

# HEITMAN

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## Heitman America Real Estate Trust

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### Quarterly Report

March 31, 2023



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**Note:** Heitman America Real Estate Trust (the “Fund” or “HART”) is comprised of Heitman America Real Estate Trust, L.P. and Heitman America Real Estate Trust (PF#1), L.P.

**Note:** The property on the front cover is Perris Circle, Perris, CA. Perris Circle is a current investment of the Fund. Photos used in this report were selected based on visual appearance and are used for illustrative purposes only. There can be no assurance that the Fund will be able to originate loans on similar properties in the future or that future investments will be profitable or made on similar terms. Please see “Portfolio Summary” for a current list of the Fund’s investments. An investment in the Fund is speculative and involves risk, including but not limited to those related to real estate investments.

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# Portfolio Highlights

# Fund Profile

## FUND OVERVIEW

Inception Date	January 4, 2007
Fund Term	Perpetual-life, open-ended
Risk Profile	Core
Risk Controls	<ul style="list-style-type: none"> <li>– Up to 15% in value-added properties</li> <li>– Maximum of 30% leverage at Fund share</li> <li>– No more than 15% in a single property</li> </ul>
Min. Investment	\$5 million
Closings	Closings occur quarterly

## KEY STATISTICS AS OF MARCH 31, 2023

Gross Asset Value	\$12,985 million
Net Asset Value	\$9,865 million
Net Asset Value Per Share	\$1,432
Cash as % of NAV	2.4%
Number of Investments	111
Number of Properties	358
Leverage Level	23.6%
Leased Percentage	95%
Current Quarter Acquisitions	\$9.0 million
Current Quarter Distributions	\$83.7 million
Current Quarter Dividend Yield (Gross/Net)	0.81%/0.64%
Trailing One Year Dividend Yield (Gross/Net)	3.39%/2.66%
Since Inception Dividend Yield (Gross/Net)	4.62%/3.91%

## OBJECTIVE

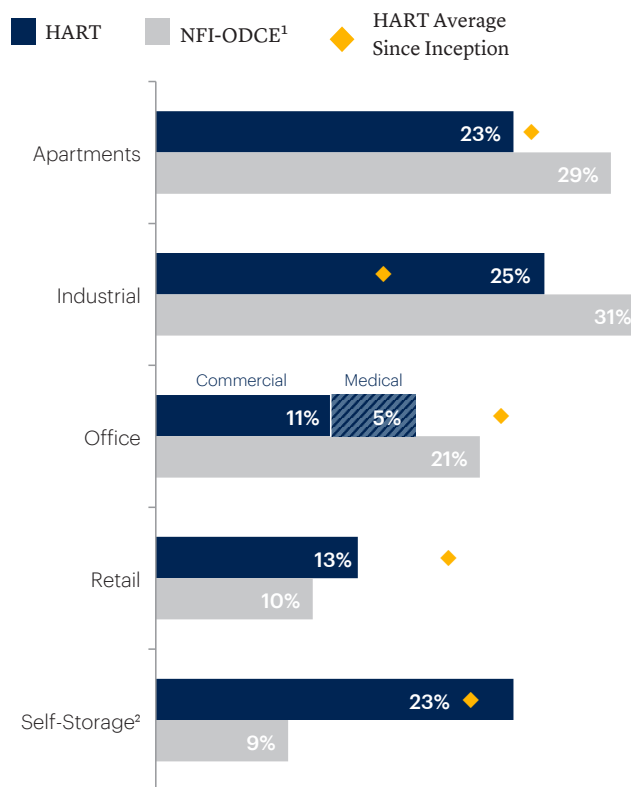
Create a high-quality, low-risk portfolio of stabilized, income-producing assets diversified by property type and economic exposure by acquiring assets:

- Infill locations within major metropolitan areas
- With strong site attributes, such as proximity to amenities, employment centers and transportation networks
- That are well-constructed, with features that we believe will appeal to tenants over long periods of time
- Through incorporation of Environment, Social, and Governance (“ESG”) principles and risk mitigation into the investment process<sup>1</sup>

1. The Fund considers ESG factors in the total mix of data used to make investment decisions. In addition to ESG factors the Fund will weigh other considerations with equal and in some cases preferred prominence.

