



THIRD AVENUE VALUE FUND

THIRD AVENUE SMALL-CAP VALUE FUND

THIRD AVENUE REAL ESTATE VALUE FUND

THIRD AVENUE INTERNATIONAL VALUE FUND

ANNUAL REPORT

October 31, 2008



THIRD AVENUE FUNDS

Privacy Policy

Third Avenue Funds (the “Funds”) respect your right to privacy. We also know that you expect us to conduct and process your business in an accurate and efficient manner. To do so, we must collect and maintain certain personal information about you. This is the information we collect from you on applications or other forms and from the transactions you make with us, our affiliates, or third parties. We do not disclose any information about you or any of our former customers to anyone, except to our affiliates (which may include the Funds’ affiliated money management entities) and service providers, or as otherwise permitted by law. To protect your personal information, we permit access only by authorized employees. Be assured that we maintain physical, electronic and procedural safeguards that comply with federal standards to guard your personal information.

Proxy Voting Policies and Procedures

The Funds have delegated the voting of proxies relating to their voting securities to the Funds’ investment adviser pursuant to the adviser’s proxy voting guidelines. A description of these proxy voting guidelines and procedures, as well as information relating to how a Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available by August 31, each year (i) without charge, upon request, by calling (800) 443-1021, (ii) on the website of the Securities and Exchange Commission (“SEC”) at <http://www.sec.gov>, and (iii) on the Funds’ website www.thirdave.com.

Schedule of Portfolio Holdings—Form N-Q

The Funds file their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds’ Form N-Q is available on the SEC’s website at <http://www.sec.gov>, and may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.



Third Avenue Trust
Third Avenue Value Fund
Portfolio Management Discussion – October 31, 2008
(Unaudited)

At October 31, 2008, the audited net asset value attributable to each of the 152,814,331 common shares outstanding of the Third Avenue Value Fund (“TAVFX”) was \$35.16 per share. This compares with an audited net asset value at October 31, 2007 of \$65.95 per share, adjusted for a subsequent distribution to shareholders.

	Average Annual Returns for the periods ended October 31, 2008				
	One Year ended 10/31/08	Three Year	Five Year	Ten Year	Since Inception (11/1/90)
Third Avenue Value Fund	(46.52%)	(10.32%)	1.26%	6.22%	11.86%
Russell 2500 Index	(37.27%)	(5.94%)	1.44%	5.86%	11.35%
S&P 500 Index	(36.10%)	(5.21%)	0.26%	0.40%	8.86%

The Third Avenue Value Fund (the “Fund”) seeks to achieve long-term capital appreciation and does not attempt to track any benchmark. However, various comparative indices are included above for illustrative purposes, both for the most recent year and over longer periods. During the year ended October 31, 2008, the Fund, which was down 46.5%, underperformed these indices. We believe that the Fund’s performance should be judged over the long-term absolute, rather than against any of these indices.

Fund performance in fiscal 2008 paralleled that of most other value mutual funds. Third Avenue, however, differed from many others in that we believe there were almost no permanent impairments among Third Avenue’s portfolio companies. For example, the Fund did not own any securities issued by Bear Stearns, Lehman Brothers, Countrywide, Fannie Mae, Freddie Mac, Wachovia or AIG. As far as we are concerned, the Fund’s poor 2008 performance is attributable to an irrational stock market, not any fundamental deterioration in the businesses in which the Fund has invested. We continue to be pleased with the quality of the companies in which the Fund is invested.

The last 12 months, ended October 31, 2008, were characterized by extreme volatility in financial markets, driven by panic and indiscriminate selling of securities around the globe. While shares of companies with weak financial positions are expected to decline in such markets, those of many well-capitalized, well-managed companies, such as those in the Fund’s portfolio are being punished unfairly. We believe our holdings are not only credit worthy, without a need to access capital markets, but they also have excellent prospects over the next five years of increasing net asset value by at least 10%, per annum, compounded.

Given the ongoing crisis, it is no surprise that the Fund’s key detractors were its investments in financial and real estate-related companies, both in the U.S. and abroad. This includes Hong Kong-based Cheung Kong Holdings and Henderson Land Development. The continued austerity measures implemented by the Chinese government to “cool down” the mainland property market have undoubtedly impacted a large number of the local developers and compa-



Third Avenue Trust
Third Avenue Value Fund
Portfolio Management Discussion (continued)
(Unaudited)

panies with exposure to that market, especially those that have not been able to obtain financing or have been forced to sell into a weak market. However, we believe our Portfolio companies have the necessary financial strength to not only withstand the current turmoil, but to add property assets opportunistically during the recent pullback.

U.S.-based Forest City Enterprises was also among the top detractors. We continue to believe that this company has an attractive property portfolio in markets with high barriers to entry and a strong management team that has been able to build value over time. We believe the company's strong balance sheet and its development know-how should enable it to work through the difficult market environment. Additionally, as in the past, its deep development pipeline should ultimately translate into growth in shareholder value.

On the positive, Fund performance benefited from the sale of many small positions, including Parexel International Corp., Pharmaceutical Product Development, Inc., First American Corp. and Daiichi Sankyo.

The Fund continues to look for investment opportunities, including distressed debt, that meet our strict investment criteria.

THE INFORMATION IN THE PORTFOLIO MANAGEMENT DISCUSSION REPRESENTS A FACTUAL OVERVIEW OF THE FUND'S PERFORMANCE AND IS NOT INTENDED TO BE A FORECAST OF FUTURE EVENTS, A GUARANTEE OF FUTURE RESULTS NOR INVESTMENT ADVICE. VIEWS EXPRESSED ARE THOSE OF THE INVESTMENT TEAM AND MAY DIFFER FROM THOSE OF OTHER INVESTMENT TEAMS OR THE FIRM AS A WHOLE. ALSO, PLEASE NOTE THAT ANY DISCUSSION OF THE PORTFOLIO'S HOLDINGS, THE FUND'S PERFORMANCE, AND THE INVESTMENT TEAM'S VIEWS ARE AS OF OCTOBER 31, 2008, AND ARE SUBJECT TO CHANGE.

Third Avenue Value Fund **is offered by prospectus only**. The prospectus contains more complete information on advisory fees, distribution charges, and other expenses and should be read carefully before investing or sending money. Please read the prospectus carefully before you send money. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. The Fund's returns should be viewed in light of its investment policy and objectives and quality of its portfolio securities and the periods selected. M.J. Whitman LLC Distributor.

If you should have any questions, or for updated information or a copy of our prospectus, please call 1-800-443-1021 or go to our web site at www.thirdave.com. Current performance may be lower or higher than performance quoted.

The S&P 500 Index is an unmanaged index (with no defined investment objective) of common stocks. The Russell 2500 Index measures the performance of small to mid-sized companies. The S&P 500 Index and the Russell 2500 Index are not securities that can be purchased or sold, and their total returns are reflective of unmanaged portfolios. The returns include reinvestment of interest, capital gains and dividends.



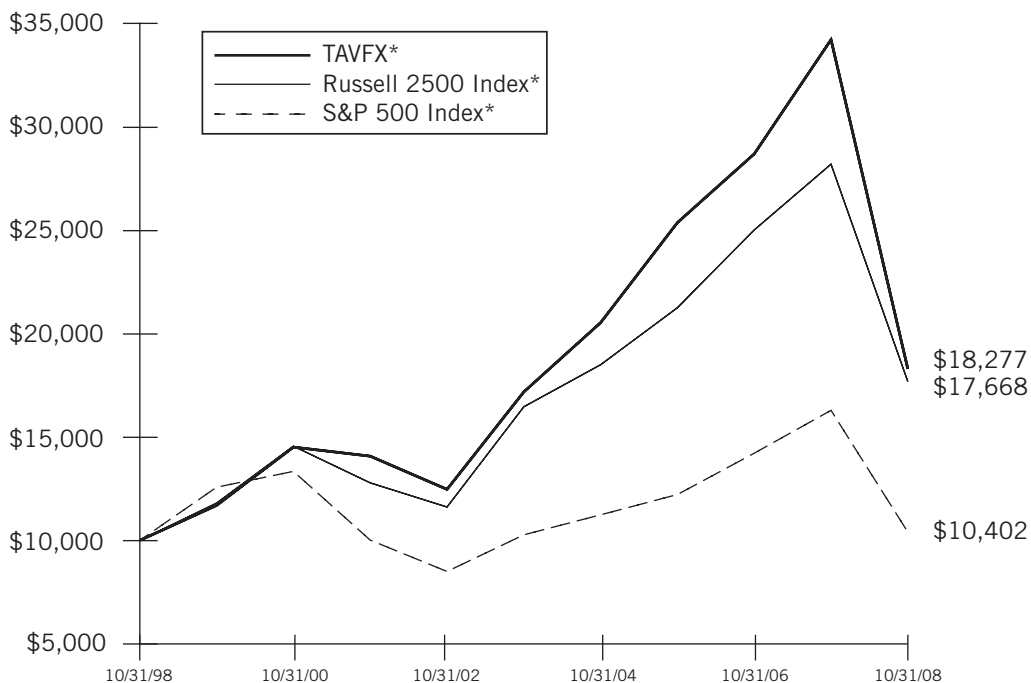
Performance Information (Unaudited)

Performance Illustration

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN **THIRD AVENUE VALUE FUND (TAVFX)**,
THE RUSSELL 2500 INDEX AND THE STANDARD & POOR'S 500 INDEX (S&P 500)
FOR THE TEN YEARS ENDED OCTOBER 31, 2008

Average Annual Total Return

1 Year (46.52%)	3 Years (10.32%)	5 Years 1.26%	10 Years 6.22%
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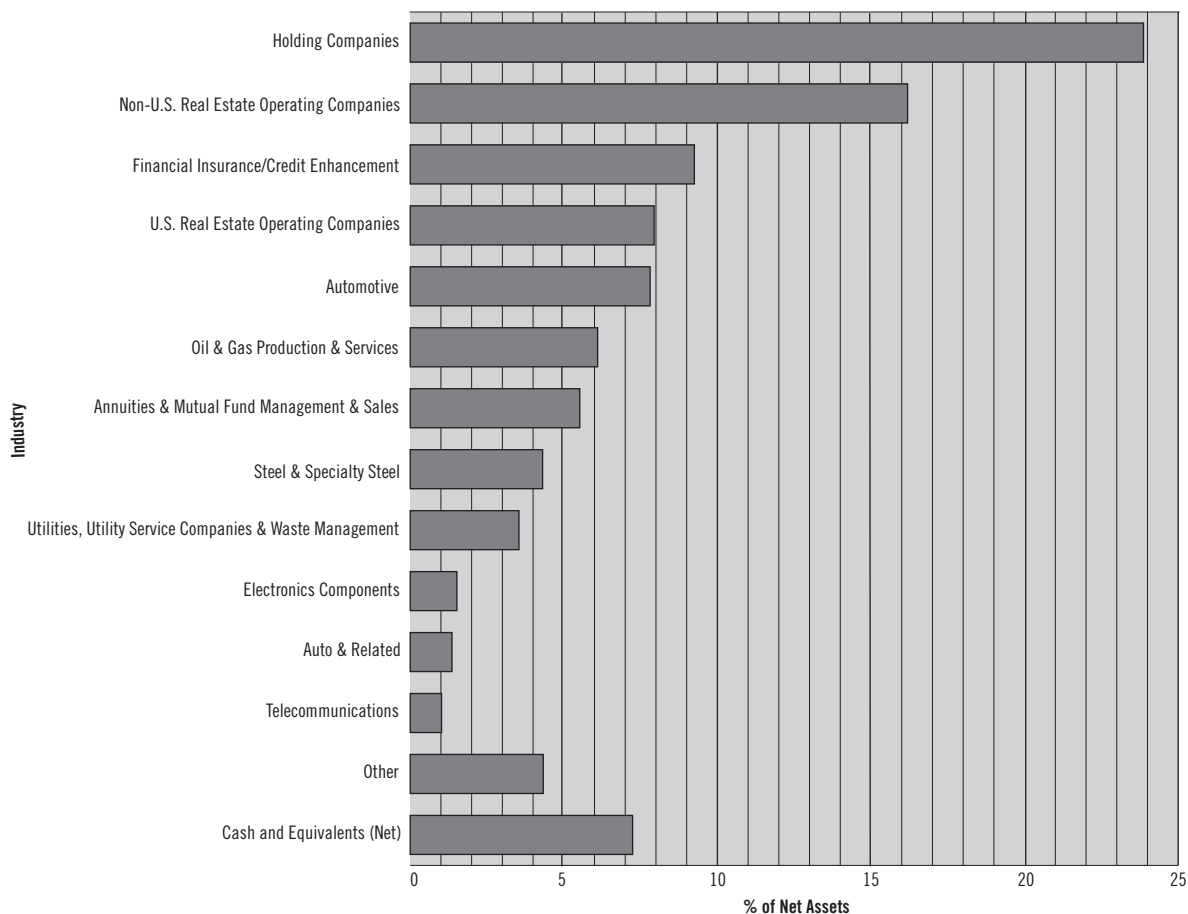
* All returns include reinvestment of all distributions.

As with all mutual funds, past performance does not indicate future results. The returns shown in the graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.



**Third Avenue Trust
Third Avenue Value Fund
Industry Diversification
at October 31, 2008**

**The summary of the Fund's investments as of October 31, 2008 is as follows:
(Unaudited)**



The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments
at October 31, 2008**

Principal Amount (†)	Value (Note 1)	Shares	Value (Note 1)
Corporate Bonds - 5.64%		Preferred Stocks - 0.03%	
	Auto & Related - 1.36%		Auto Supply - 0.02%
2,005,000	General Motors Corp., step bond, 0.000% until 3/15/16 (7.750% thereafter), due 3/15/36	759,866	ISE Corp. Series B (a) (b) \$ —
	\$ 280,700	977,469	ISE Corp. Series C (a) (b) 1,064,464
10,000,000	GMAC LLC, 7.750%, due 1/19/10		1,064,464
49,652,000	GMAC LLC, 7.250%, due 3/2/11		
50,002,000	EUR GMAC LLC, 5.375%, due 6/6/11	6,045,667	Financial Insurance/ Credit Enhancement - 0.00%
	73,074,374		CGA Group, Ltd. Series C (Bermuda) (a) (b) —
			Insurance & Reinsurance - 0.01%
15,086,010	Consumer Products - 0.27% Home Products International, Inc., 2nd Lien, Convertible, PIK, 6.000%, due 3/20/17 (b)	4,775	Ecclesiastical Insurance, 8.625% (United Kingdom) 7,478
	14,647,007	1,022,245	RS Holdings Corp., Convertible, Class A (a) (b) 367,047
			374,525
			Total Preferred Stocks (Cost \$14,103,694) 1,438,989
355,167,000	Financial Insurance/ Credit Enhancement - 3.57% MBIA Insurance Corp., 14.000%, due 1/15/33 (d) (h)		
	191,941,126		Common Stocks - 86.97%
8,250,000	Financial Services - 0.10% CIT Group, Inc., 4.750%, due 12/15/10		Annuities & Mutual Fund Management & Sales - 5.52%
	5,056,763		Bank of New York Mellon Corp. (The) 179,300,000
		5,500,000	Power Corp. of Canada (Canada) 111,903,759
9,800,000	Home Development - 0.20% Standard Pacific Corp.: 6.250%, due 4/1/14	5,148,000	Westwood Holdings Group, Inc. 5,338,780
9,415,000	7.000%, due 8/15/15	139,212	296,542,539
	5,696,075		
	10,743,075		Auto Supply - 0.00%
		217,210	ISE Corp. (a) (b) —
15,000,000	U.S. Real Estate Operating Companies - 0.14% Forest City Enterprises, Inc., 3.625%, due 10/15/11	18,576,400	Automotive - 7.81% Toyota Industries Corp. (Japan) (c) 419,379,422
	7,741,500		Consumer Products - 0.00%#
		526,368	Home Products International, Inc. (a) (b) (c) 26,318
	Total Corporate Bonds (Cost \$446,316,811) 303,203,845		

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at October 31, 2008**

Shares		Value (Note 1)	Shares		Value (Note 1)
Common Stocks (continued)			Holding Companies (continued)		
	Depository Institutions - 0.48%		3,317,350	RHJ International (Belgium) (a)	\$ 17,955,654
218,500	Carver Bancorp, Inc. (c)	\$ 1,472,690	48,526,822	Wharf (Holdings), Ltd. (The)	
19,558,450	Chong Hing Bank, Ltd. (Hong Kong)	24,574,668		(Hong Kong)	96,821,712
		<u>26,047,358</u>	90,996,500	Wheelock & Co., Ltd. (Hong Kong)	136,317,337
	Electronics Components - 1.52%				<u>1,282,438,376</u>
9,046,200	AVX Corp. (c)	81,596,724		Home Development - 0.63%	
	Financial Insurance/ Credit Enhancement - 5.68%		1,000,000	MDC Holdings, Inc.	33,630,000
25,707,362	Ambac Financial Group, Inc. (c)	68,895,730		Industrial & Agricultural Equipment - 0.57%	
3,806,722	Manifold Capital Holdings, Inc. (a) (b) (c) (f)	38,067	594,300	Alamo Group, Inc. (c)	7,476,294
19,349,845	MBIA, Inc. (a) (c)	190,208,976	360,100	Mestek, Inc. (a)	2,979,828
2,000,000	MGIC Investment Corp.	7,760,000	360,100	Omega Flex, Inc.	7,702,539
10,649,350	Radian Group, Inc. (c)	38,337,660	480,500	Standex International Corp.	12,401,705
		<u>305,240,433</u>			<u>30,560,366</u>
	Financial Services - 0.25%			Insurance & Reinsurance - 0.01%	
3,250,000	CIT Group, Inc.	13,455,000	127,500	Olympus Re Holdings, Ltd.	
	Healthcare Services - 0.32%			(Bermuda) (a) (b)	747,150
342,300	Datascope Corp.	17,173,191	32,089	RS Holdings Corp., Class A (a) (b)	11,522
	Holding Companies - 23.87%				<u>758,672</u>
10,000,000	Brookfield Asset Management, Inc., Class A (Canada)	180,300,000		Mutual Holding Companies - 0.33%	
83,370	Capital Southwest Corp.	8,503,740	637,122	Brooklyn Federal Bancorp, Inc.	9,238,269
53,819,000	Cheung Kong Holdings, Ltd. (Hong Kong)	516,744,482	50,920	Colonial Bankshares, Inc. (a)	432,820
3,951,800	Guoco Group, Ltd. (Hong Kong) ¹	23,210,525	490,036	FedFirst Financial Corp. (a) (c)	2,864,261
12,713,000	Hutchison Whampoa, Ltd. (Hong Kong)	68,699,398	205,511	Gouverneur Bancorp, Inc.	1,592,710
10,665,000	Investor AB, Class A (Sweden)	154,666,146	274,157	Home Federal Bancorp, Inc. (c)	1,932,807
2,200,000	Jardine Matheson Holdings, Ltd. (Hong Kong) ¹	51,700,000	242,800	SFSB, Inc. (a) (c)	1,606,122
359,250	Pargesa Holding SA (Switzerland)	27,519,382			<u>17,666,989</u>
			1,697,500	Non-Life Insurance- Japan - 0.97%	
				Tokio Marine Holdings, Inc., (Japan)	52,360,906

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at October 31, 2008**

Shares		Value (Note 1)	Shares		Value (Note 1)
Common Stocks (continued)			U.S. Real Estate Operating Companies (continued)		
	Non-U.S. Real Estate Operating Companies - 16.19%				
24,220,000	Hang Lung Group, Ltd. (Hong Kong)	\$ 77,939,354	6,415,712	St. Joe Co. (The) (a) (c)	\$ 198,373,815
30,534,000	Hang Lung Properties, Ltd. (Hong Kong)	74,609,647	3,420,106	Tejon Ranch Co. (a) (c)	99,388,281
119,598,738	Henderson Land Development Co., Ltd. (Hong Kong) (c)	432,515,953			<u>419,009,038</u>
8,151,000	Mitsubishi Estate Co., Ltd. (Japan)	145,604,169		Utilities, Utility Service Companies & Waste Management - 3.54%	
7,970,000	Mitsui Fudosan Co., Ltd. (Japan)	139,022,858	8,816,889	Covanta Holding Corp. (a) (c)	190,092,127
		<u>869,691,981</u>		Total Common Stocks (Cost \$5,877,516,764)	<u>4,672,355,158</u>
	Oil & Gas Production & Services - 6.10%			Investment Amount (\$) or Partnership Units	
2,000,630	Cimarex Energy Co.	80,945,490		Limited Partnerships - 0.12%	
776,800	EnCana Corp. (Canada)	39,546,888		Infrastructure - 0.11%	
11,090,000	Nabors Industries, Ltd. (Bermuda) (a)	159,474,200	400,000	Brookfield Infrastructure Partners LP ²	6,000,000
2,000,000	Suncor Energy, Inc. (Canada)	47,840,000		Insurance & Reinsurance - 0.01%	
		<u>327,806,578</u>		Insurance Partners II Equity Fund, L.P. (a) (b)	308,898
47,457	Retail - 0.05% Sears Holdings Corp. (a)	2,740,167		Total Limited Partnerships (Cost \$8,007,814)	<u>6,308,898</u>
3,445,500	Steel & Specialty Steel - 4.31% POSCO, ADR (South Korea)	231,503,145	1,805,000		
10,000,000	Telecommunications - 1.02% Sycamore Networks, Inc. (a)	33,400,000		Principal Amount (†)	
5,008,450	Tellabs, Inc. (a)	21,235,828		Short Term Investments - 6.85%	
		<u>54,635,828</u>		Foreign Government Obligations - 2.98%	
18,975,821	U.S. Real Estate Operating Companies - 7.80% FNC Realty Corp. (a) (b)	11,309,589	100,000,000	GBP United Kingdom Treasury Bill, 4.93% [‡] , due 12/15/08 (g)	160,284,549
9,149,445	Forest City Enterprises, Inc., Class A (c)	108,786,901			
22,500	Forest City Enterprises, Inc., Class B	270,900			
36,648	Homefed Corp. (a)	879,552			

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at October 31, 2008**

Principal Amount (\$)	Value (Note 1)
Short Term Investments (continued)	
	Repurchase Agreement - 3.87%
207,739,425	JP Morgan Securities, Inc., 0.10%, dated 10/31/08, due 11/3/08 (e)
	<u>\$ 207,739,425</u>
	Total Short Term Investments
	(Cost \$404,607,727)
	<u>368,023,974</u>
	Total Investment
	Portfolio - 99.61%
	(Cost \$6,750,552,810)
	5,351,330,864
	Other Assets less
	Liabilities - 0.39%
	<u>20,963,588</u>
	NET ASSETS - 100.00%
	(Applicable to 152,814,331 shares outstanding)
	<u><u>\$5,372,294,452</u></u>

(g) A portion of this security is segregated for future fund commitments.

