

Q3 2024 Valuation Report



From top left: Village Highlands, Caroline Pines, QuikTrip. From bottom left: Boxcar, The Clearing at ONE28.

HREIF Highlights

\$117.20

Q4 unit price

8.9%¹

Q4 cash distribution

94%²

occupancy

0.1%³

same property NOI growth

Distribution and Price

During the third quarter, HREIF distributed \$2.60 per unit to investors, providing an annualized yield of 8.6%. The unit price declined from \$120.70 in the previous period to \$117.20, driven primarily by distributions accompanied by adjustments to net value. The unit price is supported by independent third-party appraisers, reflecting the current market positioning of each asset in the portfolio. The Board of Directors is committed to maintaining the distribution of \$2.60 per unit in the fourth quarter, which reflects an annualized yield of 8.9% based on the new unit price.

Market Commentary

Although the last rate hike occurred in July 2023, a cautious Fed left their hand on the economic brake through December, when it shifted sentiment for the coming year. But, inflation concerns lingered in the first half of 2024, postponing action until the recent September meeting. The ensuing cut of 50 basis points marks the conclusion of a historically patient pivot in Fed policy. In his comments, Chairman Powell reinforced the expectation of additional cuts before the year's end. This is welcome news for real estate investors; we expect to see corresponding relief in debt service, an anticipated forestalling of further cap rate expansion, and perhaps even some compression.

Portfolio Updates

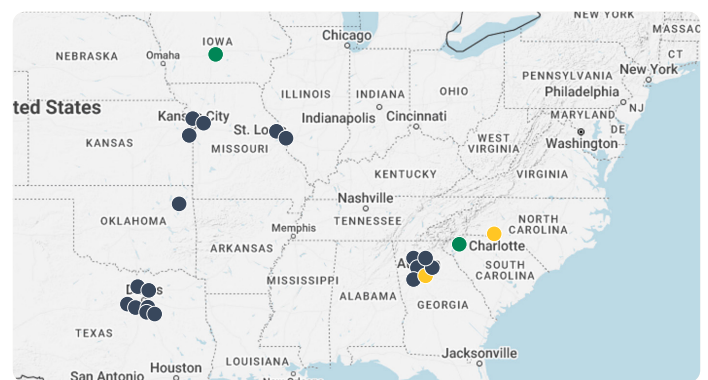
Over four consecutive quarters, the rate environment has pressured overall asset valuations downward despite ongoing efforts to increase income at the operational level. This quarter marks an important break from that trend, with an overall increase in asset values of \$3.5M. While this is insufficient to generate positive returns for the fund, it is a sign that we are returning to longer-run norms. At the asset level, insurance and other inflationary costs are beginning to stabilize after aggressive increases in recent years.

Our development projects continue to make progress. The Clearing at ONE28 – suburban multifamily in Kansas City – achieved stabilization with 90% occupancy one year after it began leasing its 318 units.

In Spartanburg, the Boxcar apartments are on track for early and under-budget delivery, with the initial units slated to come online by December.

After executing lease extensions with QuikTrip this summer, we initiated a plan to bring a portion of the portfolio to the market in phases. While these assets have been reliable stores of value and generators of cash flow, their ability to create additional value for the fund is limited by their relatively fixed yield. In the third quarter, we sold two stores and placed two more under contract at prices consistent with their current values.

QuikTrip Portfolio Status Map



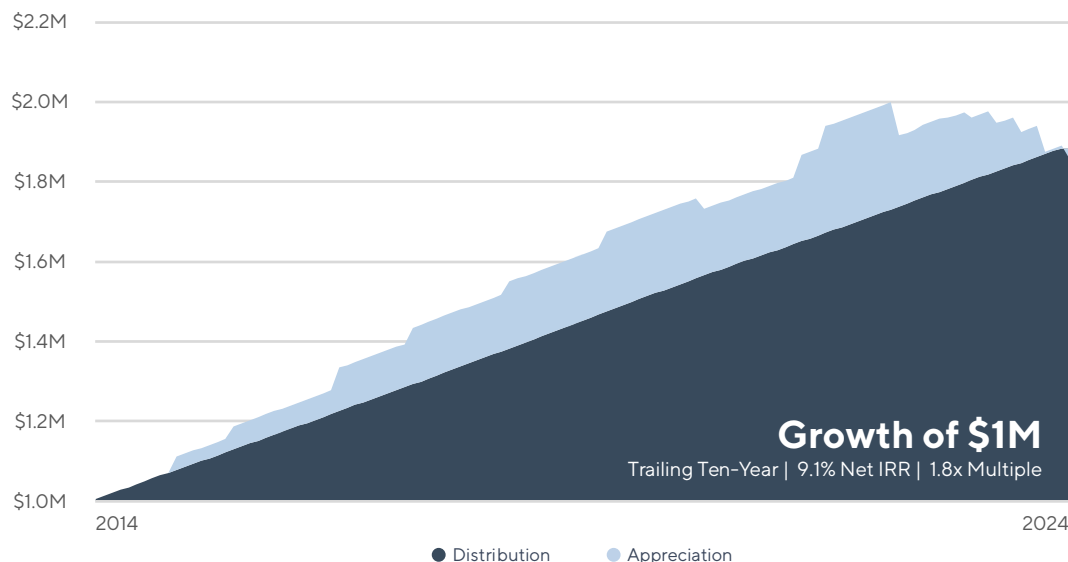
Subscriptions and Redemptions

Through the second quarter offering, the fund raised \$4.1M of new equity and met 100% of its \$4.7M redemption requests.⁴ 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 generating wealth for generations.

