President of ALPS Variable Investment Trust.	1	N/A

October 31, 2017 (Unaudited)

Name and Year of Birth	Position(s) Held with Registrant	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex[1] Overseen by Trustee	Other Directorships[2] Held by Trustee During Past 5 Years
Patrick D. Buchanan (1972)	Treasurer	Has served since August 2012.	Mr. Buchanan is Vice President of AAI. Mr. Buchanan joined ALPS in 2007 and because of his position with AAI, he is deemed an affiliate of the Trust as defined under the 1940 Act. Mr. Buchanan is also Treasurer of the ALPS ETF Trust, ALPS Variable Insurance Trust and RiverNorth Opportunities Fund, Inc.	N/A	N/A
Erin D. Nelson (1977)	Chief Compliance Officer	Has served as Chief Compliance Officer since June 2015; previously served as Secretary from March 2014 to June 2015.	Erin Nelson became Senior Vice-President and Chief Compliance Officer of AAI on July 1, 2015 and prior to that served as Vice President and Deputy Chief Compliance Officer of AAI since January 1, 2015. Prior to January 1, 2015, Ms. Nelson was Vice-President and Assistant General Counsel of ALPS Fund Services, Inc. Because of her position with AAI, Ms. Nelson is deemed an affiliate of the Trust as defined under the 1940 Act. Ms. Nelson is also the CCO of ALPS ETF Trust, ALPS Variable Investment Trust, Liberty All-Star Growth Fund, Inc., Liberty All-Star Equity Fund and RiverNorth Opportunities Fund, Inc. and Red Rocks Capital, LLC.	N/A	N/A

Name and Year of Birth	Position(s) Held with Registrant	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex[(1)] Overseen by Trustee	Other Directorships[(2)] Held by Trustee During Past 5 Years
Andrea E. Kuchli (1985)	Secretary	Has served since August 2015	Ms. Kuchli has been Vice President and Senior Counsel of ALPS Fund Services, Inc. and the Adviser since February 2015. Prior to that Ms. Kuchli served as an Associate Attorney with Davis Graham & Stubbs LLP from April 2014 to February 2015, and as an Associate Attorney with Dechert LLP from September 2011 to April 2014. Ms. Kuchli is also Secretary of the Elevation ETF Trust, Secretary of ALPS Variable Investment Trust, Assistant Secretary of the James Advantage Funds and Secretary of the ALPS ETF Trust.	N/A	N/A
Andrew Meloni (1969)	Assistant Treasurer	Has served since September 2016	Mr. Meloni is a Fund Controller for ALPS Fund Services, Inc. Mr. Meloni joined ALPS in 2007 and because of his position with ALPS, he is deemed an affiliate of the Fund as defined under the 1940 Act. Mr. Meloni is also Assistant Treasurer to the Liberty All-Star Equity Fund, Liberty All-Star Growth Fund, Inc. and RiverNorth Opportunities Fund, Inc. and ALPS Variable Investment Trust.	N/A	N/A

Name and Year of Birth	Position(s) Held with Registrant	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex[1] Overseen by Trustee	Other Directorships[2] Held by Trustee During Past 5 Years
Sharon Akselrod (1974)	Assistant Secretary	Has served since December 2017	Ms. Akselrod joined ALPS in August 2014 and is currently Senior Investment Company Act Paralegal of ALPS Fund Services, Inc. Prior to joining ALPS, Ms. Akselrod served as Corporate Governance and Regulatory Associate for Nordstrom fsb (2013- 2014) and Senior Legal Assistant – Legal Manager for AXA Equitable Life Insurance Company (2008-2013). Because of her position with ALPS, Ms. Akselrod is deemed an affiliate of the Trust as defined under the 1940 Act. Ms. Akselrod is also Assistant Secretary of Financial Investors Trust and ALPS ETF Trust.	N/A	N/A

(1) The term "Fund Complex" means two or more registered investment companies that:

(a) hold themselves out to investors as related companies for purposes of investment and investor services; or

(b) have a common investment adviser or that have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

(2) The numbers enclosed parenthetically represent the number of funds overseen in each directorship that the Trustee has held. Regarding ALPS ETF Trust and ALPS Variable Investment Trust, all funds are included in the total funds in the Fund Complex column. As to Financial Investors Trust, 12 funds are included in the total funds in the Fund Complex column.

(3) "Interested Trustees" refers to those Trustees who constitute "interested persons" of a Fund as defined in the 1940 Act.