(h) Variable rate security.

Amount represents less than 0.01% of total net assets.

† Denominated in U.S. Dollars unless otherwise noted.

‡ Annualized yield at date of purchase.

¹ Incorporated in Bermuda.

² Bermuda exempted limited partnership.

The aggregate cost for federal income tax purposes is \$6,836,389,901.

The aggregate gross unrealized appreciation for federal income tax purposes is \$467,850,801.

The aggregate gross unrealized depreciation for federal income tax purposes is \$(1,952,909,838).

Country Concentration

	% of Net Assets
United States	36.49%
Hong Kong	27.98
Japan	14.08
Canada	7.07
South Korea	4.31
United Kingdom	2.98
Bermuda	2.98
Sweden	2.88
Switzerland	0.51
Belgium	0.33
Total	<u>99.61%</u>

Notes:

ADR: American Depository Receipt.

EUR: Euro.

GBP: Great British Pound.

PIK: Payment-in-kind.

(a) Non-income producing security.

(b) Fair-valued security.

(c) Affiliated issuers - as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).

(d) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.

(e) Repurchase agreement collateralized by U.S. Treasury Inflation Indexed Notes, par value \$211,530,000, due 4/15/11-7/15/15, value \$213,689,450.

(f) Security is subject to restrictions on resale.

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Value Fund
Statement of Assets and Liabilities
October 31, 2008

Assets:

Investments at value (Notes 1 and 4):	
Unaffiliated issuers (cost of \$4,125,553,776)	\$ 3,508,338,716
Affiliated issuers (cost of \$2,624,999,034)	1,842,992,148
Total investments (cost of \$6,750,552,810)	5,351,330,864
Dividends and interest receivable	33,459,701
Receivable for fund shares sold	12,088,790
Other receivables	224,340
Other assets	161,289
Total assets	<u>5,397,264,984</u>

Liabilities:

Payable for fund shares redeemed	17,425,974
Payable to investment adviser	4,268,738
Accounts payable and accrued expenses	1,962,677
Payable for other shareholder servicing fees (Note 3)	1,268,531
Payable to trustees	42,384
Payable for securities purchased	2,228
Total liabilities	<u>24,970,532</u>
Net assets	<u>\$ 5,372,294,452</u>

Summary of net assets:

Capital stock, unlimited shares authorized, \$0.001 par value, 152,814,331 shares outstanding	\$ 6,856,996,756
Accumulated distributions in excess of net investment income	(87,513,817)
Accumulated undistributed net realized gains from investments and foreign currency transactions	1,757,661
Net unrealized depreciation of investments and translation of foreign currency denominated assets and liabilities	<u>(1,398,946,148)</u>
Net assets applicable to capital shares outstanding	<u>\$ 5,372,294,452</u>
Net asset value, offering and redemption price per share	<u>\$35.16</u>

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Value Fund
Statement of Operations
For the Year Ended October 31, 2008**

Investment Income:

Interest	\$ 84,360,907
Dividends - unaffiliated issuers (net of foreign withholding tax of \$6,875,689)	157,013,776
Dividends - affiliated issuers (net of foreign withholding tax of \$781,786) (Note 4)	38,271,339
Securities lending income (Note 1)	3,151,952
Other income	106,166
Total investment income	<u>282,904,140</u>

Expenses:

Investment advisory fees (Note 3)	85,131,679
Other shareholder servicing fees (Note 3)	11,481,621
Transfer agent fees	2,152,221
Reports to shareholders	1,927,146
Custodian fees	1,598,028
Administration fees (Note 3)	574,108
Trustees' and officers' fees and expenses	542,677
Accounting services	361,276
Legal fees	294,315
Auditing and tax consulting fees	155,804
Insurance expenses	118,757
Registration and filing fees	116,597
Miscellaneous expenses	92,485
Total operating expenses	<u>104,546,714</u>
Net investment income	<u>178,357,426</u>

Realized and unrealized gain (loss) on investments and foreign currency transactions:

Net realized gain on investments - unaffiliated issuers	310,169,640
Net realized loss on investments - affiliated issuers	(229,713,601)
Net realized loss on foreign currency transactions	(57,212,097)
Net change in unrealized appreciation/depreciation on investments	(5,519,047,090)
Net change in unrealized appreciation/depreciation on translation of other assets and liabilities denominated in foreign currency	(157,672)
Net loss on investments and foreign currency transactions	<u>(5,495,960,820)</u>

Net decrease in net assets resulting from operations \$(5,317,603,394)

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Value Fund
Statement of Changes in Net Assets**

	For the Year Ended October 31, 2008	For the Year Ended October 31, 2007
Operations:		
Net investment income	\$ 178,357,426	\$ 143,011,028
Net realized gain (loss) on investments - unaffiliated issuers	310,169,640	(215,990)
Net realized gain (loss) on investments - affiliated issuers	(229,713,601)	87,612,500
Net realized gain (loss) on foreign currency transactions	(57,212,097)	57,475,941
Net change in unrealized appreciation/depreciation on investments	(5,519,047,090)	1,588,973,021
Net change in unrealized appreciation/depreciation on translation of other assets and liabilities denominated in foreign currency	(157,672)	660,870
Net increase (decrease) in net assets resulting from operations	<u>(5,317,603,394)</u>	<u>1,877,517,370</u>
Distributions:		
Dividends to shareholders from net investment income	(290,328,131)	(503,986,709)
Distributions to shareholders from net realized gains	(81,601,076)	(15,884,314)
Decrease in net assets from distributions	<u>(371,929,207)</u>	<u>(519,871,023)</u>
Capital Share Transactions:		
Proceeds from sale of shares	1,985,873,317	2,849,769,349
Net asset value of shares issued in reinvestment of dividends and distributions	335,108,496	472,646,793
Redemption fees	418,100	285,999
Cost of shares redeemed	(3,384,520,600)	(1,830,974,752)
Net increase (decrease) in net assets resulting from capital share transactions	<u>(1,063,120,687)</u>	<u>1,491,727,389</u>
Net increase (decrease) in net assets	(6,752,653,288)	2,849,373,736
Net assets at beginning of year	<u>12,124,947,740</u>	<u>9,275,574,004</u>
Net assets at end of year	<u>\$ 5,372,294,452</u>	<u>\$12,124,947,740</u>

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Value Fund
Financial Highlights**

Selected data (for a share outstanding throughout each year) and ratios are as follows:

	Years Ended October 31,				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net asset value, beginning of year	\$68.04	\$60.29	\$58.62	\$48.16	\$40.62
Income (loss) from investment operations:					
Net investment income	1.01 [®]	1.52	2.40	0.60	0.16
Net gain (loss) on securities (both realized and unrealized)	<u>(31.80)¹</u>	<u>9.57¹</u>	<u>4.76¹</u>	<u>10.64¹</u>	<u>7.70¹</u>
Total from investment operations	<u>(30.79)</u>	<u>11.09</u>	<u>7.16</u>	<u>11.24</u>	<u>7.86</u>
Less distributions:					
Dividends from net investment income	(1.63)	(3.24)	(1.61)	(0.78)	(0.32)
Distributions from realized gains	<u>(0.46)</u>	<u>(0.10)</u>	<u>(3.88)</u>	—	—
Total distributions	<u>(2.09)</u>	<u>(3.34)</u>	<u>(5.49)</u>	<u>(0.78)</u>	<u>(0.32)</u>
Net asset value, end of year	<u>\$35.16</u>	<u>\$68.04</u>	<u>\$60.29</u>	<u>\$58.62</u>	<u>\$48.16</u>
Total return	(46.52%)	19.25%	13.08%	23.55%	19.48%
Ratios/Supplemental Data:					
Net assets, end of year (in thousands)	\$5,372,294	\$12,124,948	\$9,275,574	\$6,369,236	\$3,797,964
Ratio of expenses to average net assets	1.11%	1.08%	1.08%	1.10%	1.12%
Ratio of net investment income to average net assets	1.89%	1.32%	2.83%	0.77%	0.34%
Portfolio turnover rate	17%	5%	7%	16%	8%

¹ Includes redemption fees of less than \$0.01 per share.

[®] Calculated based on the average number of shares outstanding during the period.

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio Management Discussion – October 31, 2008
(Unaudited)

At October 31, 2008, the audited net asset value attributable to each of the 83,426,942 common shares outstanding of the Third Avenue Small-Cap Value Fund (“TASCX”) was \$16.45 per share. This compares with an audited net asset value at October 31, 2007 of \$24.94 per share, adjusted for a subsequent distribution to shareholders.

**Average Annual Returns for the periods
ended October 31, 2008**

	One Year ended 10/31/08	Three Year	Five Year	Ten Year	Since Inception (4/1/97)
Third Avenue Small-Cap Value Fund	(33.50%)	(6.36%)	2.27%	7.78%	7.32%
Russell 2000 Index	(34.16%)	(4.79%)	1.57%	4.90%	5.28%
Russell 2000 Value Index	(30.54%)	(4.49%)	3.05%	7.40%	7.78%
S&P Small Cap 600 Index	(32.44%)	(4.36%)	3.33%	7.11%	7.54%

The Third Avenue Small-Cap Value Fund (the “Fund”) seeks to achieve long-term capital appreciation and does not attempt to track any benchmark. However, various comparative indices are included above for illustrative purposes, both for the most recent year and over longer periods. The Fund, which was down 33.5% during this fiscal year ended October 31, 2008, underperformed two of the three indices listed above — the Russell 2000 Value Index and, to a lesser extent, the S&P Small Cap 600 Index. The Fund’s performance was in line with that of the Russell 2000 Index. We believe that the Fund’s long-term performance measured in absolute terms should be accorded the heaviest weight in judging performance rather than short-term relative performance.

The Fund’s poor 2008 performance is largely attributable to indiscriminate selling from panicked and, in many cases, leveraged investors, not to any fundamental deterioration in the long-term business prospects of the companies in which the Fund has invested. We continue to be pleased with the quality of the companies in which the Fund is invested.

Significant detractors to performance during the year included Lanxess AG, Brookfield Asset Management and Forest City Enterprises. Lanxess is a global chemical company headquartered in Germany which was spun off from Bayer AG in 2005. While softening demand in the U.S. and Europe, as well as rising input costs, have weighed on the business results in recent periods, we continue to like the company’s highly separable and saleable businesses and its leading market positions in a consolidating industry. The company continues to enjoy a strong financial position, generates strong cash flow and has evidenced pricing power across most product lines.

As with all real estate-related companies, Brookfield Asset Management and Forest City Enterprises have declined along with their peers, as a result of the credit crisis which deepened over the last 12 months. While these companies’ share prices have been negatively impacted by the market turmoil, our thesis for each stock remains unchanged. We retain high conviction in these holdings due to their attractive portfolios of assets in high barrier-to-entry markets and management teams with solid track records. Furthermore, we believe these companies should be able to capitalize on the market weakness to strengthen their competitive positions.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio Management Discussion (continued)
(Unaudited)

The Fund often benefits from “resource conversions” (e.g. mergers, takeovers), which means that it is not necessarily reliant on the public markets for value realization. In the last 12 months notable resource conversions included the acquisition of ASV, Inc. (a maker of rubber track loaders used in construction) by Terex in March and the purchase of Fording Canadian Coal Trust (“Fording”), one of the largest global producers of seaborne, metallurgical coal, by Teck Cominco in October. We eliminated the Fording position before the deal closed, generating an attractive internal rate of return.

Fording was the Fund’s top positive contributor during the fiscal year, benefiting not only from news related to “strategic alternatives”, but also from a very attractive supply/demand environment, which led to unprecedented price spikes across virtually all grades of coal. Railroad company, Genesee & Wyoming Inc., was also among the top contributors to the Fund’s performance during the fiscal year, as it too benefited from the positive pricing and volume trends.

The Fund continues to look for suitable investment opportunities that meet our strict investment criteria, both in the United States and abroad.

THE INFORMATION IN THE PORTFOLIO MANAGEMENT DISCUSSION REPRESENTS A FACTUAL OVERVIEW OF THE FUND’S PERFORMANCE AND IS NOT INTENDED TO BE A FORECAST OF FUTURE EVENTS, A GUARANTEE OF FUTURE RESULTS NOR INVESTMENT ADVICE. VIEWS EXPRESSED ARE THOSE OF THE INVESTMENT TEAM AND MAY DIFFER FROM THOSE OF OTHER INVESTMENT TEAMS OR THE FIRM AS A WHOLE. ALSO, PLEASE NOTE THAT ANY DISCUSSION OF THE PORTFOLIO’S HOLDINGS, THE FUND’S PERFORMANCE, AND THE INVESTMENT TEAM’S VIEWS ARE AS OF OCTOBER 31, 2008, AND ARE SUBJECT TO CHANGE.

Small-cap companies carry additional risks because their share prices may be more volatile, and their securities less liquid than larger, more established companies. Such investments may increase the risk of greater price fluctuations. These and other risks are described more fully in the Fund’s prospectus.

Third Avenue Small-Cap Value Fund **is offered by prospectus only**. The prospectus contains more complete information on advisory fees, distribution charges, and other expenses and should be read carefully before investing or sending money. Please read the prospectus carefully before you send money. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than original cost. The Fund’s returns should be viewed in light of its investment policy and objectives and quality of its portfolio securities and the periods selected. M.J. Whitman LLC Distributor.

If you should have any questions, or for updated information or a copy of our prospectus, please call 1-800-443-1021 or go to our web site at www.thirdave.com. Current performance may be lower or higher than performance quoted.



**Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio Management Discussion (continued)
(Unaudited)**

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index measures the performance of small companies. The S&P Small Cap 600 Index is a small cap index that covers approximately 3% of the U.S. equities market and is designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable. The Russell 2000 Value Index, Russell 2000 Index, and the S&P Small Cap 600 Index are not securities that can be purchased or sold, and their total returns are reflective of unmanaged portfolios. The returns include reinvestment of interest, capital gains and dividends.



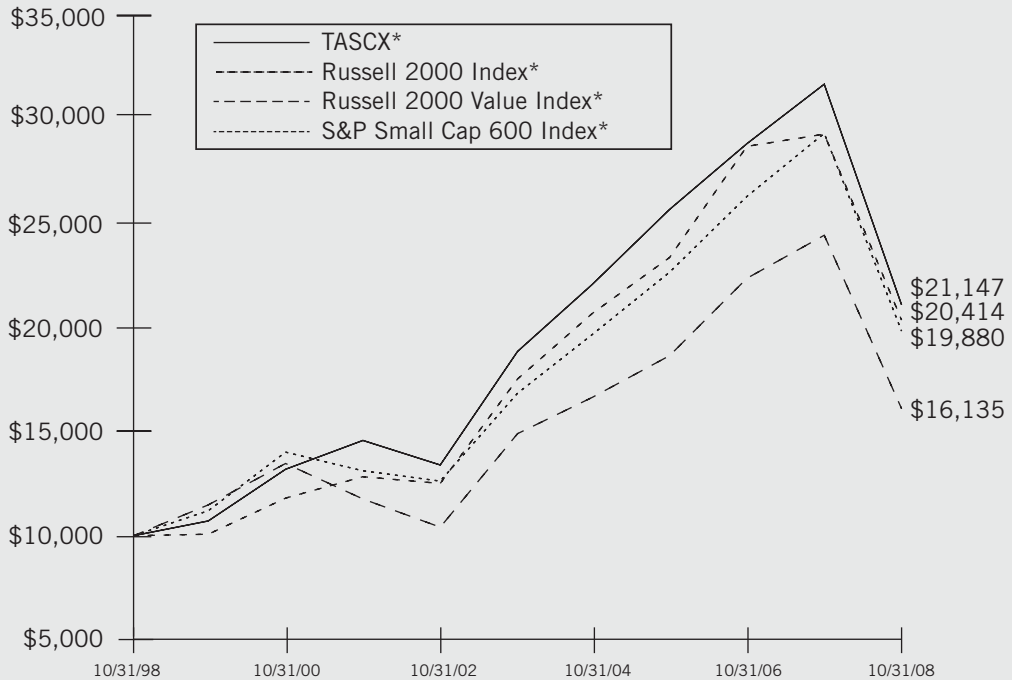
**Performance Information
(Unaudited)**

Performance Illustration

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN **THIRD AVENUE SMALL-CAP VALUE FUND (TASCX)**,
THE RUSSELL 2000 INDEX, THE RUSSELL 2000 VALUE INDEX AND THE S&P SMALL CAP 600 INDEX
FOR THE TEN YEARS ENDED OCTOBER 31, 2008

Average Annual Total Return

1 Year (33.50%)	3 Years (6.36%)	5 Years 2.27%	10 Years 7.78%
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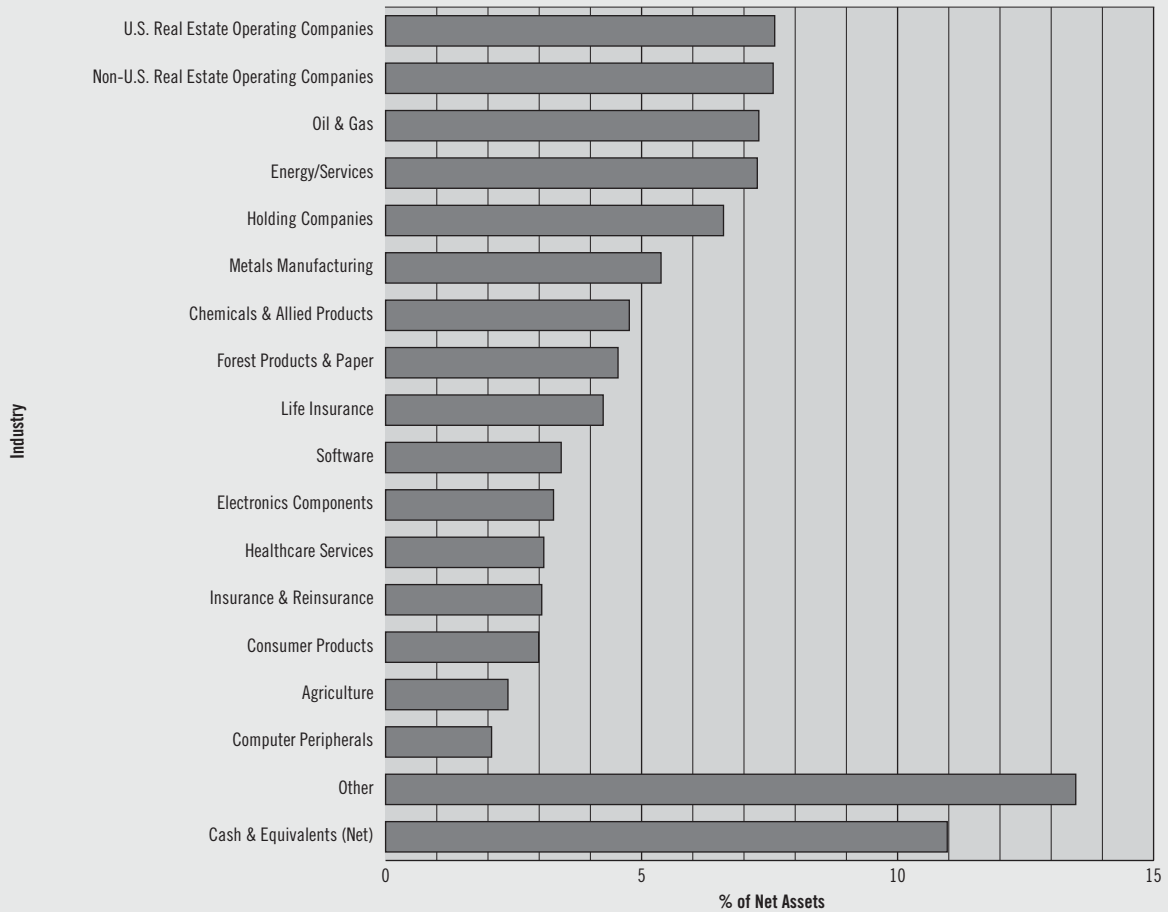
* All returns include reinvestment of all distributions.

