

# Q4 2023 Financial Report

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For use in conjunction with the audited financial statements of Humphreys Real Estate Income Fund, LLC and the unaudited financial statements of HREIF REIT 01, LLC for the twelve months ended December 31, 2023.

# Q4 2023 HREIF Highlights

**\$534M**

Net Asset Value

**\$44.2M**

Purchases of Investments

**\$41.5M**

Distributed to S1

**\$81.9M**

REIT Debt

## Financial Report

This report is designed to supplement the 2023 audited financial statements for Humphreys Real Estate Income Fund, LLC (“HREIF” or the “Fund”) and the unaudited financial statements for its subsidiary, HREIF REIT 01, LLC (the “REIT”). Financial statements of the Fund provide useful information about its capitalization, including contributions, redemptions and distribution activity. All of the Fund’s real estate and joint venture investing is conducted through the subsidiary REIT, and the financial statements of the REIT offer insight into this investment activity, including income generation, purchases and sales, use of debt, and valuation. Taken together, the statements reflect the Fund’s capitalization and its ability to create and distribute value to investors.

### HREIF overview for twelve months ended 12/31/2023:

- The Fund raised \$48.4M of additional paid-in equity from investors, and processed redemptions of \$16.0M, for a net contribution of \$32.4M. All redemption requests were fully met and averaged 0.70% of Series One Units per quarter, well within the redemption policy limit of 2.5% per quarter.
- Series One Unit holders received \$41.5M in distributions on \$534.4M of ending Series One equity.

### Highlights from the REIT:

- Total assets of \$622.2M consist of \$425.3M of investments in real estate joint ventures and \$194.9M of directly owned real estate. The REIT made additional investments of \$44.2M, primarily through fundings to joint venture investments.
- Outstanding debt is valued at \$81.9M against a syndicated revolving line of credit with a total capacity of \$125M (plus a short-term expansion up to \$150M). The total undrawn liquidity available through this facility represents 12.4% of the Fund’s Net Asset Value.<sup>1</sup>
- Income from rent was \$23.1M<sup>2</sup> and the third-party valuation process identified \$3.6M<sup>3</sup> in unrealized gain.
- Expenses amounted to \$14.6M and the REIT experienced a realized loss of \$13.6M as the portfolio parted with underperforming assets, including a Houston multifamily property and a DFW medical office.<sup>4</sup>

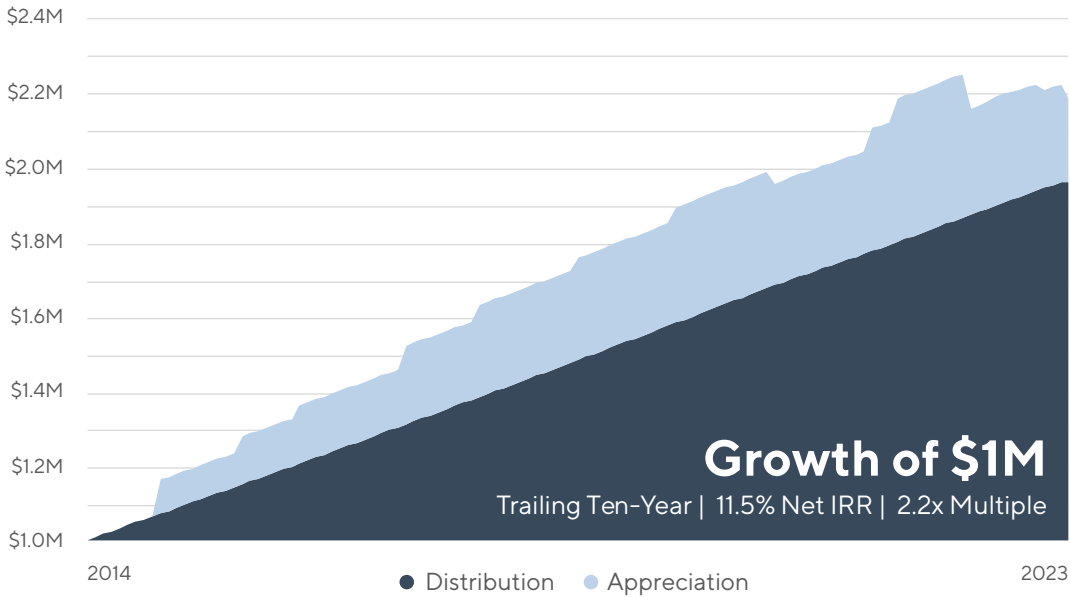
Overall, the financial statements show that the REIT generated \$9.8M of net income, and the Fund paid out \$51.7M to investors and management through shared distributions. HREIF’s net return to investors in 2023 was 2.8%, while the fund maintained an overall distribution rate of 7.5%. This reflects a consistent approach to prioritizing stable income by monitoring and managing the fund’s capital as we strive for overall performance.