## PROPERTY TYPE DIVERSIFICATION

BASED ON FUND GROSS VALUE

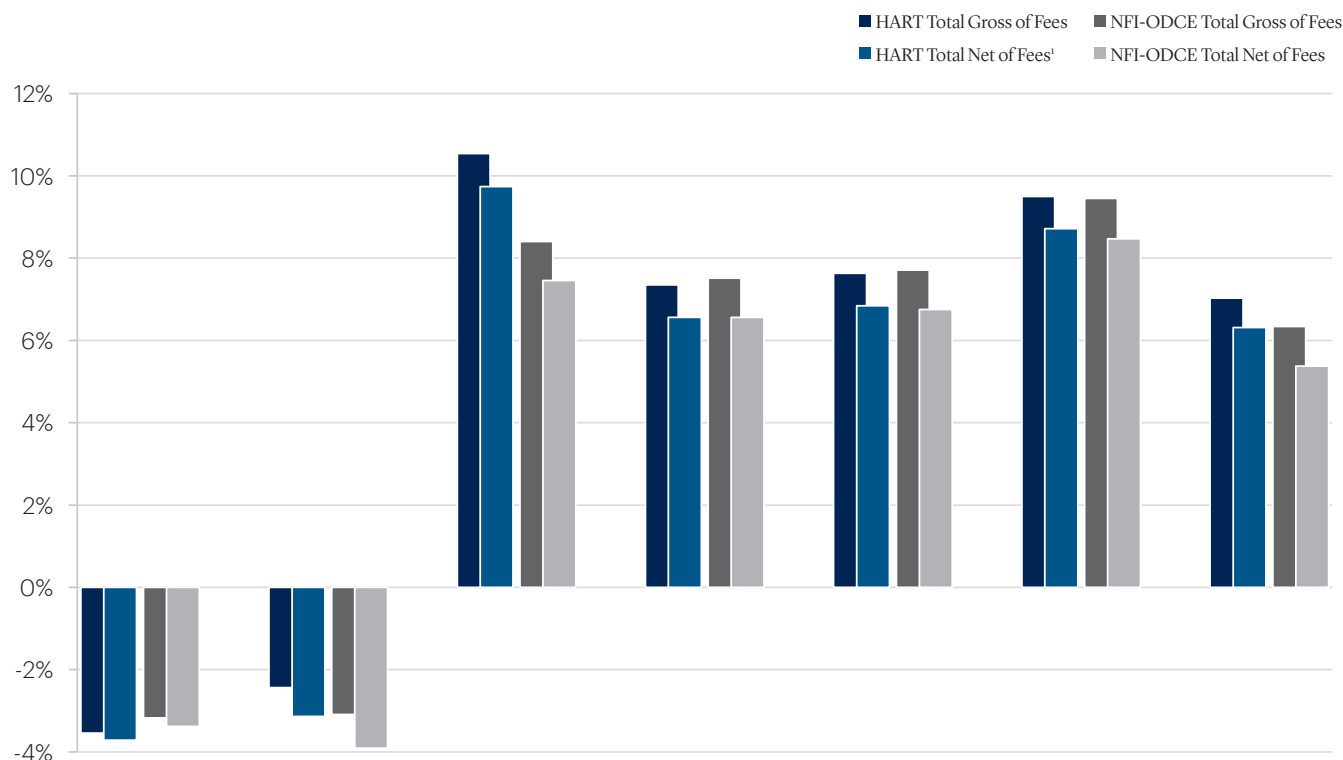


1. NFI-ODCE = NCREIF Fund Index - Open End Diversified Core Equity.

2. NFI-ODCE allocation includes 3% to Self-Storage, 2% to Healthcare, and 4% to Other.

# Performance

## TIME-WEIGHTED INVESTMENT LEVEL LEVERAGED PERFORMANCE RETURNS



	3 Month (not annualized)		Trailing 12-Month		3 Year		5 Year		7 Year		10 Year		Since Inception April 1, 2007 <sup>1</sup>	
	HART	NFI- ODCE	HART	NFI- ODCE	HART	NFI- ODCE	HART	NFI- ODCE	HART	NFI- ODCE	HART	NFI- ODCE	HART	NFI- ODCE
Income	0.89%	0.84%	3.61%	3.35%	4.02%	3.70%	4.23%	3.90%	4.34%	4.04%	4.59%	4.31%	5.03%	4.79%
Appreciation (Depreciation)	-4.43%	-4.00%	-5.90%	-6.27%	6.33%	4.57%	3.02%	3.51%	3.18%	3.56%	4.75%	4.97%	1.93%	1.48%
Total Gross of Fees	-3.54%	-3.17%	-2.44%	-3.09%	10.54%	8.40%	7.35%	7.51%	7.63%	7.71%	9.50%	9.45%	7.03%	6.34%
Fund vs. NFI-ODCE Gross of Fees	-0.37%		+0.65%		+2.14%		-0.16%		-0.08%		+0.05%		+0.69%	
Total Net of Fees	-3.71%	-3.38%	-3.14%	-3.91%	9.74%	7.46%	6.56%	6.56%	6.84%	6.75%	8.72%	8.47%	6.31%	5.38%
Fund vs. NFI-ODCE Net of Fees	-0.33%		+0.77%		+2.28%		0.00%		+0.09%		+0.25%		+0.93%	

Note: Total Return =  $\frac{\text{Net Income} + \text{Capital Appreciation}}{\text{Weighted Average Equity}}$

1. Net of fee performance is reflective of the actual fees received by the Fund. Investors may incur fees that are higher or lower than those presented.
2. The since inception return begins on April 1, 2007, the first full quarter of operations after the limited partners' initial capital contribution.