As with all mutual funds, past performance does not indicate future results. The returns shown in the graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.



**Third Avenue Trust
Third Avenue Small-Cap Value Fund
Industry Diversification
at October 31, 2008**

**The summary of the Fund's investments as of October 31, 2008 is as follows:
(Unaudited)**



The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments
at October 31, 2008

Principal Amount (\$)	Value (Note 1)	Shares	Value (Note 1)
Corporate Debt Instruments - 2.13%			
Building & Construction - 0.10%			
2,000,000	Ply Gem Industries, Inc., 11.750%, due 6/15/13	\$ 1,320,000	
Financial Insurance/ Credit Enhancement - 1.51%			
38,500,000	MBIA Insurance Corp., 14.000%, due 1/15/33 (f) (g)	20,806,363	
Transportation - 0.52%			
12,500,000	Saint Acquisition Term Loan B, 6.280%, due 5/16/14 (g)	7,140,625	
Total Corporate Debt Instruments (Cost \$43,608,339)		29,266,988	
Shares		398,036	
Common Stocks & Warrants - 86.66%			
Aerospace & Defense - 0.68%			
706,505	Herley Industries, Inc. (a) (c)	9,396,516	
Agriculture - 2.39%			
5,175,287	Viterra, Inc. (Canada) (a)	32,847,379	
Auto Parts - 0.18%			
172,323	Superior Industries International, Inc.	2,464,219	
Cable Television Equipment - 1.09%			
1,021,400	CommScope, Inc. (a)	15,024,794	
Chemicals & Allied Products - 4.76%			
2,225,812	Lanxess AG (Germany)	33,715,300	
1,735,372	Westlake Chemical Corp.	31,635,832	
		65,351,132	
Computer Peripherals - 2.07%			
		815,109	Imation Corp.
		713,383	Lexmark International, Inc., Class A (a)
			18,426,683
			28,468,826
Consumer Products - 2.99%			
		782,071	JAKKS Pacific, Inc. (a)
		1,447,785	K-Swiss, Inc., Class A (c)
		598,694	Russ Berrie & Co., Inc. (a)
			17,494,928
			21,904,987
			1,616,474
			41,016,389
Diversified Media - 0.07%			
		398,036	Journal Communications, Inc., Class A
			995,090
Electronics Components - 3.28%			
		766,242	Bel Fuse, Inc., Class B (c)
		971,965	Electronics for Imaging, Inc. (a)
		836,355	Park Electrochemical Corp.
			16,627,451
			10,302,829
			18,081,995
			45,012,275
Energy/Services - 7.26%			
		989,428	Bristow Group, Inc. (a)
		1,700,615	Bronco Drilling Co., Inc. (a) (c)
		2,190,422	Pioneer Drilling Co. (a)
		437,400	Precision Drilling Trust (Canada)
		925,740	Tidewater, Inc.
			24,508,132
			13,128,748
			16,953,866
			4,697,676
			40,371,521
			99,659,943
Forest Products & Paper - 4.54%			
		3,161,600	Canfor Corp. (Canada) (a)
		21,530,352	Catalyst Paper Corp. (Canada) (a) (b) (c) (e)
			6,827,263
		1,765,706	Glatfelter
		3,390,400	TimberWest Forest Corp. (Canada)
			18,020,569
			18,204,429
			19,212,173
			62,264,434

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at October 31, 2008

Shares		Value (Note 1)	Shares		Value (Note 1)
Common Stocks & Warrants (continued)			Metals Manufacturing - 5.38%		
	Healthcare Services - 3.09%		2,126,051	Encore Wire Corp. (c)	\$ 40,756,398
2,859,278	Cross Country Healthcare, Inc. (a) (c)	\$ 32,367,027	986,637	Kaiser Aluminum Corp.	33,111,538
323,230	Pharmaceutical Product Development, Inc.	10,013,665			<u>73,867,936</u>
		<u>42,380,692</u>	1,050,668	Non-U.S. Real Estate Investment Trusts - 0.90%	
473,257	Holding Companies - 6.36% Ackermans & van Haaren NV (Belgium)	27,157,694		Derwent London PLC (United Kingdom)	<u>12,305,955</u>
2,102,287	Brookfield Asset Management, Inc., Class A (Canada)	37,904,235	5,296,500	Non-U.S. Real Estate Operating Companies - 7.57%	
3,111,000	JZ Capital Partners, Ltd. (Guernsey) (a)	3,812,826	10,148,000	Parco Co., Ltd. (Japan) (c)	48,028,908
495,300	Leucadia National Corp.	13,293,852		Sapporo Holdings, Ltd. (Japan)	<u>55,829,912</u>
158,571,369	PYI Corp., Ltd. (Hong Kong) ¹ (c)	5,123,029	1,100,806		
9,556,561	PYI Corp., Ltd. Warrants, expires 9/25/09 (Hong Kong) ¹ (a)	24,662	1,863,450	Oil & Gas - 7.29%	
		<u>87,316,298</u>	175,000	Cimarex Energy Co.	44,538,611
				St. Mary Land & Exploration Co.	46,381,270
				Whiting Petroleum Corp. (a)	<u>9,098,250</u>
					<u>100,018,131</u>
	Industrial Equipment - 1.46%			Retail - 1.36%	
278,671	Alamo Group, Inc.	3,505,681	1,891,945	Haverty Furniture Cos., Inc. (c)	<u>18,616,739</u>
2,578,586	Wacker Construction Equipment AG (Germany)	16,531,293		Securities Trading Services - 1.32%	
		<u>20,036,974</u>	889,483	Investment Technology Group, Inc. (a)	<u>18,154,348</u>
	Insurance & Reinsurance - 3.05%			Semiconductor Equipment Manufacturers & Related - 1.26%	
322,900	Arch Capital Group, Ltd. (Bermuda) (a)	22,522,275	98,728	Coherent, Inc. (a)	2,497,818
59,974	E-L Financial Corp., Ltd. (Canada)	19,405,841	1,774,506	Electro Scientific Industries, Inc. (a) (c)	<u>14,852,615</u>
		<u>41,928,116</u>			<u>17,350,433</u>
	Life Insurance - 4.25%			Software - 3.43%	
811,620	FBL Financial Group, Inc., Class A	14,170,885	477,557	Sybase, Inc. (a)	12,717,343
233,674	National Western Life Insurance Co., Class A (c)	44,112,978	1,876,460	Synopsys, Inc. (a)	<u>34,301,689</u>
		<u>58,283,863</u>			<u>47,019,032</u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at October 31, 2008

Shares		Value (Note 1)	Notional Amount (\$)		Value (Note 1)
Common Stocks & Warrants (continued)			Purchased Options - 1.00%		
	Telecommunications Equipment - 1.79%			Foreign Currency Put Options - 1.00%	
3,858,740	Sycamore Networks, Inc. (a)	\$ 12,888,192	100,000,000	Euro Currency, strike 1.435 EUR, expires 7/15/09	\$ 13,644,300
2,754,223	Tellabs, Inc. (a)	11,677,906			
		<u>24,566,098</u>		Total Purchased Options (Cost \$1,732,500)	<u>13,644,300</u>
	Transportation - 1.24%			Principal Amount (\$)	
511,591	Genesee & Wyoming, Inc., Class A (a)	<u>17,061,560</u>			
	U.S. Real Estate Operating Companies - 7.60%			Short Term Investments - 10.47%	
1,374,043	Alexander & Baldwin, Inc.	43,831,972	43,803,864	Repurchase Agreement - 3.19% JP Morgan Securities, Inc., 0.10%, dated 10/31/08, due 11/3/08 (d)	<u>43,803,864</u>
278,397	Alico, Inc.	10,966,058			
773,842	Forest City Enterprises, Inc., Class A	9,200,981		U.S. Government Obligations - 7.28%	
322,646	Tejon Ranch Co. (a)	9,376,093		U.S. Treasury Bills, 0.01%-0.72%†, due 11/6/08-1/8/09	<u>99,966,184</u>
930,806	Vail Resorts, Inc. (a)	30,958,608	100,000,000		
		<u>104,333,712</u>		Total Short Term Investments (Cost \$143,735,798)	<u>143,770,048</u>
	Total Common Stocks & Warrants (Cost \$1,433,736,502)	<u>1,189,599,704</u>		Total Investment	
				Portfolio - 100.50% (Cost \$1,642,813,139)	1,379,606,040
Investment Amount (\$)				Liabilities in excess of Other Assets - (0.50%)	<u>(6,865,642)</u>
	Limited Partnerships - 0.24%			NET ASSETS - 100.00% (Applicable to 83,426,942 shares outstanding)	<u>\$ 1,372,740,398</u>
	Holding Companies - 0.24%				
1,000,000	AP Alternative Assets, L.P. (Guernsey) (b)	<u>3,325,000</u>			
	Total Limited Partnerships (Cost \$20,000,000)	<u>3,325,000</u>			

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at October 31, 2008**

Notes:

EUR: Euro.

- (a) Non-income producing security.
- (b) Fair-valued security.
- (c) Affiliated issuers - as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).
- (d) Repurchase agreement collateralized by U.S. Treasury Inflation Indexed Note, par value \$42,990,000, due 4/15/11, value \$45,070,699.
- (e) Security is subject to restrictions on resale.
- (f) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- (g) Variable rate security.

† Annualized yield at date of purchase.

¹ Incorporated in Bermuda.

The aggregate cost for federal income tax purposes is \$1,649,119,212.

The aggregate gross unrealized appreciation for federal income tax purposes is \$112,841,775.

The aggregate gross unrealized depreciation for federal income tax purposes is \$(382,354,947).

Country Concentration

	% of Net Assets
United States	73.74%
Canada	10.12
Japan	7.57
Germany	3.66
Belgium	1.98
Bermuda	1.64
United Kingdom	0.90
Guernsey	0.52
Hong Kong	0.37
Total	<u>100.50%</u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Statement of Assets and Liabilities
October 31, 2008

Assets:

Investments at value (Notes 1 and 4):	
Unaffiliated issuers (cost of \$1,259,068,125)	\$1,107,863,381
Affiliated issuers (cost of \$383,745,014)	271,742,659
Total investments (cost of \$1,642,813,139)	<u>1,379,606,040</u>
Receivable for securities sold	4,427,084
Dividends and interest receivable	3,123,354
Receivable for fund shares sold	2,057,534
Other assets	46,465
Total assets	<u>1,389,260,477</u>

Liabilities:

Payable for securities purchased	12,006,630
Payable for fund shares redeemed	2,789,629
Payable to investment adviser	1,098,553
Accounts payable and accrued expenses	417,937
Payable for other shareholder servicing fees (Note 3)	201,964
Payable to trustees	5,366
Total liabilities	<u>16,520,079</u>
Net assets	<u>\$1,372,740,398</u>

Summary of net assets:

Capital stock, unlimited shares authorized, \$0.001 par value, 83,426,942 shares outstanding	\$1,597,318,300
Accumulated distributions in excess of net investment income	(2,282,408)
Accumulated undistributed net realized gains from investments and foreign currency transactions	40,931,333
Net unrealized depreciation of investments and translation of foreign currency denominated assets and liabilities	(263,226,827)
Net assets applicable to capital shares outstanding	<u>\$1,372,740,398</u>
Net asset value, offering and redemption price per share	<u>\$16.45</u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Statement of Operations
For the Year Ended October 31, 2008

Investment Income:

Interest	\$ 7,326,307
Dividends - unaffiliated issuers (net of foreign withholding tax of \$1,126,566)	18,282,724
Dividends - affiliated issuers (net of foreign withholding tax of \$48,579) (Note 4)	2,657,877
Other income	14,470
Total investment income	<u>28,281,378</u>

Expenses:

Investment advisory fees (Note 3)	17,005,374
Other shareholder servicing fees (Note 3)	1,924,748
Transfer agent fees	610,900
Reports to shareholders	333,422
Custodian fees	280,545
Legal fees	134,200
Accounting services	132,936
Administration fees (Note 3)	113,425
Trustees' and officers' fees and expenses	101,367
Auditing and tax consulting fees	74,000
Registration and filing fees	27,270
Insurance expenses	26,229
Miscellaneous expenses	33,164
Total operating expenses	<u>20,797,580</u>
Net investment income	<u>7,483,798</u>

Realized and unrealized gain (loss) on investments and foreign currency transactions:

Net realized gain on investments - unaffiliated issuers	61,036,553
Net realized loss on investments - affiliated issuers	(17,871,917)
Net realized loss on foreign currency transactions	(668,996)
Net change in unrealized appreciation/depreciation on investments	(760,276,987)
Net change in unrealized appreciation/depreciation on translation of other assets and liabilities denominated in foreign currency	(20,813)
Net loss on investments and foreign currency transactions	<u>(717,802,160)</u>
Net decrease in net assets resulting from operations	<u><u>\$(710,318,362)</u></u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Statement of Changes in Net Assets

	For the Year Ended October 31, 2008	For the Year Ended October 31, 2007
Operations:		
Net investment income	\$ 7,483,798	\$ 22,712,135
Net realized gain on investments - unaffiliated issuers	61,036,553	188,515,754
Net realized gain (loss) on investments - affiliated issuers	(17,871,917)	10,147,421
Net realized loss on written options	—	(2,550,991)
Net realized gain (loss) on foreign currency transactions	(668,996)	268,355
Net change in unrealized appreciation/depreciation on investments	(760,276,987)	5,947,736
Net change in unrealized appreciation/depreciation on written options	—	1,006,062
Net change in unrealized appreciation/depreciation on translation of other assets and liabilities denominated in foreign currency	(20,813)	(755)
Net increase (decrease) in net assets resulting from operations	<u>(710,318,362)</u>	<u>226,045,717</u>
Distributions:		
Dividends to shareholders from net investment income	(17,712,366)	(38,284,487)
Distributions to shareholders from net realized gains	<u>(196,097,335)</u>	<u>(88,482,951)</u>
Decrease in net assets from distributions	<u>(213,809,701)</u>	<u>(126,767,438)</u>
Capital Share Transactions:		
Proceeds from sale of shares	364,707,732	194,177,477
Net asset value of shares issued in reinvestment of dividends and distributions	201,197,690	118,575,359
Redemption fees	251,711	183,035
Cost of shares redeemed	<u>(514,630,600)</u>	<u>(576,496,310)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>51,526,533</u>	<u>(263,560,439)</u>
Net decrease in net assets	(872,601,530)	(164,282,160)
Net assets at beginning of year	<u>2,245,341,928</u>	<u>2,409,624,088</u>
Net assets at end of year (including undistributed net investment income of \$0 and \$6,598,417, respectively)	<u>\$1,372,740,398</u>	<u>\$2,245,341,928</u>

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Small-Cap Value Fund
Financial Highlights**

Selected data (for a share outstanding throughout each year) and ratios are as follows:

	Years Ended October 31,				
	2008	2007	2006	2005	2004
Net asset value, beginning of year	<u>\$27.66</u>	<u>\$26.54</u>	<u>\$24.23</u>	<u>\$20.98</u>	<u>\$18.02</u>
Income (loss) from investment operations:					
Net investment income	0.09 [®]	0.27	0.44	0.17	0.05
Net gain (loss) on securities (both realized and unrealized)	<u>(8.58)¹</u>	<u>2.27¹</u>	<u>2.50¹</u>	<u>3.25²</u>	<u>3.02²</u>
Total from investment operations	<u>(8.49)</u>	<u>2.54</u>	<u>2.94</u>	<u>3.42</u>	<u>3.07</u>
Less distributions:					
Dividends from net investment income	(0.23)	(0.43)	(0.30)	(0.09)	(0.03)
Distributions from realized gains	<u>(2.49)</u>	<u>(0.99)</u>	<u>(0.33)</u>	<u>(0.08)</u>	<u>(0.08)</u>
Total distributions	<u>(2.72)</u>	<u>(1.42)</u>	<u>(0.63)</u>	<u>(0.17)</u>	<u>(0.11)</u>
Net asset value, end of year	<u>\$16.45</u>	<u>\$27.66</u>	<u>\$26.54</u>	<u>\$24.23</u>	<u>\$20.98</u>
Total return	(33.50%)	9.93%	12.33%	16.36%	17.11%
Ratios/Supplemental Data:					
Net assets, end of year (in thousands)	\$1,372,740	\$2,245,342	\$2,409,624	\$1,873,516	\$956,945
Ratio of expenses to average net assets	1.10%	1.09%	1.09%	1.13%	1.14%
Ratio of net investment income to average net assets	0.40%	0.95%	1.67%	0.80%	0.28%
Portfolio turnover rate	46%	27%	15%	11%	10%

¹ Includes redemption fees of less than \$0.01 per share.

² Includes redemption fees of \$0.01 per share.

[®] Calculated based on the average number of shares outstanding during the period.

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio Management Discussion – October 31, 2008
(Unaudited)

At October 31, 2008, the audited net asset value attributable to each of the 77,446,102 common shares outstanding of the Third Avenue Real Estate Value Fund (“TAREX”) was \$16.21 per share. This compares with an audited net asset value at October 31, 2007 of \$31.62 per share, adjusted for a subsequent distribution to shareholders.

	Average Annual Returns for the periods ended October 31, 2008				
	One Year ended 10/31/08	Three Year	Five Year	Ten Year	Since Inception (9/17/98)
Third Avenue Real Estate Value Fund	(47.87%)	(10.02%)	2.05%	9.51%	9.69%
Bloomberg Real Estate Operating Co. Index	(53.11%)	(22.59%)	(2.79%)	4.46%	4.89%
Bloomberg World Real Estate Index	(64.92%)	(12.11%)	0.97%	N/A*	N/A*
DJ Wilshire Real Estate Securities Index	(41.99%)	(7.27%)	4.64%	8.69%	9.17%

* The Bloomberg World Real Estate Index was not constituted and calculated for these periods.

The Third Avenue Real Estate Value Fund (the “Fund”) seeks to achieve long-term capital appreciation. Although the Fund does not attempt to track any benchmark, various comparative indices are included above for illustrative purposes, both for the most recent year and over longer periods. On a relative basis, the Fund, which was down 47.9% for the fiscal year ended October 31, 2008, outperformed the Bloomberg World Real Estate Index and the Bloomberg Real Estate Operating Co. Index, and underperformed the DJ Wilshire Real Estate Securities Index. The Fund’s long-term deep value investment philosophy, focusing on capital appreciation rather than on income generation, typically leads us to invest in real estate operating companies rather than in real estate investment trusts (REITs). Since the widely recognized benchmark — the DJ Wilshire Real Estate Securities Index — is comprised almost entirely of U.S.-based REITs, it does not provide a particularly useful comparison to the Fund. Please note that the Fund is managed for the long term and does not seek to maximize short-term performance. We believe that the Fund’s performance should be judged over the long term absolute, rather than against any of these indices.

During the twelve-month period ended October 31, 2008 the Fund was negatively impacted, along with other financial sector and real estate stocks around the globe, by the indiscriminate selling amid the well-publicized credit crisis. Despite the challenging macro environment, we believe the vast majority of the Fund’s holdings have not experienced permanent impairments of value. The Fund’s investments are concentrated in well-financed companies that we believe have the ability to survive a downturn without reliance upon access to the capital markets.

The Fund’s key detractors during the past twelve months were Forest City and Brookfield Asset Management, two long-term holdings with exceptional portfolios of assets, robust balance sheets, and management teams with strong track records. Most importantly, these companies have the ability to continue to grow in value. For instance, Forest City has an underappreciated pipeline of development projects in markets with high barriers to entry; and Brookfield has excess capital to deploy, which should allow it to strengthen its portfolio of assets by taking advantage of forced sellers in this environment.



Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio Management Discussion (continued)
(Unaudited)

The key positive contributor during the past twelve months was Quadra Realty Trust, a U.S. mortgage REIT that was taken private during the second quarter.

We continue to look for suitable investment opportunities that meet the Fund's strict investment criteria. Given the Fund's opportunistic approach, it has recently become significantly more weighted towards Hong Kong and Japan, where we continue to find compelling investment opportunities. The Fund has recently taken advantage of its flexible mandate by making investments in distressed debt instruments.