(4) Officers are elected annually. Each officer will hold such office until a successor has been elected by the Board.

(5) Messrs. Carter and Held are considered to be "Interested Trustees" because of their affiliation with the Adviser and ALPS.

The Statement of Additional Information includes additional information about the Fund's Trustees and is available, without charge, upon request by calling (toll-free) 1-855-838-9485.

PORTFOLIO HOLDINGS

The Fund files a complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q within 60 days after the end of the period. Copies of the Fund's Form N-Q are available without a charge, upon request, by contacting the Fund at 1-855-838-9485 and on the SEC's website at http://www.sec.gov. You may also review and copy Form N–Q at the SEC's Public Reference Room in Washington, D.C. For more information about the operation of the Public Reference Room, please call the SEC at 1-800-SEC-0330.

PROXY VOTING

A description of the Fund's proxy voting policies and procedures is available (1) without charge, upon request, by calling 1-855-838-9485, (2) on the Fund's website located at http://www.principalcef.com, or (3) on the SEC's website at http://www.sec.gov. Information regarding how the Fund voted proxies relating to portfolio securities during the twelve-month period ended June 30th is available on the SEC's website at http://www.sec.gov.

SECTION 19(a) NOTICES

The following table sets forth the estimated amount of the sources of distribution for purposes of Section 19 of the Investment Company Act of 1940, as amended, and the related rules adopted there under. The Fund estimates the following percentages, of the total distribution amount per share, attributable to (i) current and prior fiscal year net investment income, (ii) net realized short-term capital gain, (iii) net realized long-term capital gain and (iv) return of capital or other capital source as a percentage of the total distribution amount. These percentages are disclosed for the fiscal year-to-date cumulative distribution amount per share for the Fund. The amounts and sources of distributions reported in these 19(a) notices are only estimates and not for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during the remainder of the calendar year and may be subject to changes based on tax regulations. The Fund will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes.

Per Share Cumulative Distributions for the Twelve Months Ended October 31, 2017					Percentage of the Total Cumulative Distributions for the Twelve Months Ended October 31, 2017				
Net Investment Income	Short-Term Capital Gains	Long-Term Capital Gains	Return of Capital	Total Per Share	Net Investment Income	Short-Term Capital Gains	Long-Term Capital Gains	Return of Capital	Total Per Share
$1.0886	$0.1225	$0.1434	$0.3505	$1.7050	63.85%	7.18%	8.41%	20.56%	100.00%

UNAUDITED TAX INFORMATION

The Fund designated 2.65% of the income dividends distributed between January 1, 2016 and December 31, 2016, as qualified dividend income (QDI) as defined in Section 1(h)(11) of the Code.

In early 2017, if applicable, shareholders of record should have received this information for the distributions paid to them by the Fund during the calendar year 2016 via Form 1099. The Fund will notify shareholders in early 2018 of amounts paid to them by the Fund, if any, during the calendar year 2017.

DATA PRIVACY POLICIES AND PROCEDURES

Policy Statement: The Principle Real Estate Income Fund (the “Fund”) has in effect the following policy with respect to nonpublic personal information about its customers:

- Only such information received from customers, through application forms or otherwise, and information about customers’ Fund transactions will be collected.
- None of such information about customers (or former customers) will be disclosed to anyone, except as permitted by law (which includes disclosure to employees necessary to service your account).
- Policies and procedures (including physical, electronic and procedural safeguards) are in place and designed to protect the confidentiality and properly disposal of such information.
- The Fund does not currently obtain consumer information. If the Fund were to obtain consumer information at any time in the future, it would employ appropriate procedural safeguards that comply with federal standards to protect against unauthorized access to and properly dispose of consumer information.

CUSTODIAN AND TRANSFER AGENT

State Street Bank and Trust Company, located at State Street Financial Center, One Lincoln Street, Boston, MA 02111, serves as the Fund’s custodian and will maintain custody of the securities and cash of the Fund.

DST Systems, Inc., located at 333 West 11th Street, 5th Floor, Kansas City, Missouri 64105, serves as the Fund’s transfer agent and registrar.

LEGAL COUNSEL

Dechert LLP, located at 1095 Avenue of the Americas, New York, New York 10036, serves as legal counsel to the Trust.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Cohen & Company, Ltd. is the independent registered public accounting firm for the Fund.

Principal®

ALPS®
A DST Company