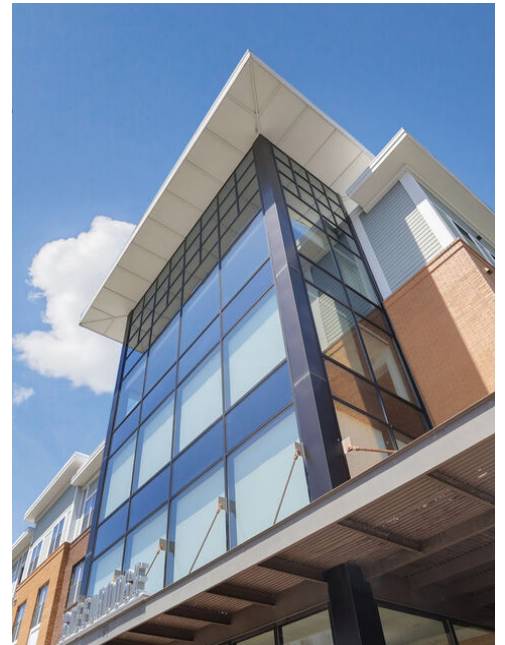


# Q4 2023 Valuation Report



# HREIF Highlights

**\$134.50**

Q1 unit price

**7.7%**<sup>1</sup>

Q1 annual cash yield

**94%**<sup>2</sup>

occupancy

**6.0%**<sup>3</sup>

same property NOI growth

## Fund Update

### Stable distribution as price reflects slow market

During the fourth quarter, HREIF investors received distributions totaling \$2.60 per unit, an annualized yield of 7.5%. The valuation process determined the unit price declined to \$134.50 from \$138.75 in the prior quarter. In accordance with the valuation policy, the price has been verified by independent third-party appraisers and represents our assessment of each asset's position in the current market. The decline in unit price resulted primarily from a continuation of the 2023 theme of expanding cap rates due to higher interest rates, while rent and occupancy remain broadly stable. Despite the decrease in unit price, cash flow has been managed at the portfolio level to maintain monthly distributions. For the upcoming quarter, the Board of Directors will maintain a quarterly distribution of \$2.60 per unit, or \$10.40 per unit on an annualized basis, reflecting a 7.7% yield on the new price.

### Positive signs for real estate investors

As the quarter ended, the Fed held rates steady for a third consecutive meeting. Chairman Powell acknowledged that the cycle appears to have peaked, and policymakers began forecasting cuts in 2024. The Fed will continue to monitor data in the coming quarter, and time will reveal the strength of their conviction, but this is welcome news for real estate investors. Lower rates imply resumed access to capital, reduced borrowing costs, and increased transaction volume, possibly leading to cap rate compression. Because the fund's appraisals require sufficient lead time to assess each asset, we acknowledge that such changes in macroeconomic sentiment are difficult to fully capture when they occur near the close of a quarter. The investment rates used to value the assets in our appraisals have been continually adjusted over prior quarters to reflect the prevailing "higher-for-longer" sentiment. In the fourth quarter, discount rates for most of our stabilized multifamily assets were increased by another 25 basis points, resulting in lower valuation multiples. The fundamentals of these properties are stable, though modest rent increases have not kept pace with interest, insurance premiums, and tax liabilities. In this environment, our investment team focuses on actively managing sponsor budgets to drive capital efficiency at each property.

### Booking some wins

Several of the fund's properties experienced developments that increased their values this quarter:

- Village Highlands, a multifamily property in Atlanta, exited the Low-Income Housing Tax Credit (LIHTC) program, which has historically limited its ability to earn market rent. This milestone in the investment thesis initiates a renovation plan to drive future revenue growth.
- Hemingway Industrial in Minneapolis-Saint Paul received its first appraisal after being held at cost through construction until its successful delivery and initiation of lease-up.
- The Fitzgerald, a multifamily development in Spartanburg, is nearing stabilized occupancy after a rapid lease-up, having received its certificate of occupancy in June.