THE INFORMATION IN THE PORTFOLIO MANAGEMENT DISCUSSION REPRESENTS A FACTUAL OVERVIEW OF THE FUND'S PERFORMANCE AND IS NOT INTENDED TO BE A FORECAST OF FUTURE EVENTS, A GUARANTEE OF FUTURE RESULTS NOR INVESTMENT ADVICE. VIEWS EXPRESSED ARE THOSE OF THE INVESTMENT TEAM AND MAY DIFFER FROM THOSE OF OTHER INVESTMENT TEAMS OR THE FIRM AS A WHOLE. ALSO, PLEASE NOTE THAT ANY DISCUSSION OF THE PORTFOLIO'S HOLDINGS, THE FUND'S PERFORMANCE, AND THE INVESTMENT TEAM'S VIEWS ARE AS OF OCTOBER 31, 2008, AND ARE SUBJECT TO CHANGE.

Real estate investments may be subject to special risks, including risks related to general and local economic conditions, and changes in real estate values that may have negative effects on issuers related to the real estate industry. The Fund's investments in small and medium capitalization stocks may experience more volatility than larger capitalization stocks. These and other risks are described more fully in the Fund's prospectus.

Third Avenue Real Estate Value Fund **is offered by prospectus only**. The prospectus contains more complete information on advisory fees, distribution charges, and other expenses and should be read carefully before investing or sending money. Please read the prospectus carefully before you send money. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. The Fund's returns should be viewed in light of its investment policy and objectives and quality of its portfolio securities and the periods selected. M.J. Whitman LLC Distributor.

If you should have any questions, or for updated information or a copy of our prospectus, please call 1-800-443-1021 or go to our web site at www.thirdave.com. Current performance may be lower or higher than performance quoted.

The Bloomberg Real Estate Operating Companies Index is a capitalization-weighted index of Real Estate Operating Companies. The DJ Wilshire Real Estate Securities Index is a broad measure of the performance of publicly traded real estate securities, such as Real Estate Investment Trusts (REITs) and Real Estate Operating Companies (REOCs) and is capitalization weighted. The Bloomberg World Real Estate Index is a capitalization-weighted index of the leading real estate stocks in the world. The Bloomberg Real Estate Operating Co. Index, DJ Wilshire Real Estate Securities Index and Bloomberg World Real Estate Index are not securities that can be purchased or sold, and their total returns are reflective of unmanaged portfolios. The returns include reinvestment of interest, capital gains and dividends.



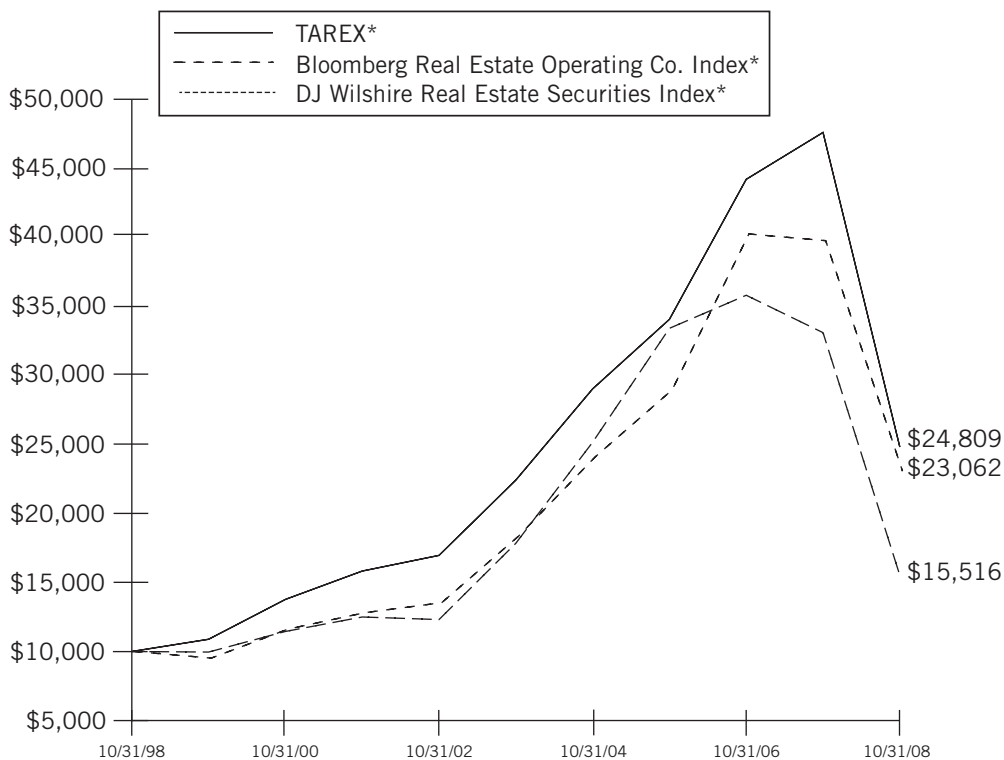
Performance Information (Unaudited)

Performance Illustration

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN **THIRD AVENUE REAL ESTATE VALUE FUND (TAREX)**,
THE BLOOMBERG REAL ESTATE OPERATING CO. INDEX AND THE DJ WILSHIRE REAL ESTATE SECURITIES INDEX
FOR THE TEN YEARS ENDED OCTOBER 31, 2008

Average Annual Total Return

1 Year (47.87%)	3 Years (10.02%)	5 Years 2.05%	10 Years 9.51%
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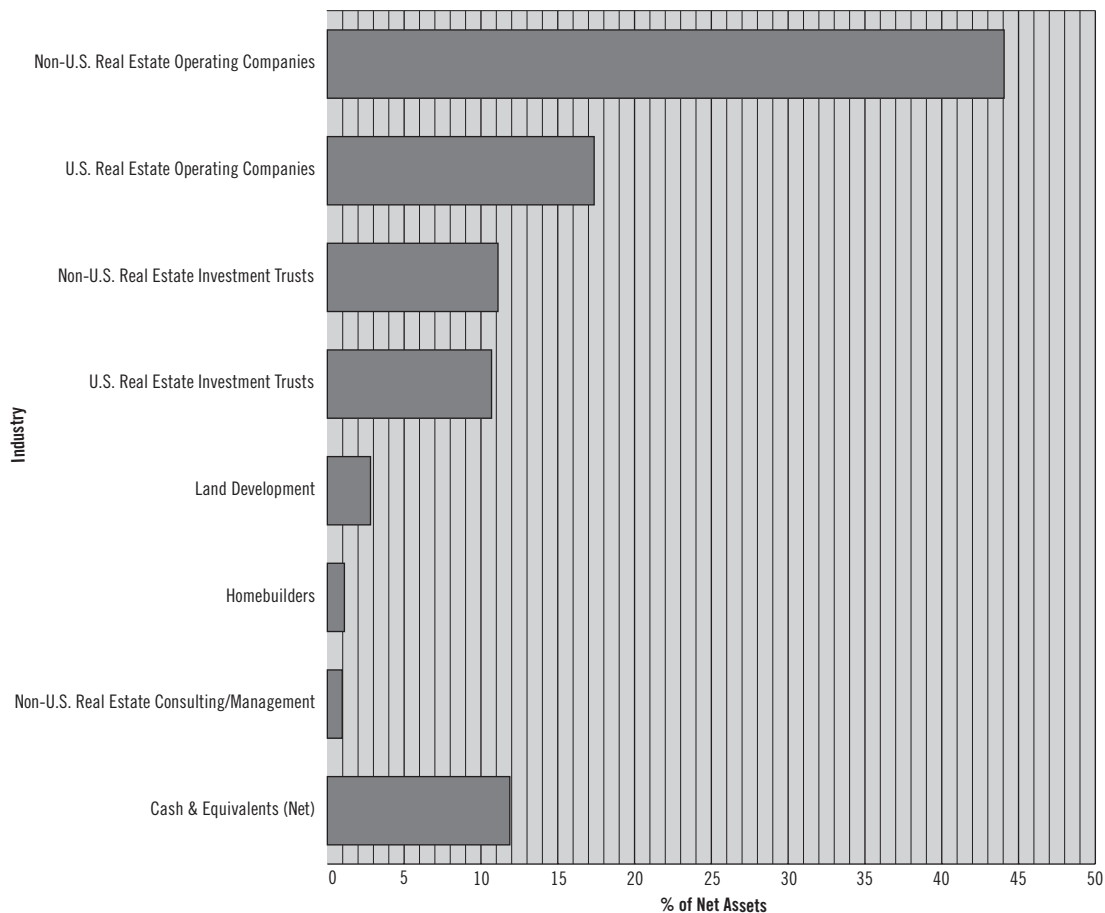
* All returns include reinvestment of all distributions.

As with all mutual funds, past performance does not indicate future results. The returns shown in the graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.



**Third Avenue Trust
Third Avenue Real Estate Value Fund
Industry Diversification
at October 31, 2008**

The summary of the Fund's investments as of October 31, 2008 is as follows:
(Unaudited)



The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments
at October 31, 2008**

Principal Amount (\$)	Value (Note 1)	Shares	Value (Note 1)
Corporate Debt Instruments - 7.02%		Preferred Stocks - 0.20%	
85,757,783	Land Development - 2.81% Landsource Communities Development Term Loan B, 6.100%, due 5/31/09 (e)	125,000	U.S. Real Estate Investment Trusts - 0.20% RAIT Financial Trust, 7.750% Series A
	\$ 35,344,470	250,000	RAIT Financial Trust, 8.375% Series B
10,000,000	U.S. Real Estate Investment Trusts - 2.81% Developers Diversified Realty Corp., 3.500%, due 8/15/11		1,725,000
20,000,000	Developers Diversified Realty Corp., 3.000%, due 3/15/12		2,518,750
5,000,000	iStar Financial, Inc., 3.159%, due 9/15/09 (e)		
20,000,000	iStar Financial, Inc., 5.150%, due 3/1/12	408,775	Total Preferred Stocks (Cost \$9,375,000)
14,000,000	ProLogis, 2.250%, due 4/1/37		2,518,750
1,079,000	ProLogis, 1.875%, due 11/15/37		
5,000,000	ProLogis, 2.625%, due 5/15/38		
	35,248,795	Common Stocks - 80.90%	
			Homebuilders - 1.11% Avatar Holdings, Inc. (a)
18,200,000	U.S. Real Estate Operating Companies - 1.40% Forest City Enterprises, Inc., 3.625%, due 10/15/11	5,722,308	13,877,911
383,500	Forest City Enterprises, Inc., \$25 par, 7.375%, due 2/1/34	2,770,168	
5,000,000	LNR Property Corp., 3.906%, due 7/12/11 (e)	4,333,630	Non-U.S. Real Estate Consulting/Management - 0.97% Savills PLC (United Kingdom)
	2,575,000		12,229,200
	17,547,945		
	Total Corporate Debt Instruments (Cost \$116,225,303)		
	88,141,210		

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments (continued)
at October 31, 2008

Shares		Value (Note 1)	Shares		Value (Note 1)
Common Stocks (continued)			U.S. Real Estate Operating Companies - 15.97%		
	Non-U.S. Real Estate Operating Companies - 44.06%		500,500	Consolidated-Tomoka Land Co. (c)	\$ 18,468,450
5,123,126	Brookfield Asset Management, Inc., Class A (Canada)	\$ 92,369,962	12,982,327	FNC Realty Corp. (a) (b)	7,737,467
3,215,850	Brookfield Properties Corp. (Canada)	32,447,927	6,192,223	Forest City Enterprises, Inc., Class A (c)	73,625,532
17,419,000	Capitaland, Ltd. (Singapore)	34,910,577	1,978,228	St. Joe Co. (The) (a)	61,166,810
3,362,300	Daibiru Corp. (Japan)	27,989,045	785,584	Tejon Ranch Co. (a)	22,829,071
21,894,000	Hang Lung Properties, Ltd. (Hong Kong)	53,497,859	2,411,373	Thomas Properties Group, Inc. (c)	16,759,042
18,390,000	Henderson Land Development Co., Ltd. (Hong Kong)	66,505,454		Total Common Stocks (Cost \$1,292,610,804)	<u>1,015,804,467</u>
5,701,000	Hongkong Land Holdings, Ltd. (Hong Kong) ¹	15,164,660		Principal Amount (\$)	
1,845,100	Killam Properties, Inc. (Canada) (c)	7,654,111		Short Term Investments - 13.12%	
3,000,000	Mitsubishi Estate Co., Ltd. (Japan)	53,590,051		Repurchase Agreement - 5.15%	
3,150,000	Mitsui Fudosan Co., Ltd. (Japan)	54,946,299	64,684,465	JP Morgan Securities, Inc., 0.10%, dated 10/31/08, due 11/3/08 (d)	64,684,465
3,493,400	Parco Co., Ltd. (Japan)	31,678,313		U.S. Government Obligations - 7.97%	
5,467,268	Quintain Estates & Development PLC (United Kingdom)	7,466,023		U.S. Treasury Bills, 0.14%-0.16% †, due 11/6/08-11/20/08	99,995,145
10,000,000	Wharf (Holdings), Ltd. (The) (Hong Kong)	19,952,205	100,000,000		
32,049,500	Wheelock & Co., Ltd. (Hong Kong)	48,011,764		Total Short Term Investments (Cost \$164,679,610)	<u>164,679,610</u>
20,845,000	Wheelock Properties, Ltd. (Hong Kong)	7,067,762		Total Investment	
		<u>553,252,012</u>		Portfolio - 101.24% (Cost \$1,582,890,717)	1,271,144,037
	U.S. Real Estate Investment Trusts - 7.68%			Liabilities in excess of Other Assets - (1.24%)	<u>(15,513,799)</u>
687,895	Associated Estates Realty Corp.	5,613,223		NET ASSETS - 100.00% (Applicable to 77,446,102 shares outstanding)	\$ 1,255,630,238
731,575	Cousins Properties, Inc.	10,593,206			
260,374	Crystal River Capital, Inc.	190,073			
15,000	JER Investors Trust, Inc.	48,750			
1,766,792	ProLogis	24,735,088			
782,782	Vornado Realty Trust	55,225,270			
		<u>96,405,610</u>			

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments (continued)
at October 31, 2008

Notes:

- (a) Non-income producing security.
 - (b) Fair-valued security.
 - (c) Affiliated issuers - as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).
 - (d) Repurchase agreement collateralized by U.S. Treasury Inflation Indexed Note, par value \$59,360,000, due 7/15/13, value \$66,497,064.
 - (e) Variable rate security.
- † Annualized yield at date of purchase.
- ¹ Incorporated in Bermuda.

The aggregate cost for federal income tax purposes is \$1,607,543,899.

The aggregate gross unrealized appreciation for federal income tax purposes is \$65,493,103.

The aggregate gross unrealized depreciation for federal income tax purposes is \$(401,892,965).

Country Concentration

	% of Net Assets
United States	45.09%
Hong Kong	16.74
Japan	13.40
United Kingdom	12.68
Canada	10.55
Singapore	2.78
Total	<u>101.24%</u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Real Estate Value Fund
Statement of Assets and Liabilities
October 31, 2008

Assets:

Investments at value (Notes 1 and 4):	
Unaffiliated issuers (cost of \$1,384,725,894)	\$1,154,636,902
Affiliated issuers (cost of \$198,164,823)	116,507,135
Total investments (cost of \$1,582,890,717)	<u>1,271,144,037</u>
Foreign currency at value (cost of \$9,726)	9,751
Receivable for securities sold	35,196,247
Dividends and interest receivable	5,135,922
Receivable for fund shares sold	2,396,827
Other assets	80,845
Total assets	<u>1,313,963,629</u>

Liabilities:

Payable for securities purchased	51,940,108
Payable for fund shares redeemed	4,428,255
Payable to investment adviser	1,092,055
Accounts payable and accrued expenses	603,111
Payable for other shareholder servicing fees (Note 3)	263,740
Payable to trustees	6,122
Total liabilities	<u>58,333,391</u>
Net assets	<u>\$1,255,630,238</u>

Summary of net assets:

Capital stock, unlimited shares authorized, \$0.001 par value, 77,446,102 shares outstanding	\$1,603,017,583
Accumulated distributions in excess of net investment income	(6,324,885)
Accumulated undistributed net realized losses from investments and foreign currency transactions	(29,068,659)
Net unrealized depreciation of investments and translation of foreign currency denominated assets and liabilities	(311,993,801)
Net assets applicable to capital shares outstanding	<u>\$1,255,630,238</u>
Net asset value, offering and redemption price per share	<u>\$16.21</u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Real Estate Value Fund
Statement of Operations
For the Year Ended October 31, 2008

Investment Income:

Interest	\$ 4,137,525
Dividends - unaffiliated issuers (net of foreign withholding tax of \$2,732,717)	31,870,050
Dividends - affiliated issuers (net of foreign withholding tax of \$151,373) (Note 4)	15,111,656
Other income	19,532
Total investment income	<u>51,138,763</u>

Expenses:

Investment advisory fees (Note 3)	19,628,391
Other shareholder servicing fees (Note 3)	2,528,330
Transfer agent fees	767,192
Custodian fees	461,361
Reports to shareholders	413,364
Accounting fees	134,448
Administration fees (Note 3)	131,843
Trustees' and officers' fees and expenses	122,076
Registration and filing fees	84,174
Legal fees	82,287
Auditing and tax consulting fees	70,825
Insurance expenses	35,893
Miscellaneous expenses	64,011
Total operating expenses	<u>24,524,195</u>
Net investment income	<u>26,614,568</u>

Realized and unrealized gain (loss) on investments and foreign currency transactions:

Net realized loss on investments - unaffiliated issuers	(14,544,373)
Net realized loss on investments - affiliated issuers	(5,688,089)
Net realized loss on foreign currency transactions	(1,367,341)
Net change in unrealized appreciation/depreciation on investments	(1,288,421,810)
Net change in unrealized appreciation/depreciation on translation of other assets and liabilities denominated in foreign currency	(240,791)
Net loss on investments and foreign currency transactions	<u>(1,310,262,404)</u>

Net decrease in net assets resulting from operations \$ (1,283,647,836)

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Real Estate Value Fund
Statement of Changes in Net Assets

	For the Year Ended October 31, 2008	For the Year Ended October 31, 2007
Operations:		
Net investment income	\$ 26,614,568	\$ 36,786,990
Net realized gain (loss) on investments - unaffiliated issuers	(14,544,373)	286,086,212
Net realized gain (loss) on investments - affiliated issuers	(5,688,089)	15,379,774
Net realized loss on written options	—	(4,166,382)
Net realized gain (loss) on foreign currency transactions	(1,367,341)	1,145,375
Net change in unrealized appreciation/depreciation on investments	(1,288,421,810)	(117,362,845)
Net change in unrealized appreciation/depreciation on written options	—	1,675,388
Net change in unrealized appreciation/depreciation on translation of other assets and liabilities denominated in foreign currency	(240,791)	(13,751)
Net increase (decrease) in net assets resulting from operations	<u>(1,283,647,836)</u>	<u>219,530,761</u>
Distributions:		
Dividends to shareholders from net investment income	(47,040,347)	(77,266,724)
Distributions to shareholders from net realized gains	(257,482,272)	(227,517,049)
Decrease in net assets from distributions	<u>(304,522,619)</u>	<u>(304,783,773)</u>
Capital Share Transactions:		
Proceeds from sale of shares	501,292,813	680,667,169
Net asset value of shares issued in reinvestment of dividends and distributions	290,987,347	290,080,206
Redemption fees	976,868	1,414,148
Cost of shares redeemed	(884,164,579)	(1,091,984,552)
Net decrease in net assets resulting from capital share transactions	<u>(90,907,551)</u>	<u>(119,823,029)</u>
Net decrease in net assets	(1,679,078,006)	(205,076,041)
Net assets at beginning of year	<u>2,934,708,244</u>	<u>3,139,784,285</u>
Net assets at end of year (including undistributed net investment income of \$0 and \$820,960, respectively)	<u>\$ 1,255,630,238</u>	<u>\$ 2,934,708,244</u>

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Real Estate Value Fund
Financial Highlights**

Selected data (for a share outstanding throughout each year) and ratios are as follows:

	Years Ended October 31,				
	2008	2007	2006	2005	2004
Net asset value, beginning of year	\$35.47	\$36.34	\$29.41	\$25.47	\$20.17
Income (loss) from investment operations:					
Net investment income	0.31 [®]	0.85	0.32	0.33	0.06
Net gain (loss) on securities (both realized and unrealized)	(15.72) ¹	1.80 ²	8.08 ¹	4.05 ²	5.77 ²
Total from investment operations	(15.41)	2.65	8.40	4.38	5.83
Less distributions:					
Dividends from net investment income	(0.60)	(0.89)	(0.44)	(0.18)	(0.45)
Distributions from realized gains	(3.25)	(2.63)	(1.03)	(0.26)	(0.08)
Total distributions	(3.85)	(3.52)	(1.47)	(0.44)	(0.53)
Net asset value, end of year	\$16.21	\$35.47	\$36.34	\$29.41	\$25.47
Total return	(47.87%)	7.68%	29.78%	17.36%	29.47%
Ratios/Supplemental Data:					
Net assets, end of year (in thousands)	\$1,255,630	\$2,934,708	\$3,139,784	\$2,873,769	\$1,693,294
Ratio of expenses to average net assets	1.12%	1.10%	1.11%	1.14%	1.15%
Ratio of net investment income to average net assets	1.22%	1.14%	0.80%	1.15%	0.47%
Portfolio turnover rate	34%	19%	10%	13%	8%

¹ Includes redemption fees of \$0.01 per share.