# Letter to Partners

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## STATE OF THE FUND

The current economic backdrop features uncertainty, inflationary pressures, and Federal Reserve (the “Fed”) actions which have been oriented toward tightening, although we may see a pause in interest rate increases. Additionally, during the first part of 2023, we have seen failures in some regional banks. Set against this changing economic backdrop, in our opinion, Heitman America Real Estate Trust (the “Fund”) is well positioned across the various property sectors to provide favorable relative performance.

The Fund produced a -3.54% gross and -3.71% total net return for Q1 2023, including an income return of 0.89% gross and 0.72% net, and depreciation of 4.43%. The trailing 12-month gross and net returns were -2.44% and -3.14%, comprised of a 3.61% gross and 2.88% net income return, and depreciation of 5.90%. The Fund's total gross and net returns underperformed the NFI-ODCE Benchmark (“ODCE”, or the “Index”) by 37 basis points (“bps”) and 33 bps for the quarter, respectively. The Fund's total gross and net returns outperformed the Index by 65 bps and 77 bps, respectively, for the trailing 12-months. Subsequent to quarter-end, on April 20, 2023, a dividend of \$12.15 per share was paid to investors, resulting in quarterly gross and net dividend yields of 0.81% and 0.64%, respectively, and trailing 12-month gross and net dividend yields of 3.39% and 2.66%, respectively. The Fund's income return continued to outpace the Index and has now evidenced relative outperformance for 14 consecutive years on an annual basis.

The value of the Fund's assets declined in the first quarter across all property sector portfolios, with the most significant value decreases impacting the office, apartment, and industrial assets. On an overall basis, the Fund's valuation decrease for the most recent quarter was driven primarily by increases in valuation metrics (higher discount rates and capitalization rates) with a modest offset by increased forward cash flow projections.

While private real estate valuations have moved inward during the last quarter of 2022 and the first quarter of 2023, we believe more valuation trimming is necessary for the sector to come into alignment with the capital markets environment and pricing adjustments that have occurred in other asset sectors.

The Fund's overall portfolio ended the quarter at a leasing level of 95%, approximately 3% higher than the 92% leasing level as of calendar year end 2022. The increase in leasing level is primarily attributable to the execution of a lease during Q1 2023 for the entirety of the recently delivered Logistics Center Phoenix industrial development. Normalized same-property net operating income (“NOI”) for the 12-month period ended March 31, 2023, compared to the prior 12-month period, grew 4.2%. This increase was primarily driven by increased rents in the apartment and self-storage sectors resulting from strong tenant demand, as well as higher re-leasing spreads in the industrial sector, partially offset by higher vacancy in the office sector.

One add-on acquisition in an existing self-storage joint venture was completed during the quarter for a gross purchase price totaling \$9.0 million at the Fund's share. The add-on acquisition is consistent with the Fund's self-storage investment strategy and complements the existing 15-store Life Storage III Portfolio, which was acquired in Q3 2022, by further supporting the portfolio's market diversification objective and by adding an asset in a market with low competition and saturation levels.

Additional investor equity follow-on commitments from two existing investors totaling \$120.2 million became available to the Fund during Q1 2023. During the quarter, additional requests for liquidity were received from six investors totaling \$96.5 million. Requests for redemptions now total \$1.66 billion as of March 31, 2023, up from \$1.60 billion as of December 31, 2022.

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The Fund's overall portfolio saw a leasing level of 95% at the end of Q1 2023

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# Letter to Partners

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## LOOKING FORWARD

As we move through the first half of 2023, we observe indications of markets cooling, despite also seeing continued strength in some key economic indicators. Increases in prices of goods and services continue at a pace above sustainable long-term levels, although the growth in those measures is generally slowing. The employment market remains strong, but manufacturing markers indicate slowing demand. The net of these various market indicators leads us to conclude that we are at the beginning of a long-anticipated economic slowdown, the magnitude of which will not be clear for some time.

As we consider the continued likelihood of slowing economic conditions as the year progresses, we are keenly focused on operating signals from the portfolio. We expect to see moderation in the pace of growth of NOI across the portfolio. For sectors such as industrial, apartments, and self-storage, where the recent pace of increase has been strong, we anticipate the rate of growth to slow. The office sector assets will contribute a negative growth trajectory, but recently completed leasing and lease renewal activity will slow that negative trend. The retail sector assets are expected to turn the corner to produce positive NOI growth for the year. Despite a return to more normal seasonal patterns for the self-storage and apartments sectors, occupancy levels for the portfolio overall are expected to remain stable.

As we observe valuation metrics for private real estate, and for the Fund's portfolio, we anticipate additional adjustments to valuations are likely as the year unfolds. Many factors that are exogenous to the private real estate sector will impact the magnitude to which further valuation adjustments will be necessary in order to achieve greater harmony with historical relative measures. Portfolio positioning will play an important role, on a relative basis, as this valuation process unfolds. We expect that the Fund will benefit from a lower allocation to the commercial office sector and a dedicated allocation to self-storage, while a modest underweight to the industrial sector may temper the outcome.