HREIF by the Numbers⁵

8.9%

Current Annual Cash Distribution⁶



Portfolio

62

Properties

\$1.3B

TAV

17

Project Sponsors

Beginning Value + Appreciation + Distributions = Ending Value
 \$1,000,000 + (\$23,333) + \$883,888 = \$1,860,554

Past Returns⁷

-8.4%

1-Year Net IRR

4.8%

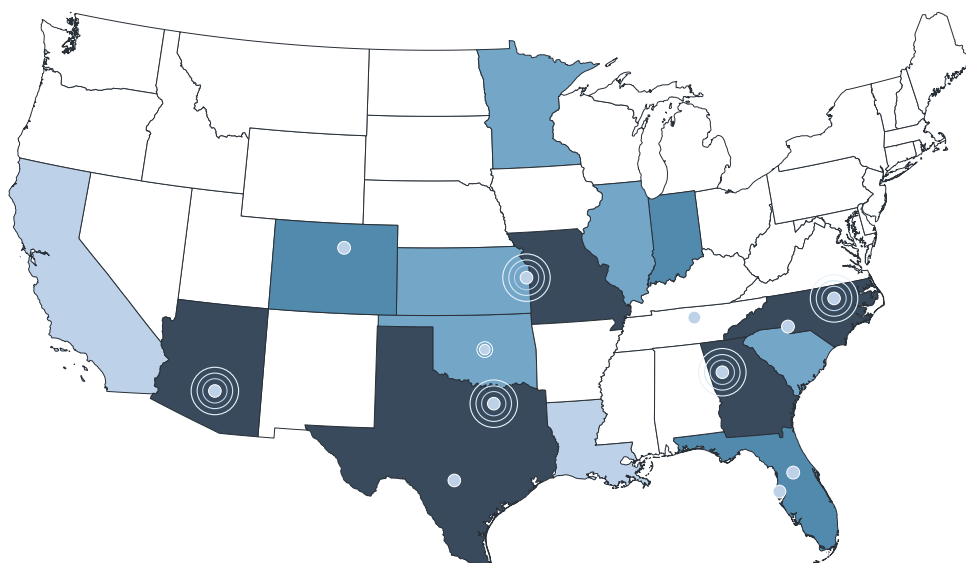
5-Year Net IRR

9.1%

10-Year Net IRR

Market

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



Raleigh-Durham 19%

Kansas City 14%

Dallas-Fort Worth 9%

Phoenix 7%

Atlanta 6%

● Target market ● Headquarters ● Higher Exposure ● Diversification of property value by state

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.

6,501
Multifamily Units

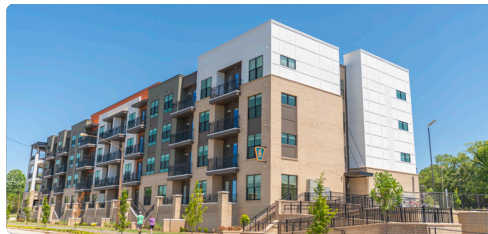
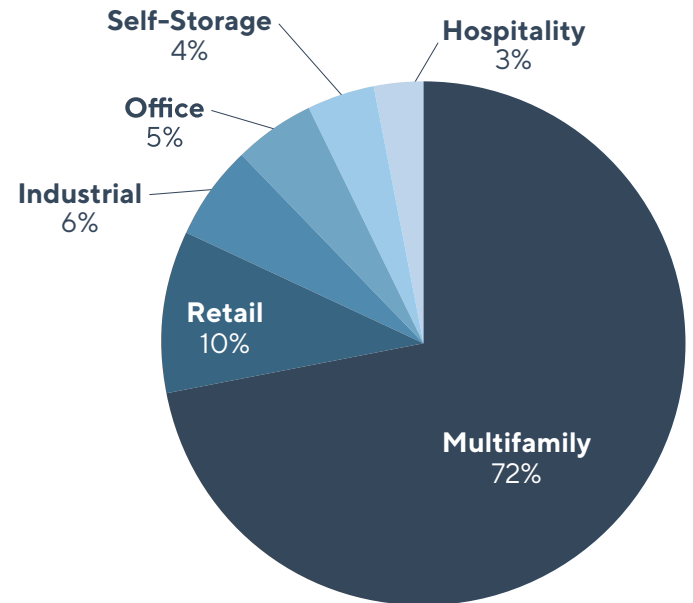
3,733
Self-Storage Units

26
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 35%
Value-Add 31%
Opportunistic 34%