² Includes redemption fees of \$0.02 per share.

[®] Calculated based on the average number of shares outstanding during the period.

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue International Value Fund
Portfolio Management Discussion – October 31, 2008
(Unaudited)

At October 31, 2008, the audited net asset value attributable to each of the 92,888,275 common shares outstanding of the Third Avenue International Value Fund (“TAVIX”) was \$11.51 per share. This compares with an audited net asset value at October 31, 2007 of \$21.17 per share, adjusted for a subsequent distribution to shareholders.

	Average Annual Returns for the periods ended October 31, 2008			
	One Year ended 10/31/08	Three Year	Five Year	Since Inception (12/31/01)
Third Avenue International Value Fund	(44.31%)	(7.48%)	4.35%	7.92%
Morgan Stanley Capital International All Country World Free ex-USA Index	(48.27%)	(3.93%)	5.05%	5.09%

The Third Avenue International Value Fund (the “Fund”) seeks to achieve long-term capital appreciation and does not attempt to track any benchmark. However, a comparative index is included above for illustrative purposes both for the most recent year and over longer periods. During the twelve-month period ended October 31, 2008, the Fund was down 44.31%, outperforming the Morgan Stanley All Country World Free ex-USA Index. Please note that we believe the Fund’s performance should be judged over the long-term absolute, rather than against an index.

In terms of long-term absolute performance, the Fund was negatively impacted by the ongoing market turmoil, which has led to indiscriminate selling around the globe. As far as we are concerned, the Fund’s poor 2008 performance is primarily attributable to an irrational stock market, and not to any long-term, fundamental deterioration in the businesses in which the Fund has invested. We continue to be pleased with the quality of the companies in which the Fund is invested.

The largest detractors to performance during the twelve-month period were GuocoLeisure, Viterra and Catalyst Paper (see discussion below), but the period was characterized by broad-based declines among many holdings. We attribute the declines primarily to the overall macroeconomic environment and not to any material, long-term deterioration of company-specific fundamentals. These holdings represent significant positions in the Fund and we believe their fundamentals remain solid for the long term.

GuocoLeisure Ltd. (“GuocoLeisure”) is a Singapore-listed company with a disparate collection of assets and businesses, including: Thistle Hotels, one of the largest hotel chains in the United Kingdom; land holdings on the island of Molokai, Hawaii; and a share in royalty streams derived from oil and gas production in the Bass Strait, between Australia and Tasmania. We continue to believe that the company’s fundamentals remain sound and that it continues to have the potential for significant value creation over the long term.

Viterra, formerly known as Saskatchewan Wheat Pool, is a Canadian agribusiness operator with a strong management team that has a track record of building shareholder value. Viterra’s share price has declined despite operating performance which we believe has been solid, as the company continues to reap the benefits from last year’s acquisition of its largest competitor, Agricore United, from which it gained scale and efficiency. We believe the company has the potential to benefit from the deregulation of the Canadian grain handling market, should it eventuate, as well as numerous attractive expansion opportunities in grain growing regions outside of Canada.



Third Avenue Trust
Third Avenue International Value Fund
Portfolio Management Discussion (continued)
(Unaudited)

The newsprint industry continues to face headwinds including cost and demand pressures, which have weighed on Catalyst Paper's share price. However, Catalyst Paper's financial position is among the strongest in the industry. This should enable the company to opportunistically buy high-quality assets from distressed sellers at cheap prices (an example is this year's purchase of a newsprint mill in Snowflake, Arizona). Longer-term, we continue to believe the aggregate capacity of the newsprint industry will continue to shrink and the remaining capacity will be in the hands of fewer, surviving companies including Catalyst Paper, which should ultimately benefit from the process.

On the positive side, the Fund's top contributor was Fording Canadian Coal Trust ("Fording"), which owns metallurgical coal-producing assets. Fording shares had appreciated significantly amid a powerful rally in coking coal and speculation that the trust may be a potential takeover target. The company was ultimately purchased by Teck Cominco in October. The Fund sold its position during the second quarter based on valuation.

The Fund continues to look for suitable foreign investment opportunities that meet our strict investment criteria.

THE INFORMATION IN THE PORTFOLIO MANAGEMENT DISCUSSION REPRESENTS A FACTUAL OVERVIEW OF THE FUND'S PERFORMANCE AND IS NOT INTENDED TO BE A FORECAST OF FUTURE EVENTS, A GUARANTEE OF FUTURE RESULTS NOR INVESTMENT ADVICE. VIEWS EXPRESSED ARE THOSE OF THE INVESTMENT TEAM AND MAY DIFFER FROM THOSE OF OTHER INVESTMENT TEAMS OR THE FIRM AS A WHOLE. ALSO, PLEASE NOTE THAT ANY DISCUSSION OF THE PORTFOLIO'S HOLDINGS, THE FUND'S PERFORMANCE, AND THE INVESTMENT TEAM'S VIEWS ARE AS OF OCTOBER 31, 2008, AND ARE SUBJECT TO CHANGE.

The Fund's performance may be influenced by a foreign country's political, social and economic situation. Other risks include currency fluctuations, less liquidity, lack of efficient trading markets, and different auditing and legal standards. These risks may result in more volatility for the Fund. These and other risks are described more fully in the Fund's prospectus.

Third Avenue International Value Fund **is offered by prospectus only**. The prospectus contains more complete information on advisory fees, distribution charges, and other expenses and should be read carefully before investing or sending money. Please read the prospectus carefully before you send money. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. The Fund's returns should be viewed in light of its investment policy and objectives and quality of its portfolio securities and the periods selected. M.J. Whitman LLC Distributor.

If you should have any questions, or for updated information or a copy of our prospectus, please call 1-800-443-1021 or go to our web site at www.thirdave.com. Current performance may be lower or higher than performance quoted.

The Morgan Stanley Capital International All Country World Free ex-USA Index is an unmanaged index of common stocks and includes securities representative of the market structure of over 50 developed and emerging market countries (other than the United States) in North America, Europe, Latin America and the Asian Pacific Region. This index is not a security that can be purchased or sold, and its total returns are reflective of unmanaged portfolios. The returns include reinvestment of interest, capital gains and dividends.



Performance Information (Unaudited)

Performance Illustration

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN **THIRD AVENUE INTERNATIONAL VALUE FUND (TAVIX)**
AND THE MORGAN STANLEY CAPITAL INTERNATIONAL ALL COUNTRY WORLD FREE EX-USA INDEX
FROM INCEPTION OF THE FUND (12/31/01) THROUGH OCTOBER 31, 2008

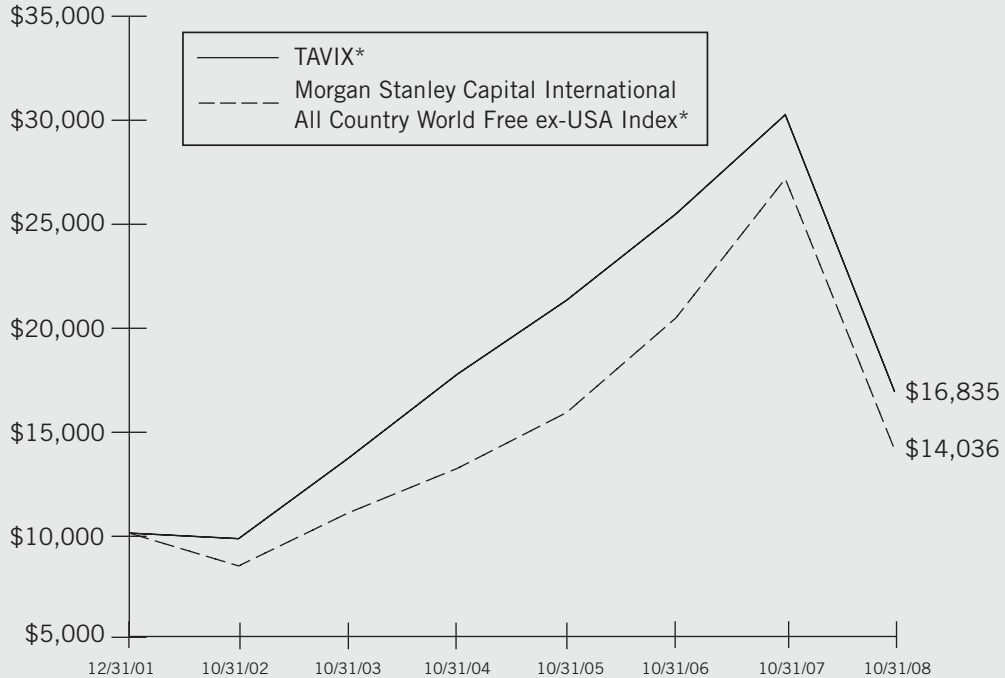
Average Annual Total Return

1 Year
(44.31%)

3 Years
(7.48%)

5 Years
4.35%

Since Inception
(12/31/01)
7.92%



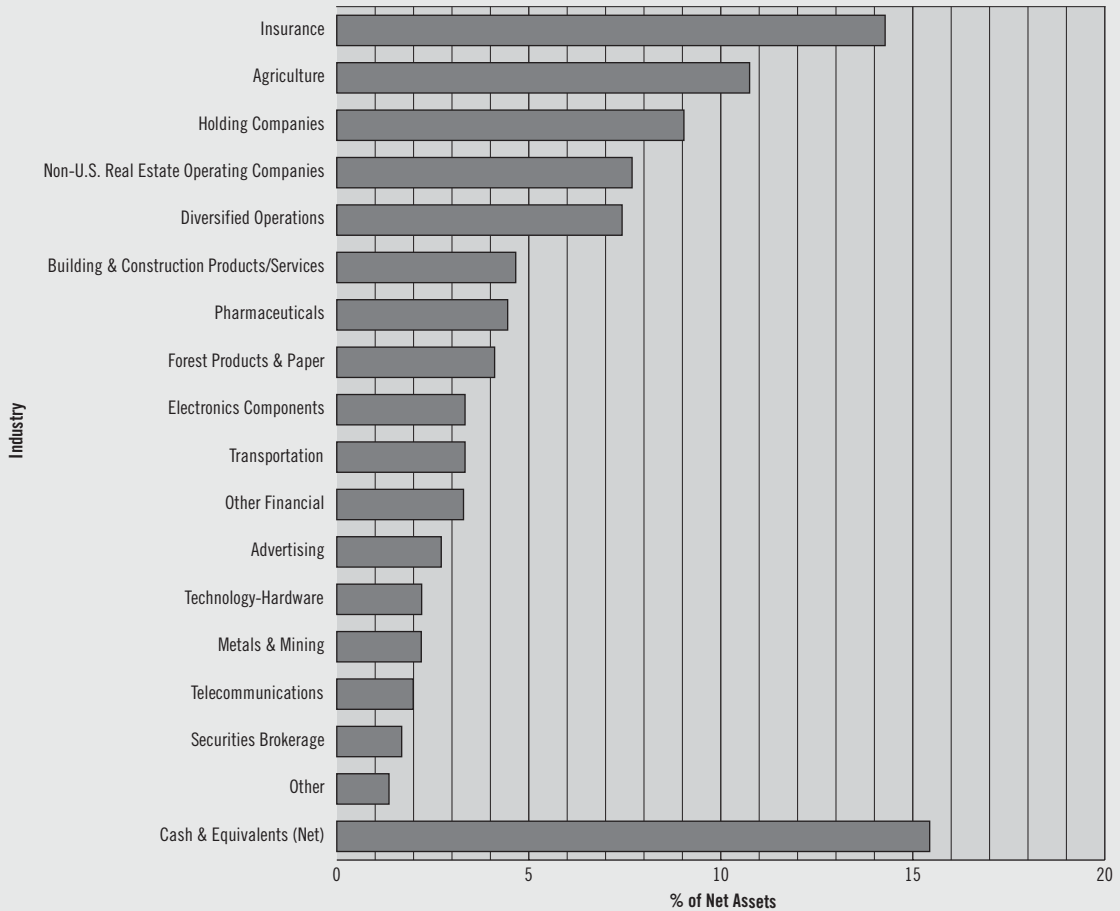
* Includes reinvestment of all distributions.

As with all mutual funds, past performance does not indicate future results. The returns shown in the graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.



**Third Avenue Trust
Third Avenue International Value Fund
Industry Diversification
at October 31, 2008**

The summary of the Fund's investments as of October 31, 2008 is as follows:
(Unaudited)



The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue International Value Fund
Portfolio of Investments
at October 31, 2008

Shares		Value (Note 1)	Shares		Value (Note 1)
Common Stocks and Warrants - 84.56%			Forest Products & Paper - 4.11%		
	Advertising - 2.72%		59,271,095	Catalyst Paper Corp.	
1,312,400	Asatsu-DK, Inc. (Japan)	\$ 29,050,551		(Canada) (a) (b) (c) (e)	\$ 18,794,833
	Agriculture - 10.75%		12,000,000	Catalyst Paper Corp.	
11,875,749	ABB Grain, Ltd. (Australia) (c)	64,887,502		(Canada) (a) (b) (c) (e) (f)	3,805,194
155,356	United International Enterprises, Ltd. (Denmark) ¹	7,473,357	44,893,185	Rubicon, Ltd.	
6,713,664	Viterra, Inc. (Canada) (a)	42,611,408		(New Zealand) (a) (c)	21,373,933
		<u>114,972,267</u>			<u>43,973,960</u>
	Building & Construction Products/Services - 4.66%		761,561	Holding Companies - 9.04%	
330,387	Imerys SA (France)	15,041,635		Compagnie Nationale a	
10,646,300	Nippon Sheet Glass Co., Ltd. (Japan)	34,817,625	4,811,400	Portefeuille (Belgium)	41,187,595
		<u>49,859,260</u>	680,000	Guoco Group, Ltd. (Hong Kong) ²	28,259,304
	Corporate Services - 0.65%			LG Corp. (South Korea)	27,216,024
22,522,784	Boardroom, Ltd. (Singapore) (c)	6,986,164			<u>96,662,923</u>
	Diversified Operations - 7.43%		297,027	Insurance - 14.28%	
2,070,626	Antarchile S.A. (Chile)	20,991,810	13,249,502	Allianz SE (Germany)	21,798,821
13,659,384	CSR, Ltd. (Australia)	19,854,227		BRIT Insurance Holdings PLC	
5,371,200	Hutchison Whampoa, Ltd. (Hong Kong)	29,025,266	1,158,611	(United Kingdom)	38,965,993
301,500	Lundbergforetagen AB, Class B (Sweden)	9,597,433		Montpelier Re Holdings, Ltd.	
		<u>79,468,736</u>	243,689	(Bermuda)	16,579,723
	Electronics Components - 3.34%		426,447	Munich Re (Germany)	31,635,642
19,359,300	WBL Corp., Ltd. (Singapore) (c)	35,734,409	2,520,050	Sampo Oyj, Class A (Finland)	8,545,878
	Food & Beverage - 0.71%		568,500	Sompo Japan Insurance, Inc. (Japan)	17,663,422
20,716,000	Vitasoy International Holdings, Ltd. (Hong Kong)	7,530,078		Tokio Marine Holdings, Inc. (Japan)	17,535,891
					<u>152,725,370</u>
			3,792,832	Metals & Mining - 2.20%	
			1,025,000	Dundee Precious Metals, Inc.	
			512,500	(Canada) (a) (c)	7,552,308
			524,932	Dundee Precious Metals, Inc.	
				(Canada) (a) (c) (f)	2,040,986
				Dundee Precious Metals, Inc.	
				Warrants, expires 6/29/12	
				(Canada) (a) (e)	85,041
				Newmont Mining Corp.	13,826,709
					<u>23,505,044</u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue International Value Fund
Portfolio of Investments (continued)
at October 31, 2008

Shares		Value (Note 1)	Shares		Value (Note 1)
Common Stocks and Warrants (continued)			Technology - Hardware - 2.21%		
	Non-U.S. Real Estate Operating Companies - 7.69%		7,567,000	Gigabyte Technology Co., Ltd. (Taiwan)	\$ 2,664,148
2,735,600	Daibiru Corp. (Japan)	\$ 22,772,159	76,232,750	United Microelectronics Corp. (Taiwan)	20,931,915
95,915,023	GuocoLeisure, Ltd. (Singapore) ² (a) (c)	22,195,499			<u>23,596,063</u>
17,022,000	Liu Chong Hing Investment, Ltd. (Hong Kong)	6,529,836	30,050,529	Telecommunications - 1.99%	
1,760,000	Mitsui Fudosan Co., Ltd. (Japan)	30,700,154		Netia S.A. (Poland) (a) (c)	21,287,259
		<u>82,197,648</u>	4,873,600	Transportation - 3.34%	
	Other Financial - 3.30%		5,233,000	BW Gas, Ltd. (Bermuda) (a)	10,347,346
90,231,000	Yuanta Financial Holding Co., Ltd. (Taiwan)	35,298,925		Seino Holdings Co., Ltd. (Japan)	25,322,476
	Pharmaceuticals - 4.45%				<u>35,669,822</u>
781,113	GlaxoSmithKline PLC (United Kingdom)	15,016,069		Total Common Stocks and Warrants	
514,600	Sanofi-Aventis SA (France)	32,603,594		(Cost \$1,478,322,919)	<u>904,207,635</u>
		<u>47,619,663</u>		Notional Amount (\$)	
	Securities Brokerage - 1.69%			Purchased Options - 1.38%	
97,017,800	Asia Plus Securities Public Co., Ltd. (Thailand)	2,888,465		Foreign Currency Put Options - 1.38%	
856,700	Capital Nomura Securities Public Co., Ltd., NVDR (Thailand)	414,884	150,000,000	Euro Currency, strike 1.379 EUR, expires 2/9/09	14,775,300
17,295,065	Capital Securities Corp. (Taiwan)	3,274,314			
38,126,960	Hotung Investment Holdings, Ltd. (Taiwan) ²	2,096,983		Total Purchased Options	
652,300	Ichiyoshi Securities Co., Ltd. (Japan)	5,223,350		(Cost \$3,427,500)	<u>14,775,300</u>
20,041,000	KGI Securities Public Co., Ltd., NVDR (Thailand)	433,010			
13,575,158	President Securities Corp. (Taiwan)	3,738,487			
		<u>18,069,493</u>			

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue International Value Fund
Portfolio of Investments (continued)
at October 31, 2008

Principal Amount (\$)	Value (Note 1)
Short Term Investments - 13.39%	
	Repurchase Agreement - 4.51%
48,255,688	JP Morgan Securities, Inc., 0.10%, dated 10/31/08, due 11/3/08 (d) <u>\$ 48,255,688</u>
	U.S. Government Obligations - 8.88%
95,000,000	U.S. Treasury Bill, 1.81%†, due 11/13/08 <u>94,942,858</u>
	Total Short Term Investments (Cost \$143,198,546) <u>143,198,546</u>
	Total Investment Portfolio - 99.33% (Cost \$1,624,948,965) <u>1,062,181,481</u>
	Other Assets less Liabilities - 0.67% <u>7,126,734</u>
	NET ASSETS - 100.00% (Applicable to 92,888,275 shares outstanding) <u>\$ 1,069,308,215</u>

† Annualized yield at date of purchase.

¹ Incorporated in Bahamas.

² Incorporated in Bermuda.

The aggregate cost for federal income tax purposes is \$1,647,769,603.

The aggregate gross unrealized appreciation for federal income tax purposes is \$5,974,318.

The aggregate gross unrealized depreciation for federal income tax purposes is \$(591,562,440).

Country Concentration

	% of Net Assets
--	--------------------

Japan	17.12%
United States*	16.07
Australia	7.92
Canada	7.00
Hong Kong	6.67
Taiwan	6.36
Singapore	6.07
United Kingdom	5.05
Germany	5.00
France	4.46
Belgium	3.85
South Korea	2.54
Bermuda	2.52
New Zealand	2.00
Poland	1.99
Chile	1.96
Sweden	0.90
Finland	0.80
Denmark	0.70
Thailand	0.35
Total	<u>99.33%</u>

* Includes cash equivalents.

Notes:

EUR: Euro.

NVDR: Non-Voting Depository Receipt.

(a) Non-income producing security.

(b) Fair-valued security.

(c) Affiliated issuers - as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).

(d) Repurchase agreement collateralized by U.S. Treasury Inflation Indexed Note, par value \$49,660,000, due 7/15/15, value \$49,625,068.

(e) Security is subject to restrictions on resale.