Capital capacity is expected to continue to be the most significant challenge for the Fund in the short term. In our opinion, asset valuation uncertainty continues to negatively influence the fluidity of transactional markets. An important aspect of the strategic plan is efficiently executing on the disposition of assets for which we have completed the business plan, or where there is a portfolio shaping objective. Current market conditions present significant headwinds as we look to execute tactical elements of that plan. So, while there is no guarantee of our ability to be successful in a transactions environment that remains muted, we do intend to explore selective investment sales in the near-term.

Given the capital markets backdrop that we are operating in, we have been judicious in managing the Fund's capital resources. Liquidity has become a scarce commodity in the capital constrained environment. In terms of the debt financing profile for the Fund, our overall use of leverage in the capital structure will be managed to the targeted level in the mid 20% range, and we will continue to focus on addressing upcoming debt maturities, which are reasonably limited in the near-term. We will continue to be cautious regarding the use of the Fund's line of credit capacity.

Understanding that current circumstances present challenges as you look to achieve various objectives, we appreciate your continued support as we navigate the Fund during this volatile period. We remain confident that a consistent commitment to a long-term perspective in the management of the Fund will continue to deliver favorable long-term outcomes.

We hope that you will be able to join us for Heitman's Annual Investor Meetings which will be held in Chicago on June 6 and 7, 2023. The Fund's Annual Meeting is scheduled for the afternoon of June 6, 2023. After three years of virtual meetings, we are delighted to spend time with you discussing matters important to the Fund.

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We expect to see  
moderation in the pace  
of growth of NOI across  
the portfolio

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# US Economic Outlook

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The US economy deferred a widespread deterioration of economic conditions during Q1 2023, however, Heitman believes that a difficult year and a probable recession still lie ahead. The impact of the Fed's historical run-up of interest rates became evident in cooling inflation and a slightly weaker labor market in Q1 2023. However, in addition to the issues that the US economy has been grappling with over the past several months, new risks emerged during the quarter in the form of Silvergate Capital Corp.'s liquidation, followed by the receiverships of Silicon Valley Bank and Signature Bank. These events roiled markets and raised questions about the possibility of contagion in the banking sector and financial markets. In our opinion, the US federal government's response may have allayed immediate fears among a subset of investors, but the steep decline in regional bank equities and the more pronounced inversion of the yield curve suggests a recession in 2023. These pressures in the banking system have reduced lending activity and weakened overall financial conditions. This evidenced stress may be beginning to assist the Fed in advancing its objective of cooling the economy and stabilizing inflation.

The Consumer Price Index ("CPI") decelerated in February and March 2023 after a typical spike in the January data.<sup>1</sup> Headline Personal Consumption Expenditures Price Index ("PCE"), the Fed's preferred measure of inflation, was up 5.0% year-over-year as of February 2023, down 30 bps from the previous month.<sup>2</sup> Core PCE, which excludes food and energy, also decreased in February, down 10 bps from January to 4.6%.<sup>3</sup> While we believe this downward trend somewhat justifies the Fed's aggressive monetary policy to date, inflation remains stubbornly above their 2.0% target. Price increases remain largely driven by housing costs and prices tied to core services, which were up 9.1% and 5.0%, respectively, in February.<sup>4</sup> Chairman Powell

has indicated that the Fed views the labor market as the main channel by which inflation can be reined in, as the pace of wage growth and services inflation are directly related.<sup>5</sup>

The labor market has started to show signs of a slowdown but remains on relatively solid ground. Job gains moderated in every month of Q1 2023; however, the three-month moving average of this metric remained above pre-pandemic levels at 345,000. Average hourly earnings also continued to climb in March 2023, growing by 0.3% month-over-month. The February 2023 Job Openings and Labor Turnover Survey report hinted at future deterioration of the labor market as the number of job openings fell for a second consecutive month. Job openings were below 10 million for the first time since May 2021, a likely indication that businesses are growing wary of additional headcount.<sup>6</sup> Job openings will have to continue to trend downwards if they are to move closer to the pre-pandemic levels of roughly seven million.<sup>7</sup> Heitman believes that further deterioration of the labor market will be necessary to relieve price pressures that are being driven by wage and services inflation.