### Consolidated Table of Sources and Uses of Funds

Sources	Investment Income <sup>5</sup>	\$23.1M
	Proceeds from Sales <sup>6</sup>	\$32.5M
	Increase in Debt <sup>7</sup>	\$9.5M
	Capital Contributions <sup>8</sup>	\$48.4M
	Change in Cash <sup>9</sup>	\$12.4M
	<b>\$125.9M</b>	
Uses	Interest and Operating Expenses <sup>10</sup>	\$11.9M
	Advisory Fee <sup>10</sup>	\$3.6M
	Purchases of Investments <sup>11</sup>	\$44.2M
	Total Distributions <sup>12</sup>	\$51.7M
	Redemptions <sup>13</sup>	\$12.2M
	Other <sup>14</sup>	\$2.3M
	<b>\$125.9M</b>	

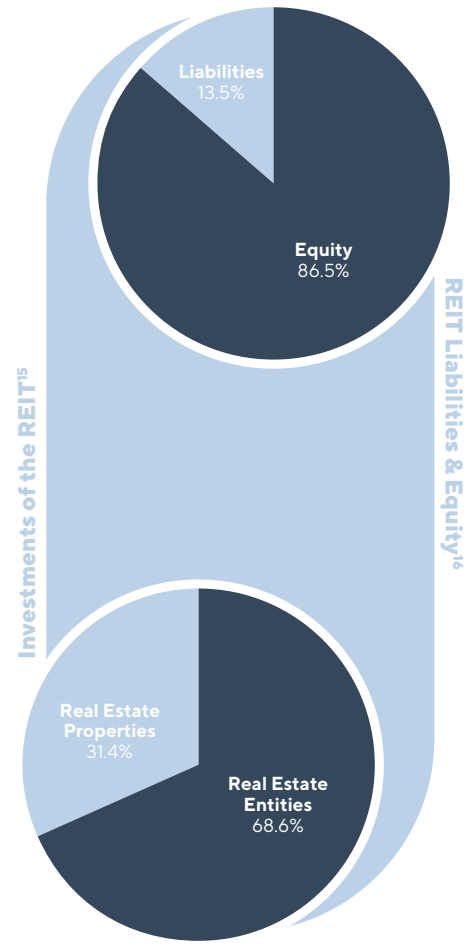
The table represents significant sources and uses of capital for the twelve months ended 12/31/2023, combined for Fund and the REIT, excluding intercompany activity. It should be interpreted with the audited financial statements of Humphreys Real Estate Income Fund, LLC and the unaudited financial statements of HREIF REIT 01, LLC for the twelve months ended December 31, 2023.

# Financial Insights

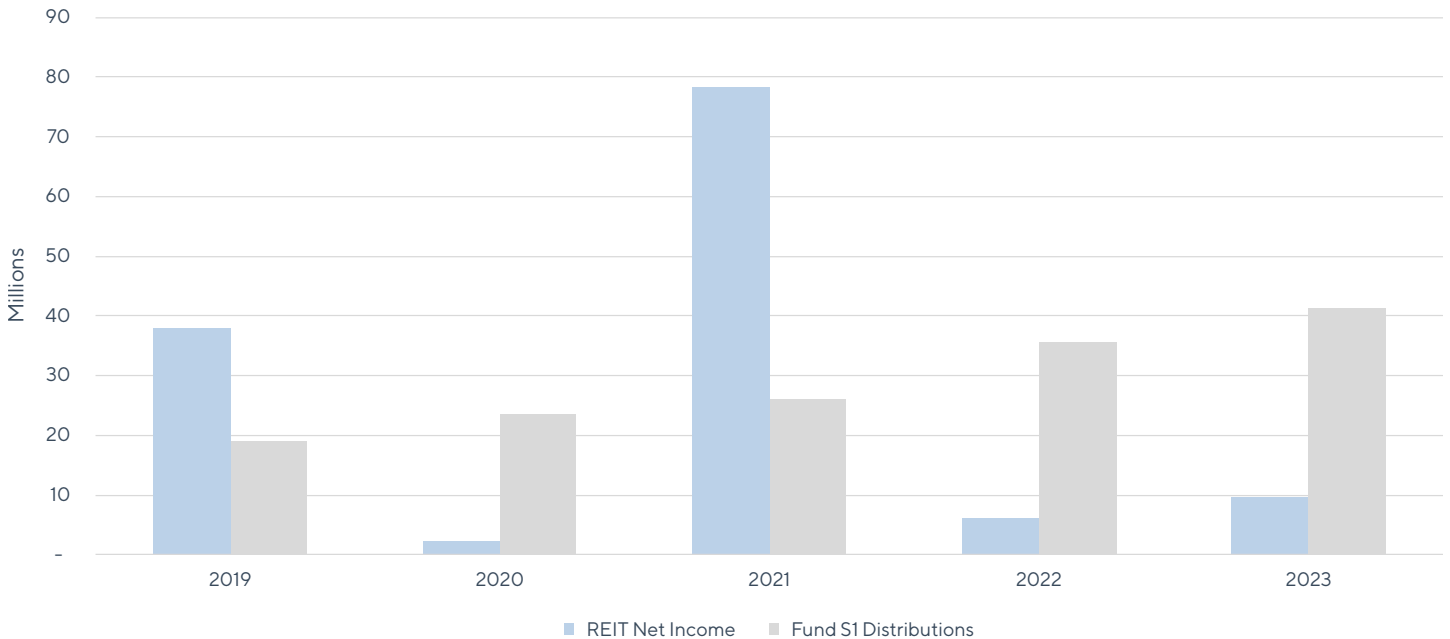


Beginning Value	+	Appreciation	+	Distributions	=	Ending Value
\$1,000,000		\$222,727		\$955,000		\$2,177,727