(f) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue International Value Fund
Statement of Assets and Liabilities
October 31, 2008

Assets:

Investments at value (Notes 1 and 4):	
Unaffiliated issuers (cost of \$1,177,423,401)	\$ 857,523,394
Affiliated issuers (cost of \$447,525,564)	204,658,087
Total investments (cost of \$1,624,948,965)	<u>1,062,181,481</u>
Foreign currency at value (cost of \$9,936,101)	9,936,101
Dividends and interest receivable	3,154,852
Receivable for securities sold	2,874,736
Receivable for fund shares sold	1,362,205
Other assets	61,639
Total assets	<u>1,079,571,014</u>

Liabilities:

Payable for securities purchased	4,529,717
Payable for fund shares redeemed	3,664,602
Payable to investment adviser	1,276,717
Accounts payable and accrued expenses	577,638
Payable for other shareholder servicing fees (Note 3)	209,100
Payable to trustees	5,025
Total liabilities	<u>10,262,799</u>
Net assets	<u>\$1,069,308,215</u>

Summary of net assets:

Capital stock, unlimited shares authorized, \$0.001 par value, 92,888,275 shares outstanding	\$1,642,238,491
Accumulated distributions in excess of net investment income	(22,817,005)
Accumulated undistributed net realized gains from investments and foreign currency transactions	12,590,987
Net unrealized depreciation of investments and translation of foreign currency denominated assets and liabilities	(562,704,258)
Net assets applicable to capital shares outstanding	<u>\$1,069,308,215</u>
Net asset value, offering and redemption price per share	<u>\$11.51</u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue International Value Fund
Statement of Operations
For the Year Ended October 31, 2008

Investment Income:

Interest	\$ 6,353,865
Dividends - unaffiliated issuers (net of foreign withholding tax of \$2,737,982)	25,211,951
Dividends - affiliated issuers (net of foreign withholding tax of \$158,037) (Note 4)	6,412,220
Other income	3,581
	<hr/>
Total investment income	37,981,617

Expenses:

Investment advisory fees (Note 3)	23,167,228
Other shareholder servicing fees (Note 3)	1,790,483
Custodian fees	789,801
Transfer agent fees	464,144
Reports to shareholders	317,650
Legal fees	261,608
Accounting fees	158,554
Administration fees (Note 3)	113,299
Trustees' and officers' fees and expenses	102,494
Auditing and tax consulting fees	75,317
Registration fees	49,432
Insurance expense	24,735
Miscellaneous expenses	37,769
	<hr/>
Total operating expenses	27,352,514
	<hr/>
Net investment income	10,629,103

Realized and unrealized gain (loss) on investments, foreign currency transactions and deferred taxes:

Net realized gain on investments - unaffiliated issuers	46,169,490*
Net realized gain on investments - affiliated issuers	1,733,777
Net realized loss on foreign currency transactions	(845,386)
Net change in unrealized appreciation/depreciation on investments	(1,008,947,211)
Net change in unrealized appreciation/depreciation on translation of other assets and liabilities denominated in foreign currency	262,489
	<hr/>
Net loss on investments, foreign currency transactions and deferred taxes	(961,626,841)
	<hr/>
Net decrease in net assets resulting from operations	\$ (950,997,738)

* Net of capital gains tax of \$51,823.

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue International Value Fund
Statement of Changes in Net Assets

	For the Year Ended October 31, 2008	For the Year Ended October 31, 2007
Operations:		
Net investment income	\$ 10,629,103	\$ 34,397,769
Net realized gain on investments - unaffiliated issuers	46,169,490	237,450,012
Net realized gain on investments - affiliated issuers	1,733,777	39,587,052
Net realized loss on written options	—	(3,600,000)
Net realized loss on foreign currency transactions	(845,386)	(1,390,466)
Net change in unrealized appreciation/depreciation on investments	(1,008,947,211)	94,412,983
Net change in unrealized appreciation/depreciation on translation of other assets and liabilities denominated in foreign currency	262,489	(278,703)
Net increase (decrease) in net assets resulting from operations	<u>(950,997,738)</u>	<u>400,578,647</u>
Distributions:		
Dividends to shareholders from net investment income	(70,394,976)	(105,951,673)
Distributions to shareholders from net realized gains	<u>(276,878,807)</u>	<u>(170,052,532)</u>
Decrease in net assets from distributions	<u>(347,273,783)</u>	<u>(276,004,205)</u>
Capital Share Transactions:		
Proceeds from sale of shares	467,790,421	208,010,930
Net asset value of shares issued in reinvestment of dividends and distributions	313,575,613	245,564,779
Redemption fees	1,152,956	478,265
Cost of shares redeemed	<u>(743,522,596)</u>	<u>(607,689,400)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>38,996,394</u>	<u>(153,635,426)</u>
Net decrease in net assets	(1,259,275,127)	(29,060,984)
Net assets at beginning of year	<u>2,328,583,342</u>	<u>2,357,644,326</u>
Net assets at end of year	<u>\$ 1,069,308,215</u>	<u>\$ 2,328,583,342</u>

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue International Value Fund
Financial Highlights**

Selected data (for a share outstanding throughout each year) and ratios are as follows:

	Years Ended October 31,				
	2008	2007	2006	2005	2004
Net asset value, beginning of year	<u>\$25.01</u>	<u>\$23.77</u>	<u>\$20.40</u>	<u>\$17.17</u>	<u>\$13.49</u>
Income (loss) from Investment Operations:					
Net investment income	0.10 [®]	0.37	0.86 [†]	0.30	0.25
Net gain (loss) on securities (both realized and unrealized)	<u>(9.76)²</u>	<u>3.69³</u>	<u>3.07¹</u>	<u>3.15¹</u>	<u>3.73¹</u>
Total from investment operations	<u>(9.66)</u>	<u>4.06</u>	<u>3.93</u>	<u>3.45</u>	<u>3.98</u>
Less distributions:					
Dividends from net investment income	(0.78)	(1.08)	(0.46)	(0.22)	(0.30)
Distributions from realized gains	<u>(3.06)</u>	<u>(1.74)</u>	<u>(0.10)</u>	<u>—</u>	<u>—</u>
Total distributions	<u>(3.84)</u>	<u>(2.82)</u>	<u>(0.56)</u>	<u>(0.22)</u>	<u>(0.30)</u>
Net asset value, end of year	<u>\$11.51</u>	<u>\$25.01</u>	<u>\$23.77</u>	<u>\$20.40</u>	<u>\$17.17</u>
Total return	(44.31%)	18.86%	19.63%	20.24%	29.95%
Ratios/Supplemental Data:					
Net assets, end of year (in thousands)	\$1,069,308	\$2,328,583	\$2,357,644	\$1,934,959	\$437,361
Ratio of expenses to average net assets					
Before expense reimbursement/recovery	1.48%	1.45%	1.45%	1.52%	1.58%
After expense reimbursement/recovery	N/A	N/A	N/A	1.53%	1.75%
Ratio of net investment income to average net assets					
Before expense reimbursement/recovery	0.57%	1.48%	3.25% [†]	1.19%	0.75%
After expense reimbursement/recovery	N/A	N/A	N/A	1.18%	0.58%
Portfolio turnover rate	30%	23%	34%	3%	11%

¹ Includes redemption fees of \$0.02 per share.

² Includes redemption fees of \$0.01 per share.

³ Includes redemption fees of less than \$0.01 per share.

[†] Investment income per share reflects a special dividend which amounted to \$0.22 per share. Excluding this special dividend, the ratio of net investment income to average net assets would have been 2.25%.

[®] Calculated based on the average number of shares outstanding during the period.

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Notes to Financial Statements
October 31, 2008**

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

Third Avenue Trust (the “Trust”) is an open-end, non-diversified management investment company organized as a Delaware business trust pursuant to a Trust Instrument dated October 31, 1996. The Trust currently consists of four non-diversified (within the meaning of Section 5(b)(2) of the Investment Company Act), separate investment series: Third Avenue Value Fund, Third Avenue Small-Cap Value Fund, Third Avenue Real Estate Value Fund and Third Avenue International Value Fund (each a “Fund” and, collectively, the “Funds”). Third Avenue Management LLC (the “Adviser”) provides investment advisory services to each of the Funds in the Trust. The Funds seek to achieve their investment objectives of long-term capital appreciation by adhering to a strict value discipline when selecting securities. While the Funds pursue a capital appreciation objective, each Fund has a distinct investment approach.

Third Avenue Value Fund seeks to achieve its objective mainly by acquiring common stocks of well-financed companies (meaning companies without significant liabilities in comparison to their liquid resources) at a discount to what the Adviser believes is their intrinsic value. The Fund also seeks to acquire senior securities, such as preferred stocks, and debt instruments (including high-yield securities) that the Adviser believes are undervalued.

Third Avenue Small-Cap Value Fund seeks to achieve its objective by acquiring equity securities, including common stocks and convertible securities, of well-financed small companies at a discount to what the Adviser believes is their intrinsic value. The Fund may also acquire senior securities, such as preferred stocks and debt instruments (including high-yield securities) that the Adviser believes are undervalued. Under normal circumstances, the Fund expects to invest at least 80% of its assets in securities of companies that are considered small. The Fund considers a “small company” to be one whose market capitalization is within the range of capitalizations during the most recent 12-month period of companies in the Russell 2000 Index, the S&P Small Cap 600 Index or the Dow Jones Wilshire U.S. Small-Cap Index at the time of investment (based on month-end data).

Third Avenue Real Estate Value Fund, under normal circumstances, seeks to achieve its objective by investing at least 80% of its assets in securities of real estate and real estate-related companies, or in companies which own significant real estate at the time of investment (“real estate companies”). These securities will primarily be equity securities (which may include both common and preferred stocks, and convertible securities) of well-financed real estate companies. The Fund seeks to acquire these securities at a discount to what the Adviser believes is their intrinsic value. The Fund may also invest a portion of its assets in debt securities (which may include high-yield and mortgage-backed securities) in real estate companies or loans secured by real estate that the Adviser believes have above average yield potential.

Third Avenue International Value Fund seeks to achieve its objective by primarily acquiring equity securities, including common stocks and convertible securities, of well-financed companies located outside of the United States. While



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

the Fund may invest in companies located anywhere in the world, it currently expects that most of its assets will be invested in the more developed countries, and under normal circumstances, at least 80% of its assets will be invested in securities of issuers located outside of the United States at the time of investment.

Because of the Funds' disciplined and deliberate investing approach, there may be times when the Funds will have significant cash positions. A substantial cash position can impact Fund performance in certain market conditions, and may make it more difficult for a Fund to achieve its investment objective.

Accounting policies:

The policies described below are followed consistently by the Funds in the preparation of their financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Security valuation:

Generally, the Funds' investments are valued at market value. Securities traded on a principal stock exchange or the National Association of Securities Dealers Automated Quotation System ("NASDAQ") are valued at the last quoted sales price, the NASDAQ official close price, or in the absence of closing sales prices on that day, securities are valued at the mean between the closing bid and asked price. In accordance with procedures approved by the Trust's Board of Trustees (the "Board"), the Funds may adjust the prices of securities traded in foreign markets, as appropriate, to reflect the fair value as of the time the Funds' net asset values are calculated. Temporary cash investments are valued at cost, plus accrued interest, which approximates market. Short-term debt securities with original or remaining maturities in excess of 60 days are valued at the mean of their quoted bid and asked prices. Short-term debt securities with 60 days or less to maturity are amortized to maturity based on their cost.

Each Fund may invest up to 15% of their total net assets in securities which are not readily marketable, including those which are restricted as to disposition under applicable securities laws ("restricted securities"). Restricted securities and other securities and assets for which market quotations are not readily available are valued at "fair value", as determined in good faith by the Funds' Valuation Committee as authorized by the Board of the Funds, under procedures established by the Board. At October 31, 2008, such securities had a total fair value of \$28,520,062 or 0.53% of net assets of Third Avenue Value Fund, \$10,152,263 or 0.74% of net assets of Third Avenue Small-Cap Value Fund, \$7,737,467 or 0.62% of net assets of Third Avenue Real Estate Value Fund and \$22,600,027 or 2.11% of net assets of Third Avenue International Value Fund. Among the factors considered by the Funds' Valuation Committee in determining fair value are: the type of security, trading in unrestricted securities of the same issuer, the financial condition of the issuer, the Fund's cost at the date of purchase, the percentage of the Fund's beneficial ownership of the issuer's common



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

stock and debt securities, the operating results of the issuer and the discount from market value of any similar unrestricted securities of the issuer at the time of purchase and liquidation values of the issuer. The fair values determined in accordance with these procedures may differ significantly from the amounts which would be realized upon disposition of the securities. Restricted securities often have costs associated with subsequent registration. The restricted securities currently held by the Funds are not expected to incur any material future registration costs.

Security transactions and investment income:

Security transactions are accounted for on a trade date basis. Dividend income is recorded on the ex-dividend date and interest income, including, where applicable, amortization of premium and accretion of discount on investments, is accrued daily, except when collection is not expected. Payments received from certain investments held by the Funds may be comprised of dividends, capital gains and return of capital. The Funds originally estimate the expected classification of such payments. The amounts may subsequently be reclassified upon receipt of information from the issuer. Realized gains and losses from securities transactions are reported on an identified cost basis.

Foreign currency translation and foreign investments:

The books and records of the Funds are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars as follows:

- ***Investments and assets and liabilities denominated in foreign currencies:*** At the prevailing rates of exchange on the valuation date.
- ***Investment transactions and investment income:*** At the prevailing rates of exchange on the date of such transactions.

The net assets of the Funds are presented at the foreign exchange rates and market values at the close of the period. The Funds do not generally isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of the securities held. Similarly, the Funds do not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of equity securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) are included in the reported net realized and unrealized gains (losses) on investment transactions and balances.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from foreign currency exchange contracts, disposition of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) on the Statement of Assets and Liabilities.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

The change in net unrealized currency gains (losses) for the period is reflected on the Statement of Operations.

Pursuant to U.S. federal income tax regulations, gains and losses from certain foreign currency transactions and the foreign currency portion of gains and losses realized on sales and maturities of foreign denominated debt securities are generally treated as ordinary income for U.S. federal income tax purposes.

Option contracts:

An option contract gives the buyer the right, but not the obligation, to buy (call) or sell (put) an underlying item at a fixed exercise price on a certain date or during a specified period. The cost of securities acquired through the exercise of a call option is increased by the premiums paid. The proceeds from securities sold through the exercise of a purchased put option are decreased by the premiums paid. Investments in option contracts require the Funds to fair value or mark-to market the options on a daily basis, which reflects the change in the market value of the contracts at the close of each day's trading. The cost of options that expire unexercised are treated by the Funds, on expiration date, as realized losses on investments.

When the Funds write an option, an amount equal to the premium received by the Funds is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Funds, on the expiration date, as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Funds have a realized gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Funds. The Funds as writer of an option bear the market risk of an unfavorable change in the price of the security underlying the written option.

Loans of portfolio securities:

The Funds may loan securities to certain brokers, with the Funds' custodian acting as lending agent. Upon such loans, the Funds receive collateral which is maintained by the custodian. The Funds earn interest on such collateral and earn income in the form of negotiated lenders' fees, both of which are included in securities lending income in the Statement of Operations. Securities loaned are required to be secured at all times by collateral at least equal to the market value of the securities loaned. Risks may arise upon entering into securities lending to the extent that the value of the collateral is less than the value of the securities loaned due to changes in the value of collateral or the loaned securities. Dividends or other distributions on loaned securities may also receive different tax treatment than would otherwise be the case. The Funds may receive collateral in the form of cash or other eligible securities, such as a letter of credit issued by a U.S. bank, or securities issued or guaranteed by the U.S. government having a value at all times not less than 100% of the value of securities loaned.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

During the year ended October 31, 2008, the following Fund had securities lending income, which is included in the Statement of Operations, totaling:

Fund

Third Avenue Value Fund	\$3,151,952
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There were no securities on loan for the Funds at October 31, 2008.

Repurchase agreements:

The Funds may invest excess cash in repurchase agreements whereby the Funds purchase securities, which serve as collateral, with an agreement to resell such collateral at the maturity date of the repurchase agreement. Securities pledged as collateral for repurchase agreements are held by the Funds' custodian bank until maturity of the repurchase agreement. Provisions in the agreements require that the market value of the collateral is at least equal to the repurchase value in the event of default. In the event of default, the Funds have the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings.

Distributions to shareholders:

Dividends from net investment income paid to shareholders and distributions from realized gains on sales of securities paid to shareholders are recorded on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax law and regulations which may differ from U.S. GAAP. These "book/tax" differences are either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their tax-basis treatment. Temporary differences do not require reclassification.

For the year ended October 31, 2008, permanent differences were reclassified as shown below:

	<u>Decrease to Paid-in Capital</u>	<u>Increase to Accumulated Undistributed Net Investment Income/(Loss)</u>	<u>Decrease to Accumulated Undistributed Net Realized Gain/(Loss) on Investments and Foreign Currency</u>
Third Avenue Value Fund	\$(267,689,585)	\$290,877,279	\$(23,187,694)
Third Avenue Small-Cap Value Fund	—	\$ 1,347,743	\$ (1,347,743)
Third Avenue Real Estate Value Fund	\$ (295,902)	\$ 13,279,934	\$(12,984,032)
Third Avenue International Value Fund	\$ (32,134,197)	\$ 59,915,254	\$(27,781,057)



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

The primary reasons for such reclassifications are non-deductible net operating losses, mark-to-market treatment of certain passive foreign investment companies, foreign currency gain (loss), market discount and premium and real estate investment trust (“REIT”) distributions.

Income taxes:

The Funds have complied and intend to continue to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required.

Income, including gains, from investments in foreign securities received by the Funds may be subject to income, withholding or other taxes imposed by foreign countries.

The Funds adopted Financial Accounting Standards Board (“FASB”) Interpretation No. 48 “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109” (“FIN 48”) on April 30, 2007. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. There was no material impact to the financial statements or disclosures thereto as a result of the adoption of this pronouncement.

Expense allocation:

Expenses attributable to a specific Fund are charged to that Fund. Expenses attributable to the Trust are generally allocated using the ratio of each Fund’s average net assets relative to the total average net assets of the Trust. Certain expenses are shared with Third Avenue Variable Series Trust, an affiliated fund group. Such costs are allocated using the ratio of the Funds’ average net assets relative to the total average net assets of the Funds and Third Avenue Variable Series Trust.

Trustees’ and officers’ fees:

The Trust does not pay any fees to its officers for their services as such, except for the Chief Compliance Officer, to whom the Trust paid \$226,574 for the year ended October 31, 2008. The Trust does pay, together with Third Avenue Variable Series Trust, Trustees who are not affiliated with the Investment Adviser a fee of \$4,000 for each meeting of the Board that they attend, in addition to reimbursing all Trustees for travel and incidental expenses incurred by them in connection with their attendance at meetings. If a special meeting is required, Trustees will each receive \$2,500. The Trust, together with Third Avenue Variable Series Trust, also pays non-interested Trustees an annual stipend of \$59,000 (the lead independent trustee receives an annual retainer of \$67,000). The Trustees on the Audit Committee each receive \$1,500 for each audit committee meeting and the audit committee chairman receives an annual retainer of \$4,000.

Accounting Pronouncements:

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157 (“FAS 157”) “Fair Value Measurements.” FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands required disclosure about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

In February 2007, FASB issued Statement of Financial Accounting Standards No. 159 (“FAS 159”) “The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115.” FAS 159 permits entities to elect to measure certain financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings at each subsequent reporting date. FAS 159 is effective for fiscal years beginning after November 15, 2007.

In March 2008, FASB issued Statement of Financial Accounting Standards No. 161 (“FAS 161”) “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133 (“FAS 133”)”, which expands the disclosure requirements in FAS 133 about an entity’s derivative instruments and hedging activities. FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008.

Management is currently evaluating the impact the adoption of these accounting pronouncements will have on the Funds’ financial statements and related disclosures.