The fund has proven itself an excellent partner to our developers and property managers during this season. If capital markets are indeed warming up, our steadfastness and active collaboration with management have sown good seed for future investment opportunities.

### HREIF continues modest growth through offering

In 2023, HREIF raised \$48.3M in new equity. Through the fourth quarter offering, the fund raised \$6.0M of new equity and met 100% of its \$3.4M redemption requests. We are grateful for HREIF's ability to attract and retain investors who share our long-term focus on stable income during all seasons. We firmly believe that real estate remains a time-tested, tax-efficient, and inflation-hedged strategy for stewarding and building wealth over the decades to come.

# HREIF by the Numbers

**7.5%**

Targeted Annual Cash Yield

Portfolio<sup>4</sup>

**65**

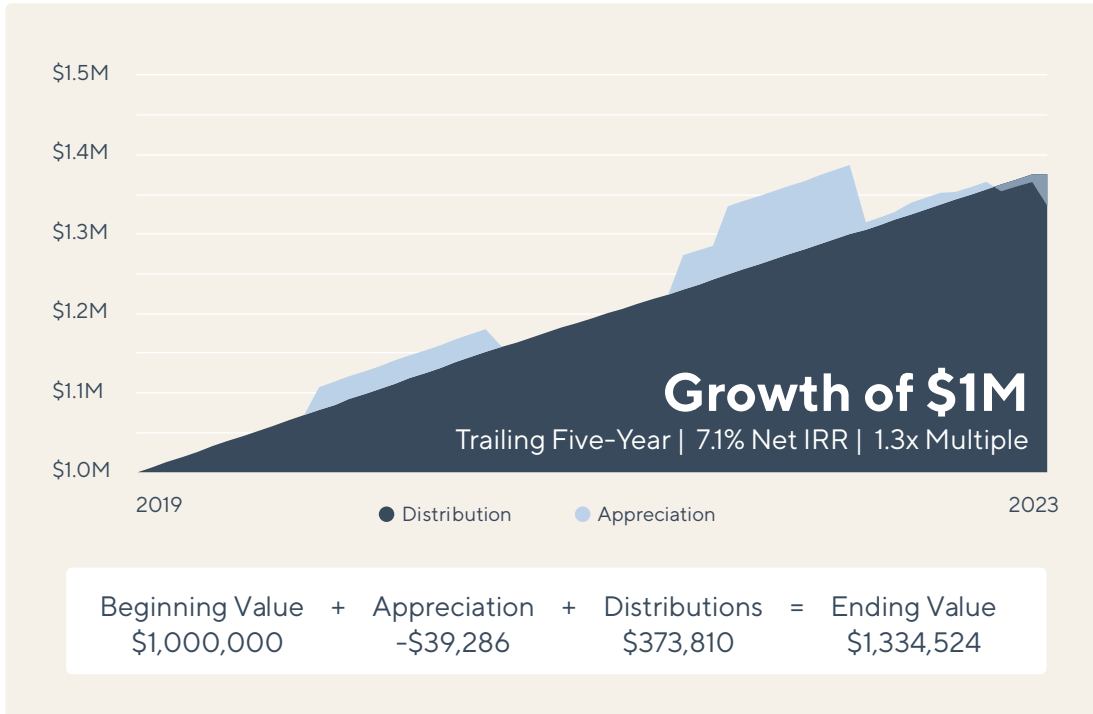
Properties

**\$1.3B**

TAV

**17**

Project Sponsors



## Past Returns<sup>5</sup>

**2.2%**

1-Year Net IRR

**7.1%**

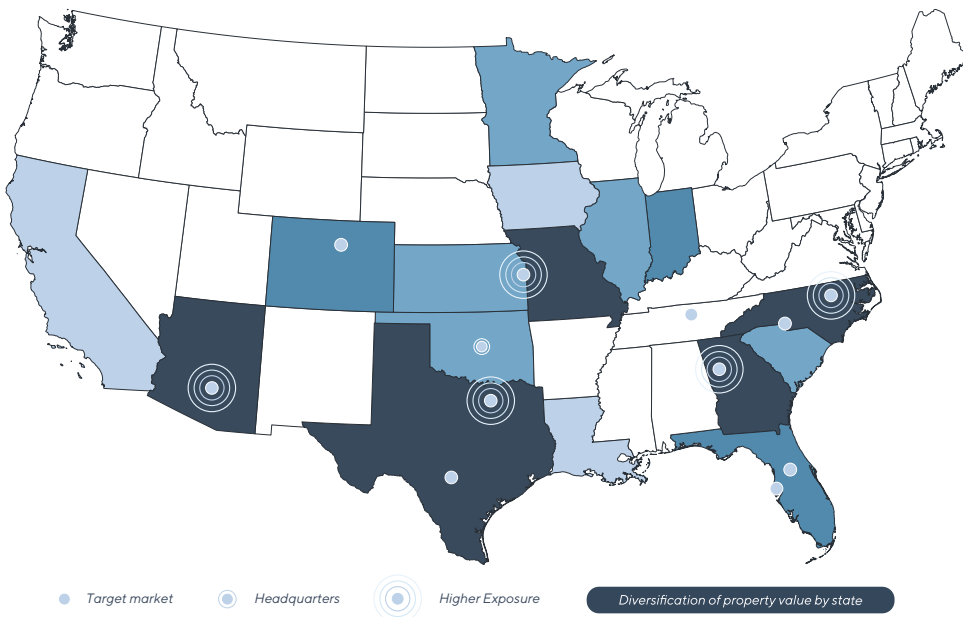
5-Year Net IRR