Investor Overview⁸

765

Current Investors

\$696K

Average Investment

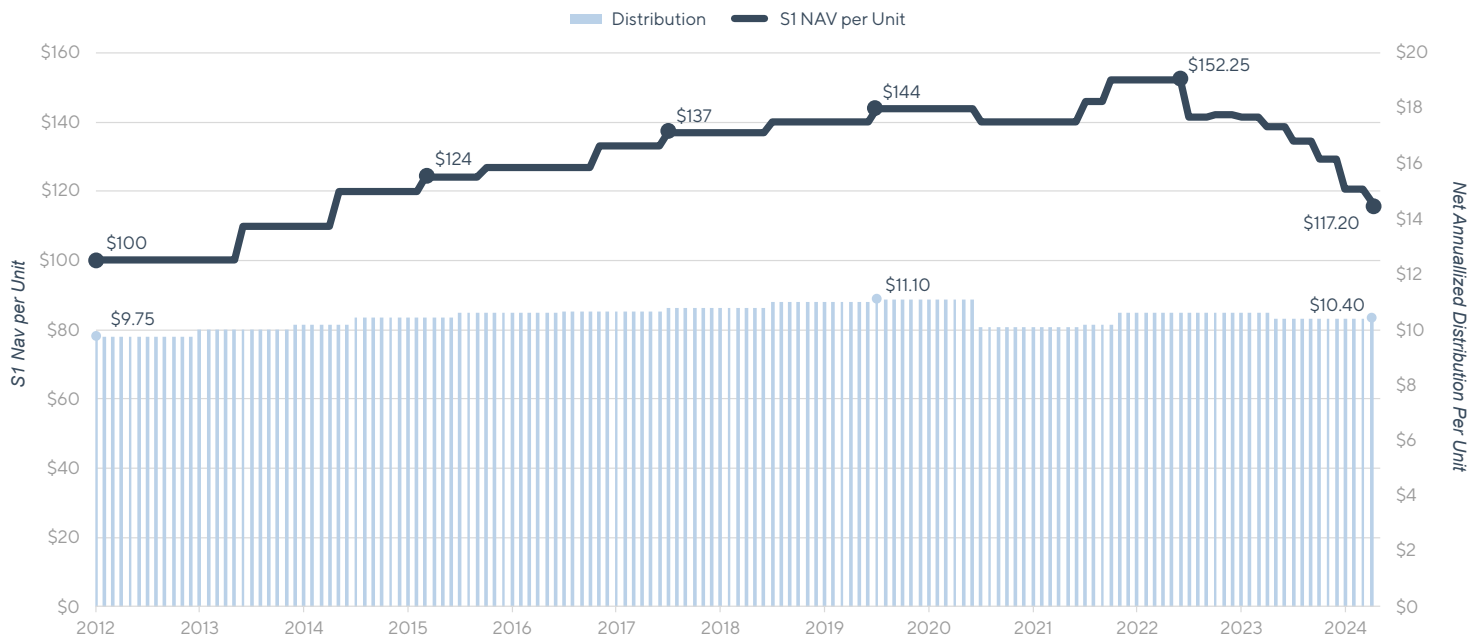
\$532M

Paid-in Equity

\$241M

Total Distributions

Distributions⁶



Fund Terms

Structure	Perpetual life private fund with subsidiary REIT
NAV Per Unit	\$117.20
Cash Distribution	8.9% annualized
Returns (Net IRR)	1-Year: -8.4% 5-Year: 4.8% 10-Year: 9.1%
Investor Suitability	Accredited Investors
Minimum Initial Investment	- \$500,000 - \$100,000 for clients of approved financial advisor platforms
Rolling Private Offering	- 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
Advisory Fee	0.65%
Hurdle Rate	6% annualized over trailing 36 months
Shared Distribution	Manager's catch up (inclusive of the Advisory Fee) is capped at 25% of total distributions
Redemptions ⁴	- Quarterly after one-year lockup; 60 days written notice required - Fund can repurchase up to 2.5% of existing fund equity each quarter
Distributions ¹	- Monthly (\$10.40 annualized) - Record date for monthly distributions is set by the Board as the 15 th of each month
Tax Reporting	Form K-1; anticipated delivery in the summer of each year

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 does not predict future returns. 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.

The selected images of certain properties in this presentation are provided for illustrative purposes only, are not representative of all HREIF investments of a given property type, and are not representative of HREIF's entire portfolio. It should not be assumed that HREIF's investment in the properties identified and discussed herein were or will be profitable, and the properties were not selected based on performance. Please refer to HREIF's Property Book for a complete list of HREIF's real estate investments, including HREIF's ownership interest in such investments.

1. Cash distribution is calculated as the annualized distribution approved by the Board of Directors for the forward quarter divided by the current offering price. Monthly distributions are not guaranteed and may be funded from sources other than net operating income.
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 9/30/2024 and 9/30/2023 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 9/30/2023. Joint venture NOI is allocated pro rata based on HREIF's equity in the property.
4. 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.
5. Portfolio data, including market, sector, and strategy allocation is as of 9/30/2024 and includes all properties in Humphreys Real Estate Income Fund. Total Asset Value (\$1.268B) 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.
6. Past returns are as of 9/30/2024. 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.
7. Investor overview data is as of 9/30/2024 and includes all investor data since inception, 5/31/2012.