2. SECURITIES TRANSACTIONS

Purchases and sales/conversions:

The aggregate cost of purchases and aggregate proceeds from sales and conversions of investments, excluding short-term investments, from unaffiliated and affiliated issuers (as defined in the Investment Company Act of 1940, as amended, as ownership of 5% or more of the outstanding common stock of the issuer) for the year ended October 31, 2008 were as follows:

	<u>Purchases</u>	<u>Sales</u>
Third Avenue Value Fund:		
Affiliated	\$ 621,275,022	\$ 115,162,627
Unaffiliated	864,031,036	1,560,663,594
Third Avenue Small-Cap Value Fund:		
Affiliated	112,156,278	36,263,472
Unaffiliated	689,356,621	804,818,254
Third Avenue Real Estate Value Fund:		
Affiliated	—	5,110,337
Unaffiliated	695,583,910	935,553,745
Third Avenue International Value Fund:		
Affiliated	68,345,446	12,501,421
Unaffiliated	392,066,227	544,159,396



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

3. INVESTMENT ADVISORY SERVICES, ADMINISTRATION AND SERVICE FEE AGREEMENTS

Each Fund has an Investment Advisory Agreement with the Adviser for investment advice and certain management functions. The terms of the Investment Advisory Agreements provide for a monthly fee of 1/12 of 0.90% (an annual fee of 0.90%) of the total average daily net assets of Third Avenue Value Fund, Third Avenue Small-Cap Value Fund and Third Avenue Real Estate Value Fund, and 1/12 of 1.25% (an annual fee of 1.25%) of the total average daily net assets of Third Avenue International Value Fund. Additionally, under the terms of the Investment Advisory Agreements, the Adviser pays certain expenses on behalf of the Funds which are partially reimbursed by the Funds, including service fees due to third parties, the compensation expense for the Funds' Chief Compliance Officer and other miscellaneous expenses. At October 31, 2008, Third Avenue Value Fund, Third Avenue Small-Cap Value Fund, Third Avenue Real Estate Value Fund and Third Avenue International Value Fund had amounts payable to the Adviser of \$919,630, \$179,633, \$218,644 and \$185,245, respectively, for reimbursement of expenses paid by the Adviser. Under current arrangements for Third Avenue Value Fund and Third Avenue Small-Cap Value Fund, whenever, in any fiscal year, each Fund's normal operating expenses, including the investment advisory fee, but excluding brokerage commissions and interest and taxes, exceeds 1.90% of the first \$100 million of each Fund's average daily net assets, and 1.50% of average daily net assets in excess of \$100 million, the Adviser is obligated to reimburse each Fund in an amount equal to that excess. Whenever, in any fiscal year, Third Avenue Real Estate Value Fund's normal operating expenses, including the investment advisory fee, but excluding brokerage commissions and taxes, exceeds 1.50% of the Fund's average daily net assets, the Adviser is obligated to reimburse the Fund in an amount equal to that excess. Whenever in any fiscal year, Third Avenue International Value Fund's normal operating expenses including the investment advisory fee, but excluding brokerage commissions and taxes exceed 1.75% of the Fund's average daily net assets, the Adviser is obligated to reimburse the Fund in an amount equal to the excess. Such waived and reimbursed expenses may be paid to the Adviser during the following three-year period to the extent that the payment of such expenses would not cause the Funds to exceed the preceding limitations. No expense reimbursement was required for the year ended October 31, 2008.

The Trust has entered into an Administration Agreement with the Adviser pursuant to which the Adviser, as administrator, is responsible for providing various administrative services to the Trust. The Adviser has in turn entered into a Sub-Administration Agreement with PNC Global Investment Servicing (U.S.) Inc. ("PNC"), formerly known as PFPC Inc., pursuant to which PNC provides certain of these administrative services on behalf of the Adviser. The Adviser earns a fee from the Trust equal to \$174,590 plus 50% of the difference between (i) \$191,022 plus .01% of the Fund's average net assets in excess of \$1 billion and (ii) \$174,590. The Adviser pays PNC an annual sub-administration fee for sub-administration services provided to the Trust equal to \$180,775.

Both the Trust and the Adviser have entered into agreements with financial intermediaries to provide recordkeeping, processing, shareholder communications and other services to customers of the intermediaries and have agreed to com-



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

pensate the intermediaries for providing those services. Certain of those services would be provided by the Funds if the shares of each customer were registered directly with the Funds' transfer agent. Accordingly, the Funds have agreed to reimburse a portion of the intermediary fees paid by the Adviser pursuant to provisions adopted by the Board. Each Fund pays a portion of the intermediary fees attributable to shares of the Fund not exceeding the estimated expense the Fund would have paid its transfer agent had each customer's shares been registered directly with the transfer agent instead of held through the intermediary accounts. The Adviser pays the remainder of the fees. The fees incurred by the Funds are reflected as other shareholder servicing fees in the Statements of Operations. For the year ended October 31, 2008, such fees amounted to \$11,481,621 for Third Avenue Value Fund, \$1,924,748 for Third Avenue Small-Cap Value Fund, \$2,528,330 for Third Avenue Real Estate Value Fund and \$1,790,483 for Third Avenue International Value Fund.

4. RELATED PARTY TRANSACTIONS

Brokerage commissions:

M.J. Whitman LLC, a registered broker-dealer and Private Debt LLC, a dealer in the trading of bank debt and other private claims, operate under common control with the Adviser. For the year ended October 31, 2008, the Funds incurred brokerage commissions, paid to related parties as follows:

<u>Fund</u>	<u>M.J. Whitman LLC</u>	<u>Private Debt LLC</u>
Third Avenue Value Fund	\$3,096,165	\$—
Third Avenue Small-Cap Value Fund	1,734,253	—
Third Avenue Real Estate Value Fund	1,877,326	—
Third Avenue International Value Fund	980,234	—



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

Investments in affiliates:

A summary of the Funds' transactions in securities of affiliated issuers for the year ended October 31, 2008 is set forth below:

Third Avenue Value Fund

Name of Issuer:	Shares Held at Oct. 31, 2007	Shares Purchased	Shares Sold	Shares Held at Oct. 31, 2008	Value at Oct. 31, 2008	Dividend Income Nov. 1, 2007 - Oct. 31, 2008
Alamo Group, Inc.	594,300	—	—	594,300	\$ 7,476,294	\$ 142,632
Ambac Financial Group, Inc.	300,000	27,407,362	2,000,000	25,707,362	68,895,730	973,519
AVX Corp.	9,046,200	—	—	9,046,200	81,596,724	1,447,392
Carver Bancorp, Inc.	218,500	—	—	218,500	1,472,690	87,400
Chong Hing Bank, Ltd.*	26,127,450	—	6,569,000	19,558,450	24,574,668	1,523,772
Covanta Holding Corp.	8,816,889	—	—	8,816,889	190,092,127	—
FedFirst Financial Corp.	353,109	136,927	—	490,036	2,864,261	—
Forest City Enterprises, Inc., Class A	7,011,858	2,137,587	—	9,149,445	108,786,901	2,666,330
Gouverneur Bancorp, Inc.*	205,511	—	—	205,511	1,592,710	65,764
Henderson Land Development Co., Ltd.	113,328,000	6,270,738	—	119,598,738	432,515,953	16,825,876
Home Federal Bancorp, Inc.	137,000	137,157	—	274,157	1,932,807	65,798
Home Products International, Inc.	526,368	—	—	526,368	26,318	—
Manifold Capital Holdings, Inc.	3,806,722	—	—	3,806,722	38,067	—
MBIA, Inc.	7,077,906	16,571,939	4,300,000	19,349,845	190,208,976	3,426,488
Radian Group, Inc.	10,359,150	290,200	—	10,649,350	38,337,660	659,780
RHJ International*	4,628,913	—	1,311,563	3,317,350	17,955,654	—
SFSB, Inc.	242,800	—	—	242,800	1,606,122	—
St. Joe Co. (The)	6,666,078	749,634	1,000,000	6,415,712	198,373,815	—
Tejon Ranch Co.	3,420,106	—	—	3,420,106	99,388,281	—
Toyota Industries Corp.	15,922,200	2,654,200	—	18,576,400	419,379,422	10,386,588
Total Affiliates					<u>\$1,887,115,180</u>	<u>\$38,271,339</u>

* As of October 31, 2008, no longer an affiliate.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

Third Avenue Small-Cap Value Fund

Name of Issuer:	Shares	Shares Purchased	Shares Sold	Shares	Value at Oct. 31, 2008	Dividend Income
	Held at Oct. 31, 2007			Held at Oct. 31, 2008		Nov. 1, 2007 - Oct. 31, 2008
Bel Fuse, Inc., Class B	707,092	59,150	—	766,242	\$ 16,627,451	\$ 214,548
Borland Software Corp.*	4,552,252	—	4,552,252	—	—	—
Bronco Drilling Co., Inc.	2,172,932	16,900	489,217	1,700,615	13,128,748	—
Catalyst Paper Corp.	12,107,879	9,422,473	—	21,530,352	6,827,263	—
Cross Country Healthcare, Inc.	734,219	2,125,059	—	2,859,278	32,367,027	—
Deltic Timber Corp.*	680,367	—	680,367	—	—	162,337
Electro Scientific Industries, Inc.	1,139,062	741,456	106,012	1,774,506	14,852,615	—
Encore Wire Corp.	1,054,836	1,338,321	267,106	2,126,051	40,756,398	169,663
Haverty Furniture Cos., Inc.	1,891,945	—	—	1,891,945	18,616,739	510,825
Herley Industries, Inc.	1,398,130	2,407	694,032	706,505	9,396,516	—
K-Swiss, Inc., Class A	1,688,331	659,339	899,885	1,447,785	21,904,987	413,016
National Western Life Insurance Co., Class A	201,126	32,548	—	233,674	44,112,978	84,123
Parco Co., Ltd.	3,959,300	1,337,200	—	5,296,500	48,028,908	645,411
PYI Corp., Ltd.	7,542,000	151,477,370	448,001	158,571,369	5,123,029	37,236
Stanley Furniture Co., Inc.*	1,116,324	—	1,116,324	—	—	420,718
Total Affiliates					<u>\$271,742,659</u>	<u>\$2,657,877</u>

* As of October 31, 2008, no longer an affiliate.

Third Avenue Real Estate Value Fund

Name of Issuer:	Shares	Shares Purchased	Shares Sold	Shares	Value at Oct. 31, 2008	Dividend Income
	Held at Oct. 31, 2007			Held at Oct. 31, 2008		Nov. 1, 2007 - Oct. 31, 2008
Acadia Realty Trust*	2,436,810	—	2,436,810	—	\$ —	\$ 2,077,381
Associated Estates Realty Corp.*	1,348,100	—	660,205	687,895	5,613,223	804,473
Consolidated-Tomoka Land Co.	500,500	—	—	500,500	18,468,450	200,200
Crystal River Capital, Inc.*	1,561,738	—	1,301,364	260,374	190,073	2,665,090
First Potomac Realty Trust*	1,385,000	86,286	1,471,286	—	—	1,082,366
Forest City Enterprises, Inc., Class A	6,514,964	—	322,741	6,192,223	73,625,532	2,084,788
JER Investors Trust, Inc.*	2,251,800	—	2,236,800	15,000	48,750	4,031,855
Killam Properties, Inc.	1,845,100	—	—	1,845,100	7,654,111	857,778
One Liberty Properties, Inc.*	914,300	—	914,300	—	—	637,340
Quadra Realty Trust, Inc.*	2,235,800	—	2,235,800	—	—	1,496,644
Thomas Properties Group, Inc.	2,411,373	—	—	2,411,373	16,759,042	578,730
Total Affiliates					<u>\$122,359,181</u>	<u>\$16,516,645</u>

* As of October 31, 2008, no longer an affiliate.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

Third Avenue International Value Fund

Name of Issuer:	Shares	Shares Purchased	Shares Sold	Shares	Value at Oct. 31, 2008	Dividend Income
	Held at Oct. 31, 2007			Held at Oct. 31, 2008		Nov. 1, 2007 - Oct. 31, 2008
ABB Grain, Ltd.	10,760,924	2,114,825	1,000,000	11,875,749	\$ 64,887,502	\$1,126,954
Blue Ocean Reinsurance, Ltd.*	124,876	—	124,876	—	—	—
Boardroom, Ltd.	22,522,784	—	—	22,522,784	6,986,164	743,336
Catalyst Paper Corp.	40,080,245	31,190,850	—	71,271,095	22,600,027	—
Dundee Precious Metals, Inc.	4,817,832	—	—	4,817,832	9,593,294	—
Gigabyte Technology Co., Ltd.*	37,628,000	—	30,061,000	7,567,000	2,664,148	632,149
GuocoLeisure, Ltd.	103,667,023	—	7,752,000	95,915,023	22,195,499	1,593,802
Liu Chong Hing Investment, Ltd.*	19,670,000	—	2,648,000	17,022,000	6,529,836	581,985
Netia S.A.	30,050,529	—	—	30,050,529	21,287,259	—
Rubicon, Ltd.	44,893,185	—	—	44,893,185	21,373,933	—
United International Enterprises, Ltd.*	374,296	—	218,940	155,356	7,473,357	336,981
Viterra, Inc.*	12,246,464	—	5,532,800	6,713,664	42,611,408	—
WBL Corp., Ltd.	19,290,300	69,000	—	19,359,300	35,734,409	1,397,013
Total Affiliates					<u>\$263,936,836</u>	<u>\$6,412,220</u>

* As of October 31, 2008, no longer an affiliate.

Certain employees of the Adviser serve as members of the board of directors of companies in which the Funds have investments. As a result of such service, for the year ended October 31, 2008, the Funds received the following fees: \$97,934 for Third Avenue Value Fund, \$2,399 for Third Avenue Small-Cap Value Fund and \$4,147 for Third Avenue Real Estate Value Fund. These fees are included in “Other income” on the accompanying Statement of Operations.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

5. CAPITAL SHARE TRANSACTIONS

Each Fund is authorized to issue an unlimited number of shares of beneficial interest with \$0.001 par value.

Transactions in capital stock were as follows:

	<u>Third Avenue Value Fund</u>		<u>Third Avenue Small-Cap Value Fund</u>	
	<u>For the Year Ended</u>	<u>For the Year Ended</u>	<u>For the Year Ended</u>	<u>For the Year Ended</u>
	<u>October 31, 2008</u>	<u>October 31, 2007</u>	<u>October 31, 2008</u>	<u>October 31, 2007</u>
Shares outstanding at beginning of year	178,201,270	153,848,187	81,182,322	90,805,077
Shares sold	37,028,410	45,597,343	16,530,658	7,228,330
Shares reinvested from dividends and distributions	5,594,473	8,012,366	8,751,531	4,585,307
Shares redeemed	(68,009,822)	(29,256,626)	(23,037,569)	(21,436,392)
Net increase (decrease) in Fund shares	(25,386,939)	24,353,083	2,244,620	(9,622,755)
Shares outstanding at end of year	<u>152,814,331</u>	<u>178,201,270</u>	<u>83,426,942</u>	<u>81,182,322</u>

	<u>Third Avenue Real Estate Value Fund</u>		<u>Third Avenue International Value Fund</u>	
	<u>For the Year Ended</u>	<u>For the Year Ended</u>	<u>For the Year Ended</u>	<u>For the Year Ended</u>
	<u>October 31, 2008</u>	<u>October 31, 2007</u>	<u>October 31, 2008</u>	<u>October 31, 2007</u>
Shares outstanding at beginning of year	82,735,662	86,401,434	93,109,562	99,168,233
Shares sold	19,637,178	19,139,548	26,035,503	9,021,508
Shares reinvested from dividends and distributions	10,647,177	8,499,274	17,163,416	11,274,840
Shares redeemed	(35,573,915)	(31,304,594)	(43,420,206)	(26,355,019)
Net decrease in Fund shares	(5,289,560)	(3,665,772)	(221,287)	(6,058,671)
Shares outstanding at end of year	<u>77,446,102</u>	<u>82,735,662</u>	<u>92,888,275</u>	<u>93,109,562</u>

Third Avenue Value Fund charges a redemption fee of 1% for shares held 60 days or less. Third Avenue Small-Cap Value Fund and Third Avenue Real Estate Value Fund charge a redemption fee of 1% for shares held one year or less. Third Avenue International Value Fund charges a redemption fee of 2% for shares held one year or less.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

6. COMMITMENTS AND CONTINGENCIES

Third Avenue Value Fund has committed a \$1,755,000 capital investment to RS Holdings of which \$1,022,245 has been funded as of October 31, 2008. Under certain circumstances this commitment may be payable to RS Holdings, although the Adviser believes that this commitment is no longer enforceable. Accordingly, Third Avenue Value Fund has segregated securities valued at \$732,755 to meet this contingency.

In the normal course of business, the Funds enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.

7. RISKS RELATING TO CERTAIN INVESTMENTS

Foreign securities:

Investments in the securities of foreign issuers may involve investment risks different from those of U.S. issuers including possible political or economic instability of the country of the issuer, the difficulty of predicting international trade patterns, the possibility of currency exchange controls, the possible imposition of foreign taxes on income from and transactions in such instruments, the possible establishment of foreign controls, the possible seizure or nationalization of foreign deposits or assets, or the adoption of other foreign government restrictions that might adversely affect the foreign securities held by the Funds. Foreign securities may also be subject to greater fluctuations in price than securities of domestic corporations or the U.S. Government.

High yield debt:

The Funds may invest in high yield, lower grade debt. The market values of these higher yielding debt securities tend to be more sensitive to economic conditions and individual corporate developments than those of higher rated securities. In addition, the secondary market for these bonds is generally less liquid.

Loans and other direct debt instruments:

The Funds may invest in loans and other direct debt instruments issued by corporate borrowers. These loans represent amounts owed to lenders or lending syndicates (loans and loan participations) or to other parties. Direct debt instruments may involve a risk of loss in case of default or insolvency of the borrower and may offer less legal protection to the Fund in the event of fraud or misrepresentation. In addition, loan participations involve a risk of insolvency of the lending bank or other financial intermediary. The markets in loans are not regulated by federal securities laws or the SEC.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

Trade claims:

An investment in trade claims is very speculative and carries a high degree of risk. Trade claims are illiquid instruments which generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the trade claim. The markets in trade claims are not regulated by federal securities laws or the SEC. Because trade claims are unsecured, holders of trade claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding.

Fund concentration:

The Funds hold relatively concentrated portfolios that may contain fewer securities than the portfolios of other mutual funds. Holding a relatively concentrated portfolio may increase the risk that the value of the Fund could decrease because of the poor performance of one or a few investments. Additionally, the Funds may encounter some difficulty in liquidating these types of securities.

8. FEDERAL INCOME TAXES

The tax character of distributions paid during the year ended October 31, 2008 was as follows:

	<u>Ordinary income</u>	<u>Net long-term capital gains</u>
Third Avenue Value Fund	\$215,388,727	\$156,540,480
Third Avenue Small-Cap Value Fund	36,054,670	177,755,031
Third Avenue Real Estate Value Fund	50,579,712	253,942,907
Third Avenue International Value Fund	68,165,379	279,108,404

The tax character of distributions paid during the fiscal year ended October 31, 2007 was as follows:

	<u>Ordinary income</u>	<u>Net long-term capital gains</u>
Third Avenue Value Fund	\$505,249,331	\$ 14,621,692
Third Avenue Small-Cap Value Fund	49,009,478	77,757,960
Third Avenue Real Estate Value Fund	75,924,345	228,859,428
Third Avenue International Value Fund	121,976,814	154,027,391



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 2008

At October 31, 2008, the tax basis components of distributable earnings were:

	<u>Undistributed ordinary income</u>	<u>Undistributed long-term capital gains</u>	<u>Capital loss carryforward</u>	<u>Unrealized depreciation</u>
Third Avenue Value Fund	\$ —	\$ 80,936	\$ —	\$(1,485,059,037)
Third Avenue Small-Cap Value Fund	1,987,918	42,967,082	—	(269,513,172)
Third Avenue Real Estate Value Fund	18,106,800	—	28,847,162	(336,399,862)
Third Avenue International Value Fund	—	(12,594,620)	—	(585,588,122)

The difference between book basis and tax basis unrealized appreciation is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's unrealized appreciation difference is attributable primarily to mark-to market treatment of certain passive foreign investment companies, differences in the treatment of amortization of bond discount and premium, REIT and partnership adjustments and other timing differences. Actual distributions to shareholders may differ from the amounts above.

As of October 31, 2008, the Third Avenue Real Estate Value Fund had an estimated capital loss carryforward for federal income taxes of approximately \$28,847,162. This amount may be applied to offset future capital gains. The capital loss carryforward will expire, if not used, on October 31, 2016.



Report of Independent Registered Public Accounting Firm

To the Trustees and Shareholders of Third Avenue Trust

In our opinion, the accompanying statements of assets and liabilities, including the portfolios of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Third Avenue Value Fund, Third Avenue Small-Cap Value Fund, Third Avenue Real Estate Value Fund and Third Avenue International Value Fund (constituting Third Avenue Trust, hereafter referred to as the “Fund”) at October 31, 2008, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, New York
December 19, 2008



Annual Renewal of Investment Advisory Agreements (Unaudited)

At a meeting of the Board of Trustees of the Trust held on June 4, 2008, the Trustees, by a unanimous vote (including a separate vote of those Trustees who are not “interested persons” (as the term is defined in the Investment Company Act) (the “Independent Trustees”)), approved the renewal of each Fund’s Investment Advisory Agreement (collectively, the “Agreements”).

In advance of the meeting, the Independent Trustees, through their independent legal counsel, requested extensive materials, and the Adviser provided them, to assist the Board in considering the renewal of the Agreements. The Independent Trustees also constituted an ad hoc committee to work with representatives of the Adviser to evaluate the adequacy and extent of the information to be provided for their consideration. This committee communicated frequently with the Adviser’s representatives and independent legal counsel. At its June 4, 2008 meeting, the Board engaged in a detailed discussion of the materials with the Adviser. The Independent Trustees then met separately with their independent legal counsel for a discussion of the Adviser’s presentation and materials. In considering the Agreements, the Trustees did not identify any single overriding factor and instead considered all factors collectively. As a part of their decision-making process, the Trustees considered information derived from their multi-year service on the Trust’s Board and their familiarity with the Adviser and its investment process. Among other things, they noted that the Adviser has managed each Fund since its inception, and that the Trustees believe that a long-term relationship with a capable, conscientious adviser is in the best interest of the Funds. Following this session, the full Board reconvened and approved the continuation of each Agreement as being in the best interests of the relevant Fund and its shareholders. The following is a summary of the discussions and conclusions regarding the material factors that formed the basis for the Board’s approval.