**11.4%**

10-Year Net IRR

## Market

HREIF targets high-growth metropolitan areas and select submarkets with multifaceted growth dynamics.



**Raleigh-Durham 20%**

**Kansas City 12%**

**Dallas-Fort Worth 9%**

**Phoenix 7%**

**Atlanta 6%**

# Sector

The firm has expertise and deep-rooted relationships across its target sectors. As macro cycles and submarket dynamics fluctuate, the team adapts by analyzing a diverse opportunity set to select investments with strong potential in the current environment.

**6,981**  
Multifamily Units

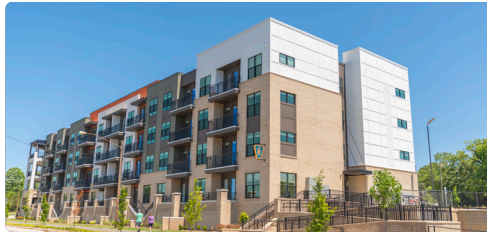
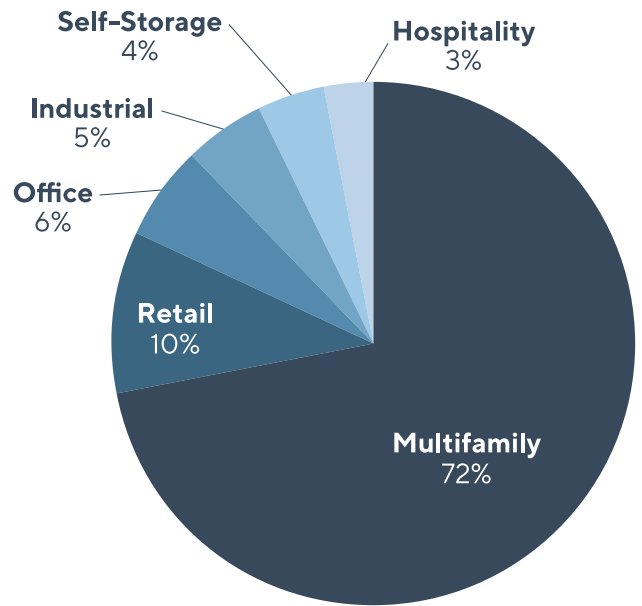
**3,733**  
Self-Storage Units

**27**  
Retail Properties

**1,069,239**  
Industrial Sq. Ft

**160,657**  
Office Sq. Ft

**537**  
Hotel Keys



# Strategy

HREIF identifies complimentary core, value-add, and opportunistic development strategies that keep the team ready and relevant in the marketplace. The firm finds and creates value through stabilized net lease and multi-tenant properties as well as development projects that generate cash flow and capital appreciation.

