

Q1 2024 Financial Report

For use in conjunction with the unaudited financial statements of Humphreys Real Estate Income Fund, LLC and HREIF REIT 01, LLC for the three months ended March 31, 2024

Q1 2024 HREIF Highlights

\$516M

Net Asset Value

\$0.3M

Purchases of Investments

\$10.5M

Distributed to Investors

\$69.9M

REIT Debt

Financial Report

This report is designed to supplement the unaudited year-to-date financial statements for Humphreys Real Estate Income Fund, LLC (“HREIF” or the “Fund”) and the unaudited year-to-date financial statements for its subsidiary, HREIF REIT 01, LLC (the “REIT”). The Fund’s Financial statements provide helpful 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 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. Used together, the statements reflect the Fund’s capitalization and its ability to create and distribute value to investors. See notes for calculations and disclosures.

HREIF overview for three months ended 3/31/2024:

- The Fund raised \$9.4M of additional paid-in equity from investors and processed redemptions of \$8.6M for a net contribution of \$0.8M. The Fund met all redemption requests, redeeming 1.6% of Units for the quarter, staying within the 2.5% quarterly redemption policy limit.
- Investors received \$10.5M in distributions on \$516.2M of ending Investor equity.

Highlights from the REIT:

- Total assets of \$596.8M consist of \$402.8M of investments in real estate joint ventures and \$191.8M of directly owned real estate. The REIT made additional investments of \$0.3M through fundings to joint venture investments and direct owned properties.
- Outstanding debt is valued at \$69.9M against a syndicated revolving line of credit with commitments of \$125M (plus a short-term expansion up to \$150M).
- The total undrawn liquidity available through this facility represents 15.2% of the Fund’s Net Asset Value¹.
- Income from rent was \$5.7M², and the third-party valuation process identified \$6.5M³ in unrealized loss.
- Expenses amounted to \$3.6M, and the REIT experienced a realized gain of \$6.0M⁴.

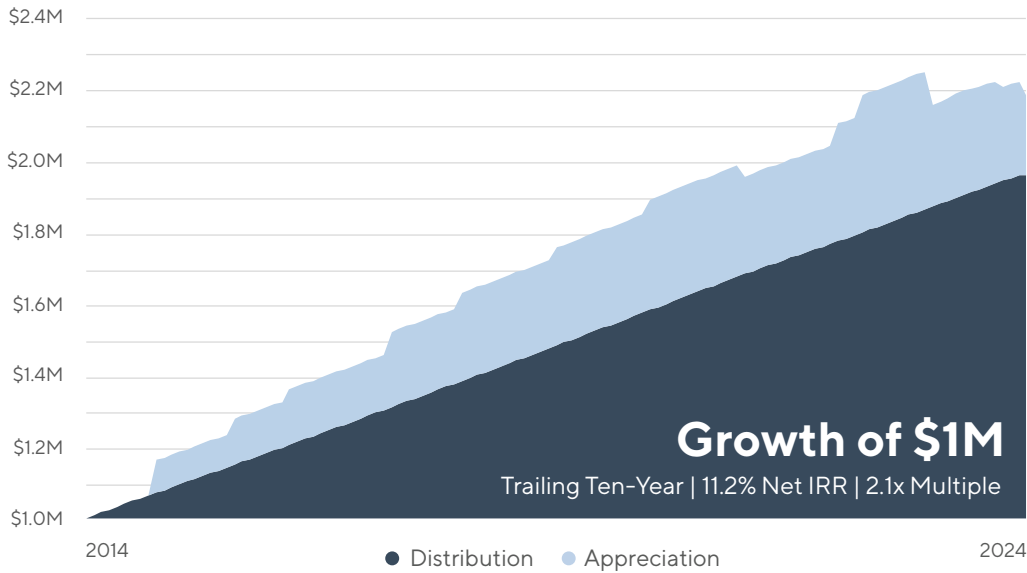
Overall, the financial statements show that the REIT generated a net loss of \$5.6M, and the Fund paid out \$13.1M to investors and management through shared distributions. HREIF’s net 1-year return to investors as of 3/31/2024 was -1.6%, while the Fund maintained a distribution rate of 7.7% in the first quarter. 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 ⁵	\$	5.7M
	Proceeds from Sales ⁶	\$	18.2M
	Capital Contributions ⁸	\$	9.4M
		\$	33.3M
Uses	Decrease in Debt ⁷	\$	12.2M
	Advisory Fee ⁹	\$	0.9M
	Interest and Operating Expenses ⁹	\$	3.0M
	Purchases of Investments ¹⁰	\$	0.3M
	Total Distributions ¹¹	\$	13.1M
	Redemptions ¹²	\$	3.8M
		\$	33.3M