Risks to the economy have grown considerably given the recent regional bank failures and concerns that they will create widespread contagion. Even if the fallout from the regional bank failures remains relatively contained, heightened volatility is likely to persist for some time. While inflation remains above the Fed's long-term target, turmoil in the financial system complicates its path forward in terms of the magnitude of further rate increases. While Heitman believes the Fed will likely pause rate hikes, we do not foresee rate cuts happening in 2023. Most forecasters continue to expect a mild recession in the second half of 2023, but risks are weighted to the downside.<sup>8</sup>

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The Fed views the labor market as the main channel by which inflation can be reined in

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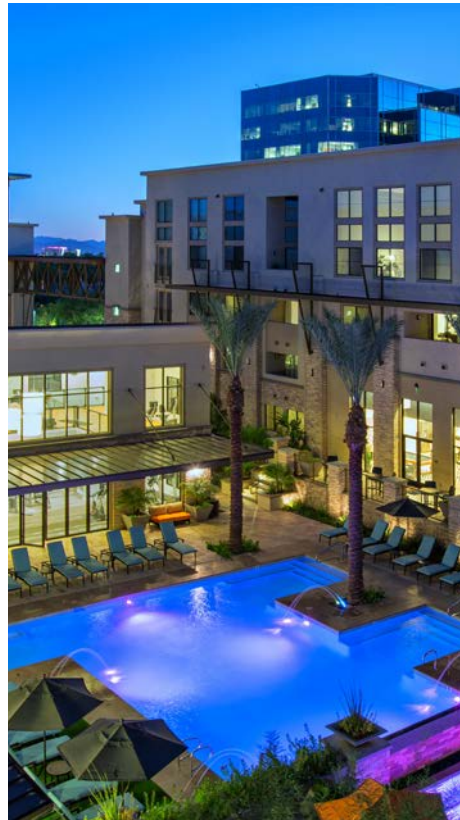
1. U.S. Bureau of Labor Statistics (April 12, 2023). Consumer Price Index Summary, March 2023
2. U.S. Bureau of Economic Analysis (February 2022). Personal Income and Outlays, February 2022
3. U.S. Bureau of Economic Analysis (February 2022). Personal Income and Outlays, February 2022
4. Moody's Analytics (March 31, 2023). Economic Roundup: All Eyes on "Supercore" Inflation.
5. Moody's Analytics (March 31, 2023). Economic Roundup: All Eyes on "Supercore" Inflation.
6. All claims and data prior to this come from: Oxford Economics (April 7, 2023). US: Strong labor market will keep the Fed on track for higher rates
7. Oxford Economics (March 10, 2023). US: The labor market cools from blistering to just plain hot
8. Oxford Economics (March 16, 2023). US: Economic strength delays the start of the recession



# Fundamentals & Operations

# Apartments

Apartment demand rebounded in Q1 2023, but fell short of expectations.<sup>9</sup> Net absorption of 19,043 units was a welcome reversal after three straight quarters of negative demand, but was roughly 25% of RealPage's projected demand for the quarter. With quarterly deliveries of 95,237 units, the second highest tally for a quarter in over 20 years, occupancy dropped another 40 bps to sit at 94.8%. This is still roughly in line with the average of 94.6% since 2000. Month-over-month rent movements have been lagging typical seasonal trends for the past few quarters. We observed month-over-month declines in excess of trend during Q4 2022, and now lower positive increases in Q1 2023. Year-over-year effective rent growth sat at 4.5% as of Q1 2023, down from 15.3% in Q1 2022. The largest deceleration in rents has been observed in previously hot Sunbelt markets like Phoenix and Las Vegas, which are now seeing year-over-year declines in rent. Florida, the US coasts, and the Midwest are proving to be the most resilient going into Q2 2023.<sup>10</sup>



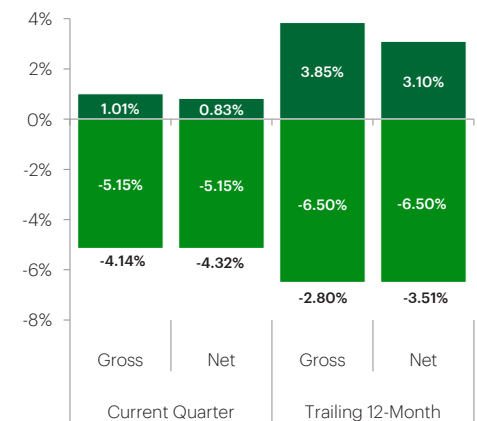
Biltmore at Camelback – Phoenix, AZ

Cooling demand and record-high construction is factoring into subdued rent growth projections from third-party forecasters. As of Q1 2023, over one million units were under construction, an all-time high. Over 350,000 units were delivered in the four quarters ending Q1 2023, an 8% increase year-over-year. And over 611,000 units are set to be delivered over the next four quarters. With this dynamic at play, rent growth projections for 2023 now range from roughly 1.5% (CoStar) to 3.0% (Yardi Matrix and RealPage).<sup>11 12 13</sup> The RealPage market-level projections are along a relatively narrow range between 0.7% (Phoenix) to 5.0% (West Palm Beach) for 2023. Below-average growth is expected in the west (e.g., Sacramento, Salt Lake City, Portland) and lower-growth Midwestern markets (e.g., Kansas City, Milwaukee, Minneapolis). Above-average gains are expected in Florida, Austin, Dallas, and the suburban Bay Area.<sup>14</sup>

The apartment portfolio currently represents 23% of the Fund's GAV, which compares with the Q1 2023 NFI-ODCE weighting of 29%. The portfolio's same-property NOI increased by 17.2% over the preceding 12-month period. Revenue increased by 12.0% and expenses increased by 4.5%. Leasing levels are starting to show a seasonal improvement heading into the Spring leasing season. The portfolio's leased percentage of 96% was 1% higher than at the end of Q4 2022 and mirrored leasing levels in Q1 2022. Concessions are being offered in select markets such as Chicago, Denver, Santa Monica, Seattle, and White Plains. However, they have been utilized less frequently throughout the portfolio than in the prior 12 months. The decline in concessions combined with continued favorable new and renewal lease trade-outs led to the portfolio's strong revenue growth. Expenses throughout the portfolio continue to increase, led by payroll, repairs and maintenance, insurance, real estate taxes, and contract services.