**Core 38%**  
**Value-Add 30%**  
**Opportunistic 32%**

# Investor Overview<sup>6</sup>

**757**

Current Investors

**\$708K**

Average Investment

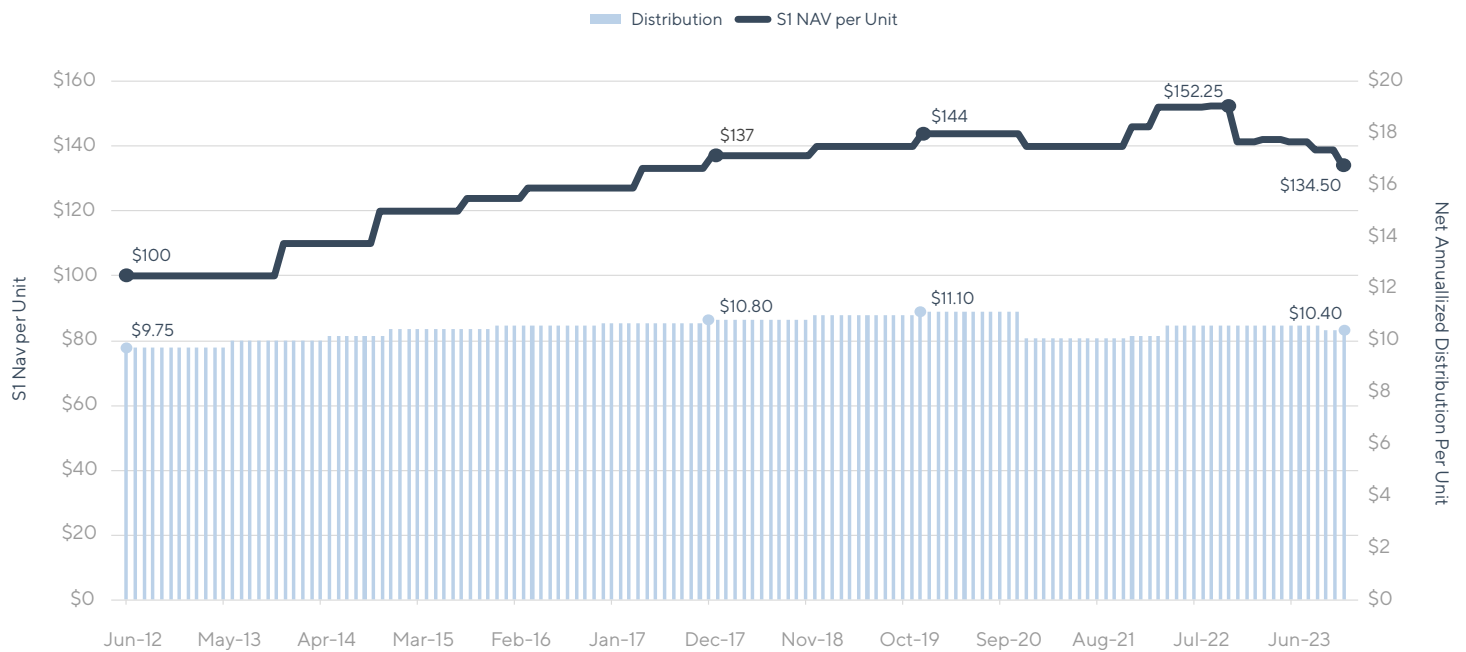
**\$536M**

Paid-in Equity

**\$209M**

Total Distributions

## Distributions<sup>8</sup>



## Fund Terms

<b>Structure</b>	Perpetual life private fund with subsidiary REIT
<b>Target Return</b>	8-10% net annualized return over a long-term hold
<b>NAV Per Unit</b>	\$134.50
<b>Investor Suitability</b>	Accredited Investors
<b>Minimum Initial Investment</b>	- \$500,000 - \$100,000 for clients of approved financial advisor platforms
<b>Rolling Private Offering</b>	- Series One NAV per Unit updated on the first business day of each quarter - Subscriptions must be received at least 15 days prior to the end of the quarter
<b>Advisory Fee</b>	0.65%
<b>Hurdle Rate</b>	6% annualized over trailing 36 months
<b>Shared Distribution</b>	Manager's catch up (inclusive of the Advisory Fee) is capped at 25% of total distributions
<b>Unit Repurchase Plan<sup>7</sup></b>	- Quarterly after one-year lockup; 60 days written notice required - Fund can repurchase up to 2.5% of existing fund equity each quarter
<b>Distributions<sup>8</sup></b>	- Monthly (\$10.40 annualized) - Record date for monthly distributions are set by the Board as the 15 <sup>th</sup> of each month
<b>Tax Reporting</b>	Form K-1; anticipated delivery in the summer of each year

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# Notes

This report is being furnished by Humphreys Capital, LLC and does not constitute an offer, solicitation, or recommendation to sell or an offer to buy securities, investment products, or investment advisory services. This report is being provided for general information purposes and is not intended to provide and should not be relied upon for accounting, legal, or tax advice or investment recommendations.

Past performance may not be indicative of future results. Performance information and certain projected or forecasted amounts contained in this report include assumptions that the Manager believes are reasonable under the circumstances. There is no guarantee that the conditions on which such assumptions are based will materialize as anticipated and will be applicable to these investments. Actual transaction conditions may differ from the assumptions, and such differences could be material. Among other assumptions, calculating projected or forecasted returns involves applying current market conditions and investment strategy with comparable historical results. Historic results are not reliable indicators of actual future performance of any particular investment or the Fund. Investors should be aware that projected or forecasted returns are hypothetical and do not reflect the impact that future material economic and market factors might have on the decision-making process, and there is no guarantee that the projected or forecasted returns will be achieved.