Factors Considered

A. Financial Condition of the Adviser; Advisory Fees: Profitability.

The Trustees received a presentation from representatives of the Adviser, including a report prepared by Lipper Inc., and reviewed:

1. the financial condition of the Adviser to determine that the Adviser is solvent and sufficiently well capitalized to perform its ongoing responsibilities to the Funds;
2. the information sources and methodology used in the selection of funds to be included in the comparison universe and the competitive fund group used in comparative analyses of each Fund’s advisory fees and expense ratio and in analyzing the Fund’s performance;
3. each Fund’s advisory fee and total expenses versus those of the comparison universe and competitive fund group, focusing on the total expense ratio of each Fund and the funds in its comparison universe and competitive fund group, and noting that the Fund was below or near the median in each of these comparisons;
4. performance/expense analysis of each Fund and funds in its competitive fund group;



Annual Renewal of Investment Advisory Agreements (continued)
(Unaudited)

5. a comparison of fees paid to the Adviser versus fees paid by similar funds advised and sub-advised by the Adviser;
6. information presented in respect of economies of scale, noting the competitive expense ratios, the extensive resources that the Adviser dedicates to its investment advisory process to the benefit of the Funds and the trend of declining or generally stable gross expense ratios of each Fund since inception and the decline in the Funds assets over the past year;
7. the profitability to the Adviser resulting from each Agreement (including the fall-out benefits noted below), reviewing the dollar amount of expenses allocated and revenue received by the Adviser and the method used to determine such expenses and corresponding profit; and
8. fallout benefits, including (i) fees for providing administrative services and (ii) brokerage commissions paid to the Adviser's affiliated broker-dealer from transactions executed for the Funds, including the quarterly brokerage analysis performed by third party service providers and provided to the Trustees analyzing, among other things, the affiliated broker-dealer's per share commission and execution costs.

B. Description of Personnel And Service Provided by the Adviser.

The Trustees reviewed with representatives of the Adviser, and considered:

1. the nature, extent and quality of services rendered to the Funds, including the Adviser's investment, senior management and operational personnel and the oversight of day-to-day operations of the Funds provided by the Adviser;
2. the Adviser's research and portfolio management capabilities, particularly the intensive research undertaken in connection with the Adviser's deep value philosophy; and
3. the value added through the Adviser's active management style that includes participation in corporate restructurings.

C. Compliance Matters

1. The Trustees met in private session with the Trust's Chief Compliance Officer and reviewed the operation of the Trust's and the Adviser's compliance programs.

D. Investment Performance of the Funds and Adviser.

1. The Trustees reviewed total return information for each Fund versus the comparison universe and competitive funds group and compared to the Fund's benchmark index for various periods and since inception. The Trustees also reviewed information pertaining to each Fund's risk adjusted performance.
2. It was noted that each Fund's performance was favorable both on an absolute and risk adjusted basis and, since inception, relative to that of funds in the comparison universe and competitive group and the Fund's benchmark.



Annual Renewal of Investment Advisory Agreements (continued) (Unaudited)

Conclusions

The Trustees concluded that the nature, extent and quality of the services provided by the Adviser are adequate and appropriate. The Trustees considered, evaluated and were satisfied with each Fund's historical performance. They also considered the advisory fee and expense ratio of each Fund and evaluated the comparisons to those of funds in the comparable universe and competitive group and the performance/expense analysis, as discussed in the Adviser's presentation.

The Trustees discussed the Adviser's profitability, and it was noted that the profitability percentage for each Fund was within ranges in relevant court cases upholding board approval of particular advisory agreements. The Trustees concluded that each Fund's fee paid to the Adviser was reasonable in light of comparative performance and advisory fee and expense information, costs of the services provided and profits and other benefits derived by the Adviser and its affiliates from their relationship with the Fund, including administration fees paid to the Adviser and brokerage fees paid to the Adviser's affiliates. The Trustees also considered the advisory fees charged for similar funds advised and sub-advised by the Adviser and reviewed the nature of the services provided and differences, from the Adviser's perspective, in managing the Funds as compared to advisory services provided to other advised and sub-advised funds. The Trustees recognized that any differences in fees paid were consistent with the differences in services provided by the Adviser.

The Trustees considered whether economies of scale are shared with the Funds and considered each Fund's competitive fee structure, the extensive resources that the Adviser dedicates to its investment advisory process to the benefit of the Fund, and the size of the Fund. The Trustees concluded that operational economies of scale had benefited the Funds and that there were no other material economies of scale in which the Funds should share, especially over the past year when asset levels in the Funds declined.



Management of the Trust

Information pertaining to the Trustees and officers of the Trust is set forth below. The fund complex includes four portfolios in the Third Avenue Trust and one portfolio in the Third Avenue Variable Series Trust. The Statement of Additional Information (SAI) includes additional information about the Trustees and is available without charge upon request, by calling (800) 443-1021.

Interested Trustees

<u>Name, Age & Address</u>	<u>Term of Office and Length of Time Served*</u>	<u>Position(s) Held With Registrant</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships held by Trustee</u>
Martin J. Whitman** DOB: September 1924 622 Third Avenue New York, NY 10017	Trustee since 7/99	Chairman and Trustee	Chairman (3/90 to Present) Chief Executive Officer (CEO) (3/90 to 9/03), President (1/91 to 5/98) of Third Avenue Trust; Chairman (7/99 to Present) CEO (7/99 to 9/03) of Third Avenue Variable Series Trust; Co-Chief Investment Officer (2/03 to Present), Chief Investment Officer (CIO) (1/91 to 2/03), Third Avenue Management LLC and its predecessor entities; CEO, President and Director (10/74 to Present) of Martin J. Whitman & Co., Inc. (private investment company); Distinguished Management Fellow (1972 to Present) and Member of the Advisory Board (10/94 to 6/95) of the Yale School of Management at Yale University; Adjunct Professor (1/01 to 12/01) of the Columbia University Graduate School of Business; Adjunct Professor (2002 to Present) of Syracuse University; Chartered Financial Analyst.	Director (8/90 to 10/04) of Danielson Holding Corporation; Director (3/91 to Present) of Nabors Industries, Ltd., (international oil drilling services).



Interested Trustees

<u>Name, Age & Address</u>	<u>Term of Office and Length of Time Served*</u>	<u>Position(s) Held With Registrant</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships held by Trustee</u>
<p>David M. Barse** DOB: June 1962 622 Third Avenue New York, NY 10017</p>	<p>Trustee since 9/01</p>	<p>President, CEO and Trustee</p>	<p>President (5/98 to Present), Trustee (9/01 to Present), CEO (9/03 to Present) and Executive Vice President (4/95 to 5/98) of Third Avenue Trust; President (7/99 to Present), Trustee (9/01 to Present) and CEO (9/03 to Present) of Third Avenue Variable Series Trust; CEO (4/03 to Present), President (2/98 to Present), Third Avenue Management LLC and subsidiaries and predecessors; CEO (7/99 to Present), President (6/95 to Present), Director (1/95 to Present) of M.J. Whitman, Inc. and its successor, M.J. Whitman LLC (registered broker-dealer) and subsidiaries.</p>	<p>Director (7/96 to Present) of Covanta Holding Corporation, formerly Danielson Holding Corporation; Director (3/01 to Present) of Manifold Capital Holdings, Inc. and its predecessor (credit enhancement).</p>

Independent Trustees

<p>Jack W. Aber DOB: September 1937 51 Columbia Street Brookline, MA 02446</p>	<p>Trustee since 8/02</p>	<p>Trustee</p>	<p>Professor of Finance (1972 to Present) of Boston University School of Management, Trustee of Third Avenue Variable Series Trust (8/02 to Present); Trustee of Third Avenue Trust (8/02 to Present).</p>	<p>Trustee, The Managers Funds (1999 to Present) (9 portfolios); Trustee of Managers AMG Funds (1999 to Present) (6 portfolios), Managers Trust I (2000 to Present) (10 portfolios) and Managers Trust II (2000 to Present) (6 portfolios); Trustee of Appleton Growth Fund.</p>
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Independent Trustees

Name, Age & Address	Term of Office and Length of Time Served*	Position(s) Held With Registrant	Principal Occupation(s) During Past 5 Years	Other Directorships held by Trustee
William E. Chapman, II DOB: September 1941 380 Gulf of Mexico Drive, #531 Longboat Key, FL 34228	Trustee since 8/02	Trustee	Trustee; President and Owner (1998 to Present) of Longboat Retirement Planning Solutions (consulting firm); part-time employee delivering retirement and investment education seminars (1/00 to Present) for Hewitt Associates, LLC (consulting firm); Trustee (5/02 to Present) of Bowdoin College; various roles, the last of which was President of the Retirement Plans Group (1990 to 1998) with Kemper Funds (mutual funds group); investment sales, marketing and general management roles (1966 to 1990) with CIGNA (insurance group). Trustee of Third Avenue Variable Series Trust (8/02 to Present); Trustee of Third Avenue Trust (8/02 to Present).	Trustee, The Managers Funds (1999 to Present) (9 portfolios); Trustee of Managers AMG Funds (1999 to Present) (6 portfolios), Managers Trust I (2000 to Present) (10 portfolios) and Managers Trust II (2000 to Present) (6 portfolios).
Lucinda Franks DOB: July 1946 64 East 86th Street New York, NY 10028	Trustee since 7/99	Trustee	Journalist (1969 to Present); Special Correspondent, Talk Magazine (1999-2000); Trustee of Third Avenue Variable Series Trust (7/99 to Present); Trustee of Third Avenue Trust (2/98 to Present).	N/A
Edward J. Kaier DOB: September 1945 111 N. Lowry's Lane Rosemont, PA 19010	Trustee since 8/02	Trustee	Partner (7/07 to Present) at Teeters Harvey Gilboay & Kaier LLP (law firm); Partner (1977 to 7/07) at Hepburn Willcox Hamilton & Putnam (law firm); Trustee of Third Avenue Variable Series Trust (8/02 to Present); Trustee of Third Avenue Trust (8/02 to Present).	Trustee, The Managers Funds (1999 to Present) (9 portfolios), Trustee of Managers AMG Funds (1999 to Present) (6 portfolios), Managers Trust I (2000 to Present) (10 portfolios) and Managers Trust II (2000 to Present) (6 portfolios).



Independent Trustees

<u>Name, Age & Address</u>	<u>Term of Office and Length of Time Served*</u>	<u>Position(s) Held With Registrant</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships held by Trustee</u>
Marvin Moser, M.D. DOB: January 1924 13 Murray Hill Road Scarsdale, NY 10583	Trustee since 7/99	Trustee	Clinical Professor of Medicine (1984 to Present) at Yale University School of Medicine; Trustee (1992 to 2002) of the Trudeau Institute (medical research institute); Senior Medical Consultant (1974 to 2002) for the National High Blood Pressure Education Program of the National Heart, Lung and Blood Institute; Trustee of Third Avenue Variable Series Trust (7/99 to Present); Trustee or Director of Third Avenue Trust or its predecessor (11/94 to Present).	Director (1997 to Present) of Nutrition 21 Co. (marketing); Director (2002 to Present) of Comprehensive Neuroscience (research and pharmaceutical site management company).
Eric Rakowski DOB: June 1958 571 Woodmont Avenue Berkeley, CA 94708	Trustee since 8/02	Trustee	Professor (1990 to Present) at University of California at Berkeley School of Law; Visiting Professor (1998-1999) at Harvard Law School. Trustee of Third Avenue Variable Series Trust (8/02 to Present); Trustee of Third Avenue Trust (8/02 to Present).	Trustee, The Managers Funds (1999 to Present) (9 portfolios), Trustee of Managers AMG Funds (1999 to Present) (6 portfolios), Managers Trust I (2000 to Present) (10 portfolios) and Managers Trust II (2000 to Present) (6 portfolios).
Martin Shubik DOB: March 1926 Yale University Dept. of Economics Box 2125, Yale Station New Haven, CT 06520	Trustee since 7/99	Trustee	Seymour H. Knox Professor (1975 to Present) of Mathematical and Institutional Economics, Yale University; Trustee of Third Avenue Variable Series Trust (7/99 to Present); Trustee or Director of Third Avenue Trust or its predecessor (11/90 to Present).	N/A
Charles C. Walden DOB: July 1944 Sound Capital Associates, LLC P.O. Box 1250 Madison, CT 06443	Trustee since 7/99	Trustee	President and Owner (2006 to Present) of Sound Capital Associates, LLC (consulting firm); Executive Vice-President of Investments and Chief Investment Officer (1973 to 2007) Knights of Columbus (fraternal benefit society selling life insurance and annuities); Trustee of Third Avenue Variable Series Trust (7/99 to Present); Trustee or Director of Third Avenue Trust or its predecessor (5/96 to Present); Chartered Financial Analyst.	N/A

* Each trustee serves until his successor is duly elected and qualified.

** Messrs. Whitman and Barse are "interested trustees" of the Trust and the Adviser, Third Avenue Management LLC, due to their employment with and indirect ownership interests in the Adviser.



Principal Trust Officers Who Are Not Trustees

<u>Name, Age & Address</u>	<u>Position(s) Held With Registrant</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships held by Officer</u>
Vincent J. Dugan DOB: September 1965 622 Third Avenue New York, NY 10017	Treasurer and CFO	Treasurer and Chief Financial Officer (CFO) (9/04 to Present) of Third Avenue Trust; Treasurer and CFO (9/04 to Present) of Third Avenue Variable Series Trust; Chief Operating Officer (COO) and CFO (8/04 to Present) of Third Avenue Management LLC and subsidiaries; COO and CFO (8/04 to Present) of Third Avenue Holdings Delaware LLC; COO and CFO (8/04 to Present) of MJ Whitman LLC and subsidiaries; Partner Ernst & Young LLP (6/02 to 8/04).	N/A
Michael A. Buono DOB: May 1967 622 Third Avenue New York, NY 10017	Controller	Controller (5/06 to Present) of Third Avenue Trust; Controller (5/06 to Present) of Third Avenue Variable Series Trust; Vice President and Assistant Controller (12/05 to 5/06) of Legg Mason Partners Funds; Vice President and Assistant Controller (12/98 to 12/05) Citigroup Asset Management.	N/A
W. James Hall III DOB: July 1964 622 Third Avenue New York, NY 10017	General Counsel and Secretary	General Counsel and Secretary (6/00 to Present) of Third Avenue Trust; General Counsel and Secretary (9/00 to Present) of Third Avenue Variable Series Trust; General Counsel and Secretary (9/00 to Present) of EQSF Advisers, Inc., and its successor, Third Avenue Management LLC and subsidiaries; General Counsel and Secretary (12/00 to 7/02) of Danielson Holding Corporation; General Counsel and Secretary (5/00 to Present) of M.J. Whitman, Inc. and its successor, M.J. Whitman LLC and subsidiaries.	N/A
Joseph J. Reardon DOB: April 1960 622 Third Avenue New York, NY 10017	Chief Compliance Officer	Chief Compliance Officer (CCO) (4/05 to Present) of Third Avenue Trust; CCO (4/05 to Present) Third Avenue Variable Series Trust; CCO Third Avenue Management LLC and subsidiaries (4/05 to Present); CCO (10/04 – 3/05) Weiss, Peck & Greer Funds Trust; CCO (10/94 – 3/05) Weiss, Peck & Greer Tudor Fund; Principal (10/94 – 10/04) Weiss, Peck & Greer; Vice President and Secretary (10/94 – 10/04) Weiss, Peck & Greer Funds Trust, Weiss, Peck & Greer Tudor Fund, Weiss, Peck & Greer International Fund, Weiss, Peck & Greer International Fund.	N/A



Third Avenue Funds
Schedule of Shareholder Expenses
(Unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, such as redemption fees; and (2) ongoing costs, including management fees; other shareholder servicing fees; and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period, May 1, 2008, and held for the six month period ended October 31, 2008.

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During the Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value May 1, 2008	Ending Account Value October 31, 2008	Expenses Paid During the Period* May 1, 2008 to October 31, 2008	Annualized Expense Ratio
Third Avenue Value Fund				
Actual	\$1,000.00	\$ 623.70	\$4.57	1.12%
Hypothetical	\$1,000.00	\$1,019.51	\$5.69	1.12%
Third Avenue Small Cap Value Fund				
Actual	\$1,000.00	\$ 691.80	\$4.59	1.08%
Hypothetical	\$1,000.00	\$1,019.71	\$5.48	1.08%
Third Avenue Real Estate Value Fund				
Actual	\$1,000.00	\$ 595.10	\$4.49	1.12%
Hypothetical	\$1,000.00	\$1,019.51	\$5.69	1.12%
Third Avenue International Value Fund				
Actual	\$1,000.00	\$ 598.50	\$5.87	1.46%
Hypothetical	\$1,000.00	\$1,017.80	\$7.41	1.46%

* Expenses are equal to the Fund’s annualized expense ratio, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year (184) divided by 366.



**Third Avenue Trust
Federal Tax Status of Dividends
(Unaudited)**

The following information represents the tax status of dividends and distributions paid by the Funds during the fiscal year ended October 31, 2008. This information is presented to meet regulatory requirements and no current action on your part is required. The information and distributions reported below will differ from the information and distributions taxable to shareholders for the calendar year ending December 31, 2008. Information necessary to complete your income tax returns for the calendar year ending December 31, 2008 will be issued by the Funds in the early part of 2009.

Third Avenue Value Fund

Of the \$2.092 per share paid to you in cash or reinvested into your account during the fiscal year ended October 31, 2008, \$1.208 was derived from net investment income, \$0.003 from short-term capital gains, which are taxed as ordinary income and \$0.881 from long-term capital gains. Foreign taxes of \$0.0245 are included in arriving at the net investment income of \$1.208. Of the total ordinary income (including net investment income and short-term capital gains) distributed 27.06% or the maximum amount allowable, is qualified dividend income for purposes of Internal Revenue Code Section 1(h)(11). 16.13% of the ordinary income distributed qualifies for the Corporate Dividends Received Deduction.

Third Avenue Small-Cap Value Fund

Of the \$2.716 per share paid to you in cash or reinvested into your account during the fiscal year ended October 31, 2008, \$0.225 was derived from net investment income, \$0.233 from short-term capital gains, which are taxed as ordinary income and \$2.258 from long-term capital gains. Of the total ordinary income (including short-term capital gains) distributed 42.06% or the maximum amount allowable, is qualified dividend income for purposes of Internal Revenue Code Section 1(h)(11). 27.89% of the ordinary income distributed qualifies for the Corporate Dividends Received Deduction.

Third Avenue Real Estate Value Fund

Of the \$3.847 per share paid to you in cash or reinvested into your account during the fiscal year ended October 31, 2008, \$0.473 was derived from net investment income, \$0.167 from short-term capital gains, which are taxed as ordinary income and \$3.207 from long-term capital gains. Of the total ordinary income (including short-term capital gains) distributed 33.14% or the maximum amount allowable, is qualified dividend income for purposes of Internal Revenue Code Section 1(h)(11). 10.33% of the ordinary income distributed qualifies for the Corporate Dividends Received Deduction.

Third Avenue International Value Fund

Of the \$3.838 per share paid to you in cash or reinvested into your account during the fiscal year ended October 31, 2008, \$0.753 was derived from net investment income, \$0.000 from short-term capital gains and \$3.085 from long-term capital gains. Foreign taxes of \$0.0308 are included in arriving at the net investment income of \$0.753. Of the total ordinary income (including net investment income and short-term capital gains) distributed 35.50% or the maximum amount allowable, is qualified dividend income for purposes of Internal Revenue Code Section 1(h)(11). 0.16% of the ordinary income distributed qualifies for the Corporate Dividends Received Deduction.



Third Avenue Trust
Federal Tax Status of Dividends (continued)
(Unaudited)

For the fiscal year ended October 31, 2008, the following Funds intend to elect to pass through to shareholders the income taxes paid to foreign countries which may be eligible for the foreign tax credit. Gross foreign source income and foreign tax expenses for the year ended October 31, 2008 are as follows:

	Gross Foreign Source Income	Foreign Tax Pass Through
Third Avenue Value Fund	\$212,929,983	\$7,410,231
Third Avenue Real Estate Value Fund	28,277,268	2,884,090
Third Avenue International Value Fund	34,178,656	2,896,019

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Board of Trustees

Jack W. Aber
David M. Barse
William E. Chapman II
Lucinda Franks
Edward J. Kaier
Marvin Moser
Eric Rakowski
Martin Shubik
Charles C. Walden
Martin J. Whitman

Officers

Martin J. Whitman
Chairman of the Board
David M. Barse
President, Chief Executive Officer
Vincent J. Dugan
Chief Financial Officer, Treasurer
Michael A. Buono
Controller
W. James Hall
General Counsel, Secretary
Joseph J. Reardon
Chief Compliance Officer

Transfer Agent

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Investment Adviser

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622 Third Avenue
New York, NY 10017

**Independent Registered Public
Accounting Firm**

PricewaterhouseCoopers LLP
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New York, NY 10017

Custodian

Custodial Trust Company
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