Florida, the US coasts, and the Midwest markets are proving to be the most resilient for the apartment sector going into Q2 2023

## APARTMENT TIME-WEIGHTED RETURNS\*



■ Depreciation  
■ Income

\* Time-weighted returns shown include all of the HART portfolio's apartment sector. The full portfolio's time-weighted returns can be found on page 3.

Past performance is not necessarily indicative of future results. There can be no assurance that the Fund will be able to acquire similar properties in the future or that future acquisitions will be on similar terms, or the Fund will achieve comparable results, be able to effectively implement its investment strategy, achieve its investment or asset allocation objectives or avoid substantial losses.

9. RealPage: Apartment Demand Rebounds in Q1 After Weak 2022; April 6, 2023
10. RealPage, Data Direct export, accessed on 4/17/2023
11. Yardi Matrix: Special Report: Multifamily Rent Forecast Update; January 2023
12. RealPage, Data Direct export, accessed on 4/17/2023
13. CoStar; Data export, accessed 1/20/2023
14. RealPage, Data Direct export, accessed on 4/24/2023



LogistiCenter Exit 8A - Northern NJ

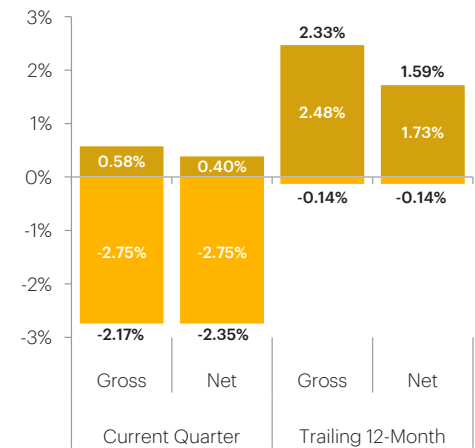
We believe the US industrial market has entered the “late expansion” phase of growth as supply has exceeded new demand for each of the past three quarters. Demand remains positive but fell sequentially as net absorption totaled 74 million square feet (“msf”) in Q1 2023, after exceeding 100 msf for each of the prior nine quarters. For context, the demand reading in the first quarter would be in line with the average quarterly net absorption from 2018-2019. Supply strongly outpaced demand as deliveries totaled 152 msf in the quarter. This combination led to a 40 bps increase in the vacancy rate, to 4.1%. While this was the fastest pace of vacancy rate increase since 2009, the current vacancy rate remains comfortably below its average of 6.6% since 2000. Sublease availability showed a notable uptick, from 80 msf to 99 msf nationally over Q1 2023, but remains below 2020 levels as a percentage of stock. Overall, we believe US industrial is on trend for a “soft landing” as vacancy rates and rent growth trend towards historical averages over the next year or two.<sup>15</sup>

We expect that despite some deterioration in fundamentals, 2023 will be a relatively smooth year for the industrial sector. REITs forecast 2023 rent growth between 5% and 15% by market (based on coastal versus non-coastal geography), with a nationwide average of 10% growth per Prologis.<sup>16</sup> Though we expect the vacancy rate is expected to tick up over the year due to 741 msf of new construction underway, vacancy rate changes flow through to market rent growth with a lag and are thus more concerning for 2024 readings.<sup>17</sup> Positively, NOI growth at portfolio levels will remain robust for several more years due to widespread ability to mark leases up to market levels upon expiration.<sup>19</sup> Lastly, construction has come in significantly, with starts 46% below 2022 averages for Q1 2023.<sup>20</sup>

We believe the Fund’s industrial portfolio continued its 2022 performance with another strong quarter to start 2023, despite continued headwinds in the economy and capital market disruption manifesting in the second half of 2022. The portfolio’s same-property NOI increased by 7.1% for the trailing 12-months over the preceding 12-month period. With the execution of a full-building lease at the Phoenix development during Q1 2023, the portfolio achieved a 99% leasing level compared to 94% at the end of the prior quarter. The sector weighting to industrial has increased slightly to 25%, despite the Fund’s overall industrial sector valuations decreasing 2.7% (at share). Despite macroeconomic challenges, we expect strong NOI growth in 2023 as the portfolio realizes substantial income growth on properties with near-term lease expirations. In terms of recent leasing activity during the most recent quarter, a new lease with UNIS was executed for the Phoenix development for 915,160 square feet (“sf”) with commencement occurring in April 2023 at a rental rate 20% above original proforma expectations.