1. Yield is calculated as the annualized distribution approved by the Board of Directors for the forward quarter divided by the current offering price.
2. Occupancy is an important real estate metric because it measures the utilization of properties in the portfolio. Occupancy is weighted by the total value of all real estate properties, excluding our hospitality investments and any third-party interests in such properties. For our industrial, storage, retail, office, and convenience investments, occupancy includes all leased square footage as of the date indicated. For our multifamily investments, occupancy is defined as the share of occupied units as a percentage of total unit count. Assets within an initial lease-up period following construction are excluded from the calculation. The lease-up period concludes upon stabilization, defined as 90% or greater physical occupancy, and no later than 12 months after completion.
3. Same-property NOI growth is calculated based on trailing NOI at 12/31/2023 and 12/31/2022 based on the most current reports of underlying investments. All properties are measured with the exception of properties that did not have at least 6 months of historical NOI data as of 12/31/2022. Joint venture NOI is allocated pro rata based on HREIF's equity in the property.
4. Portfolio data is as of 12/31/2023 and includes all properties in Humphreys Real Estate Income Fund. Total Asset Value is measured as the balance sheet assets of each fund (based on fair value) in addition to the pro rata share of debt based on the fund's contractual interest in joint ventures in accordance with the NCREIF PREA Reporting Standards (4/2023) calculation of Gross Asset Value.
5. Past returns are as of 12/31/2023. Internal Rates of Return ("IRR") are calculated based on a stream of cash flows, the date of each cash flow and the NAV per Series One Unit as of the calculation date. IRRs represent an annualized return but assume reinvestment of interim cash flows in projects with equal rates of return.
6. Investor overview data is as of 12/31/2023 and includes all investor data since inception, 5/31/2012.
7. Redemptions are not guaranteed and are subject to a Redemption Policy as stated in the current Operating Agreement, which was amended and restated effective 12/31/2022. Prospective investors should read the policy in its entirety before making an investment decision.
8. Monthly distributions are not guaranteed and may be funded from sources other than net operating income.