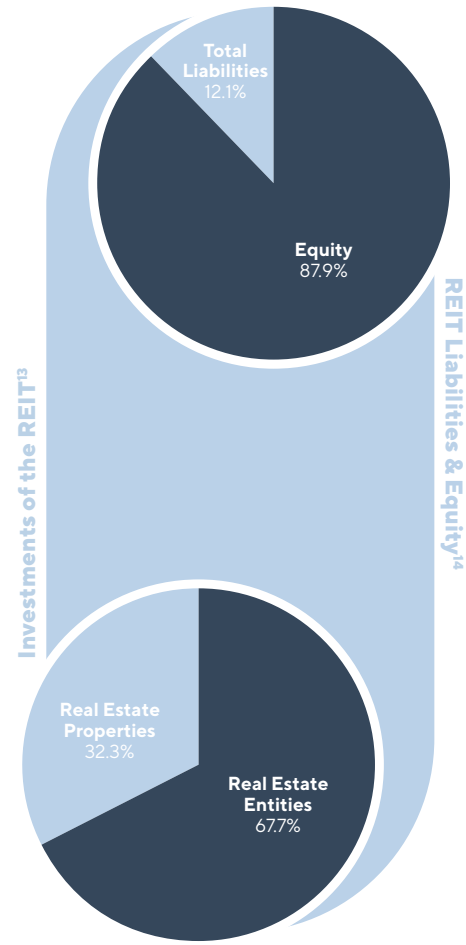
The table represents significant sources and uses of capital for the three months ended 3/31/2024, combined for Fund and the REIT, excluding intercompany activity. It should be interpreted with the enclosed unaudited financial statements.