## Past Returns



## Comparison of REIT Net Income to Series One Distributions



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# Notes

The audited financial statements for Humphreys Real Estate Income Fund, LLC (the “Fund”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Fund is considered to be an investment company in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, “Financial Services – Investment Companies” (“ASC 946”) and is following the accounting and reporting guidance found within ASC 946.

The unaudited financial statements for HREIF REIT 01, LLC (the “REIT”) are presented in accordance with fair value measurement and reporting standards for comparability with the Fund financial statements and usefulness to readers. The Fund financial statements reflect only the equity investment in the REIT.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. ASC 820, Fair Value Measurement and Disclosures, clarifies that transaction costs should be excluded from the fair value measurement. As a quoted market exchange generally does not exist for the company’s investment, the fair value is based on the manager’s estimate of the fair value in the most advantageous exit market.

1. The credit facility is a syndication of commitments from 7 lenders administered by MidFirst Bank. The line of credit is subject to covenants, including measures of debt yield and loan-to-value ratios, which currently reduce the available funds below the total commitments. As of 12/31/2023, the available maximum was \$119.4M. On 7/1/2023, the loan was amended to include a short-term expansion capacity, which is currently limited by debt yield to \$149.3M. As of 12/31/2023, the total amount of outstanding debt was \$83.1M, with a fair value adjustment of -\$1.2M applied to the fixed-rate tranche, which has a face value of \$15M. This fixed tranche represents 18.0% of total outstanding debt and is fixed at 3.04%, with a termination of 6/2/2025.
2. Although the rental income generated by the subsidiary REIT amounted to \$23.1M, the Fund’s statement of operations reports a net investment loss of \$0.9M. This is due to the classification of income from the Fund’s investment in the REIT, which is a function of the REIT’s earnings and profits (E&P). E&P is a measure recognized by the FASB and the Internal Revenue Service (IRS), which determines the classification of distributions by the REIT to the Fund. Any distribution from the REIT made in excess of E&P is categorized as a return of capital and reduces the cost basis of the Fund’s interest in the REIT. In addition to investment income and expenses, the calculation of E&P includes realized, but not unrealized, gains and losses. The final calculation is determined at the end of the year; quarterly estimates of E&P are subject to change and may not be indicative of the annual tax attributes of the underlying investments.
3. The net change in unrealized gain on investments for the REIT was \$14.9M. This represents an increase of \$3.6M in the fair value of investments in real estate and joint ventures. It also includes an adjustment for previously recorded unrealized losses on investments that were sold during the period.
4. These properties had been held for 5 and 9 years, respectively, and each was progressively marked down through the valuation process. The conversion from an unrealized loss to a realized loss had a limited effect on the change in equity value and the resulting unit price during the second quarter, as most of the underperformance had been accounted for in previous valuations.
5. Income from investments in real estate entities and real estate properties of the REIT was \$23.1M.
6. Proceeds from sales of investments in real estate properties (\$2.0M) and sales and equity returned on investments in real estate entities (\$30.4M) totaled \$32.5M.
7. Proceeds from notes payable to the REIT (\$100.3M) less payments of notes payable from the REIT (\$90.7M) represent a \$9.5M increase in notes payable during the period.
8. Capital contributions to the Fund through the offering of Series One Units were \$48.4M during the period.
9. Cash held by the Fund and the REIT at the beginning of the period (\$13.6M) less the cash held at the end of the period (\$1.2M) represents \$12.4M of cash used during the period.
10. Combined expenses of the Fund (\$0.9M) and the REIT (\$14.6M) were \$15.5M during the period.
11. Purchases by the REIT of investments in real estate properties (\$1.1M) and real estate entities (\$43.1M) totaled \$44.2M during the period.
12. Distributions from the Fund to Series One (\$41.5M) and Common Unit (\$10.2M) holders totaled \$51.7M during the period.
13. Redemptions of Series One Units in the Fund were \$16.0M during the period, of which \$12.2M was paid during the period.
14. Other uses represent activity from both the Fund and the REIT Statements of Cash Flows that are not represented in the uses listed above, excluding intercompany activity.
15. Real Estate Properties represent the asset value of directly owned real estate, which includes related recourse debt held by the REIT. Real Estate Entities represent the equity interest in a joint venture real estate development, which does not reflect the non-recourse debt held by the joint venture.
16. The ratio of liabilities to equity of the REIT reflects the recourse debt of the revolving credit facility. It does not include the unconsolidated, non-recourse debt held by individual joint ventures.