We believe US industrial is on trend for a “soft landing” as vacancy rates and rent growth trend towards historical averages

## INDUSTRIAL TIME-WEIGHTED RETURNS\*



■ Depreciation

■ Income

\* Time-weighted returns shown include all of the HART portfolio’s industrial sector. The full portfolio’s time-weighted returns can be found on page 3.

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15. All claims and data prior to this come from the “Industrial Q1 2023” file which is derived from Heitman Research’s analysis of CoStar data (aggregated data industrial real estate, 10,000 sf and greater, across 51 US geographies, compiled on 4/4/2023).

16. Green Street “Industrial Sector Update – Still Flexing Rent Growth Muscles” released 3/7/2023, page 11

17. “Industrial Q1 2023” file which is derived from Heitman Research’s analysis of CoStar data (aggregated data industrial real estate, 10,000 sf and greater, across 51 US geographies, compiled on 4/4/2023).

18. Heitman Research, “Rent Growth For Real – Industrial Rent Growth Forecast Thinkpiece”

19. Green Street “Industrial Sector Update – Still Flexing Rent Growth Muscles” released 3/7/2023, page 14

20. Industrial Q1 2023 file

The US office market is reeling from the combined impacts of work-from-home arrangements and a slowing economy, and is being cited as the potential, proverbial “next shoe to drop” in the regional banking crisis.<sup>21</sup> The nation’s top 30 office markets had a combined vacancy rate of 17.7% as of Q1 2023, growing 50 bps over the course of the quarter to this series’ highest rate in over 30 years. Over the past five quarters, available sublease space has expanded from 142 msf to 193 msf. Currently, 3.8% of all inventory is available for sublease, with 22.5% in total available. Demand has now been negative for five consecutive quarters, with the worst reading of those five quarters occurring in Q1 2023 (-21 msf). Since the onset of the COVID-19 pandemic, the total demand destruction in US office currently totals -155 msf.<sup>22</sup> Leasing, which leads to demand in future quarters, was down 10.7% quarter-over-quarter, having fallen for three quarters straight.<sup>23</sup> With broad-based weakness amid rising interest rates, and already a few major CMBS defaults, it’s no surprise that economists and analysts across the financial and real estate sectors are concerned about contagion from US office loans, of which 55% are estimated to sit on bank balance sheets.<sup>24 25</sup>



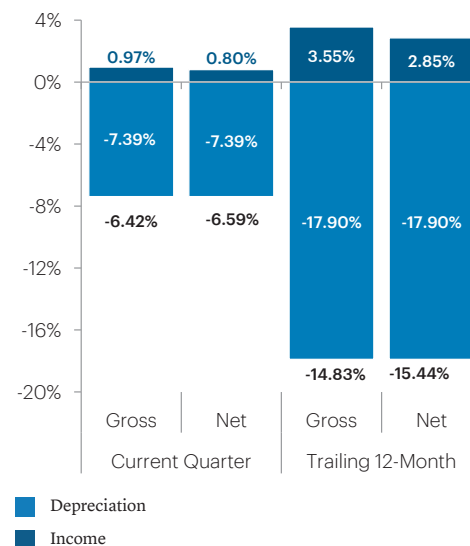
28 State Street – Boston, MA

We believe that the office sector will continue to display weak fundamentals, with any initial rebound constrained to specific segments of the market within certain geographies. For example, higher quality office space is performing better across markets (and we believe that it will be the quickest to recover), but in tech-heavy submarkets where sublease space is rising fastest, all market segments are currently weakening.<sup>26</sup> Green Street posits that non-tech Sunbelt markets (e.g., Orlando, Phoenix, and Charlotte) are less susceptible to damage from work-from-home policies and offer better demographic growth, suggesting that these markets currently look most attractive for long-term office investing.<sup>27</sup>

The office portfolio represents 16% (11% commercial office and 5% medical office) of the Fund’s GAV at quarter-end. Operationally, the portfolio’s same-property NOI decreased by 12.6% for the recent 12-month period over the preceding 12-month period, driven primarily by Belkin vacating their space in Campus at Playa Vista at lease-end in December 2021, in combination with rising expenses across the sector, specifically real estate taxes. The portfolio’s leasing level decreased 1% quarter-over-quarter to 89% as a result of a two-floor tenant vacating at First Hill Medical Pavilion in Seattle pursuant to the lease expiration. During Q1 2023, we executed three renewals at 353 North Clark in Chicago that accounted for 7.2% of the building’s net rentable square footage. Each renewal was for a full floor, with one of the tenants downsizing from two floors to one and another tenant possessing the capability to expand by a full floor once they finalize headcount related to a recently completed acquisition. Although we have been successful in renewing tenants in-place, office fundamentals sector-wide face headwinds as tenants continue to work through their real estate needs.