Financial Insights

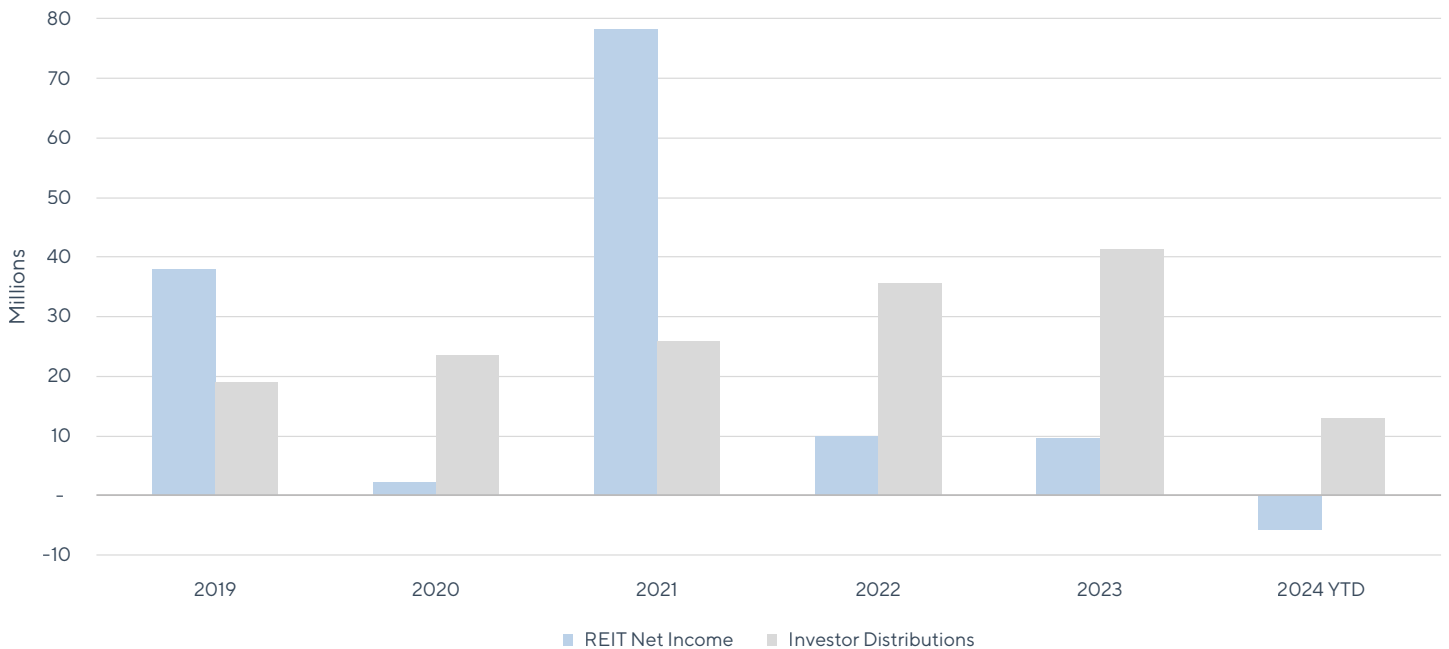


Beginning Value	+	Appreciation	+	Distributions	=	Ending Value
\$1,000,000		\$175,545		\$963,121		\$2,138,666

Past Returns



Comparison of REIT Net Income to Investor Distributions



Notes

The unaudited 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’s financial statements and usefulness to readers. The Fund’s financial statements only reflect the equity investment in the REIT.

Net Asset Value (NAV) is based on the net asset value of its investments, the addition of any other assets (such as cash on hand), and the deduction of any liabilities. Quarterly NAV changes include, but are not limited to, net portfolio income, interest, manager fees, distributions, gains/losses on assets, organization costs, expense reimbursements, and major one-time events like capital expenditures and property transactions. 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, in accordance with the valuation policy.

Past performance does not predict future returns. Past returns are as of 3/31/2024. 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.

Monthly distributions are not guaranteed and may be funded from sources other than net operating income. Yield is calculated as the annualized distribution approved by the Board of Directors for the forward quarter divided by the current offering price.

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.

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 3/31/2024, the available maximum was \$119.5M. On 7/1/2023, the loan was amended to include a short-term expansion capacity, which is currently limited by debt yield to \$149.4M. As of 3/31/2024, the total amount of outstanding debt was \$70.9M, with a fair value adjustment of -\$1.0M applied to the fixed-rate tranche, which has a face value of \$15M. This fixed tranche represents 21.2% 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 REIT amounted to \$5.7M, the Fund’s statement of operations reports a net investment loss of \$0.3M. This is due to the classification of income from the Fund’s investment in the REIT, which is a function of the REIT’s estimated 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 \$13.8M. This represents a decrease of \$6.5M in the fair value of investments in real estate and joint ventures. It also includes an adjustment for previously recorded unrealized gains on investments that were sold during the period.
4. During the quarter the REIT parted ways with a multifamily property located in Indianapolis, recognizing a realized gain of \$6.0M.
5. Income from investments in real estate entities and real estate properties of the REIT was \$5.7M.
6. Proceeds from sales and equity returned on investments in real estate entities was \$18.2M.
7. Proceeds from notes payable to the REIT were \$18.9 million, while payments of notes payable by the REIT were \$31.2 million, resulting in a \$12.2 million decrease in notes payable during the period.
8. Capital contributions to the Fund through the offering of Series One Units were \$9.4M during the period.
9. The combined expenses of the Fund, \$0.3 million, and the REIT, \$3.6 million, amounted to \$3.9 million during the period.
10. Purchases by the REIT of investments in real estate properties, \$0.1 million, and real estate entities, \$0.1 million, totaled \$0.3 million during the period.
11. Distributions from the Fund to Series One Unit holders, \$10.5 million, and Common Unit holders, \$2.6 million, totaled \$13.1 million during the period.
12. Redemptions of Series One Units in the Fund were \$8.6M during the period. Cash paid for redemptions was \$3.8M during the period.
13. 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.
14. 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.