## US office demand has now been negative for five consecutive quarters

### OFFICE TIME-WEIGHTED RETURNS\*



\* Time-weighted returns shown include all of the HART portfolio’s office sector. The full portfolio’s time-weighted returns can be found on page 3.

Past performance is not necessarily indicative of future results. There can be no assurance that the Fund will be able to acquire similar properties in the future or that future acquisitions will be on similar terms, or the Fund will achieve comparable results, be able to effectively implement its investment strategy, achieve its investment or asset allocation objectives or avoid substantial losses.

21. CNN Business, “American offices are half-empty. That could be the next big risk for banks”, published 4/10/2023. American offices are half-empty. That could be the next big risk for banks | CNN Business
22. All uncited claims and data prior to this come from the “Office Q1 2023” file which is derived from Heitman Research’s analysis of CoStar data (aggregated data office real estate, 20,000 sf and greater, not owner-occupied and unknown owner type, across 30 sampled US geographies, compiled on 4/4/2023).
23. JLL, “United States Q1 2023 Office Outlook”
24. ULI Urban Land Magazine, “Cracks Appearing in U.S. Office Sector Lending: More Pain Ahead?”, published 3/13/2023. Cracks Appearing in U.S. Office Sector Lending: More Pain Ahead? - Urban Land Magazine (uli.org)
25. CNN Business, “American offices are half-empty. That could be the next big risk for banks”, published 4/10/2023. American offices are half-empty. That could be the next big risk for banks | CNN Business
26. JLL, “United States Q1 2023 Office Outlook”
27. Green Street, “Apartment and Office Sectors: D.C. Metro Property Tour Takeaways”, published 4/19/2023



Shops at Wailea – Wailea, HI

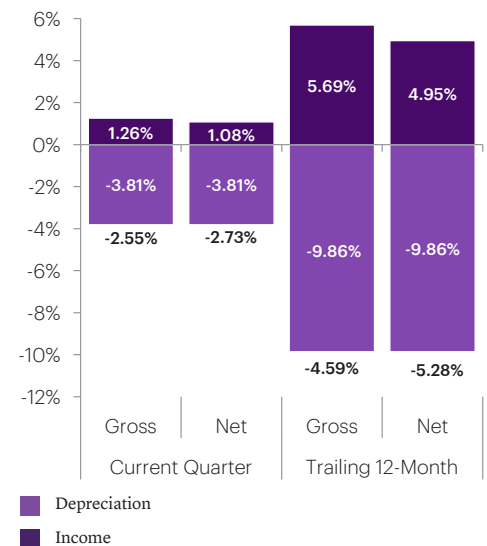
Shopping center relevant sales growth averaged 8.2% year-over-year in Q1 2023, 180 bps faster than the previous quarter's pace. However, much of this growth was frontloaded by January's stronger-than-anticipated increase in spending of 10.5% year-over-year.<sup>28</sup> We believe declining sales growth in February and March 2023 is an early indication of the consumer pullback anticipated to occur as consumer conditions worsen at the hands of tighter lending conditions and a softer labor market. Price pressures have eased in recent months; however, real sales growth also declined during every month of the quarter, ending March with essentially flat real sales growth of 0.3% year-over-year.<sup>29</sup> Foot traffic trends also reflect consumer pullback, as 2023 traffic has averaged roughly 3.0% below 2022 and pre-pandemic levels, with declines steepening as the year progresses.<sup>30</sup>

Nationwide net absorption declined in Q1 2023, but limited new supply kept vacancy flat quarter-over-quarter at 5.8%. Vacancy held steady or decreased for all formats except for malls, which saw a 10 bps increase quarter-over-quarter. All open-air formats, except for lifestyle centers, saw a decline in absorption from Q4 2022; however, net absorption remained positive for these formats. Net absorption for malls improved by nearly 1.0 msf quarter-over-quarter to -0.9 msf.<sup>31</sup> We remain cautiously optimistic about retail property fundamentals as retailers generally entered 2023 in a healthier position than they did a year ago. Additionally, weakness in consumer spending was broadly anticipated and has not negatively impacted retailers' plans for openings.<sup>32</sup> Heitman believes that supply and demand dynamics favor property fundamentals as a continually shrinking amount of development and consistent appetite for space in quality locations is driving down vacancy and keeping a floor under rents.

The Fund's retail allocation for the quarter remains at 13%, which is 3% above the Q1 2023 NFI-ODCE allocation of 10%. The retail portfolio continues to experience softer customer shopping patterns relative to the prior year, evidenced in the quarterly foot traffic data. Foot traffic for Q1 2023 trended 5% below 2022 as the open-air assets trailed 3% below 2022, while the enclosed mall assets decreased 8%. Despite the unfavorable traffic comparisons, the portfolio did show a slight improvement over Q4 2022's trend of -6% year-over-year. Same-property NOI for the portfolio increased 2.3% for the recent 12-month period over the preceding 12-month period. The portfolio's leasing level at quarter-end was 92% including one department vacancy (94% excluding this space), and the assets continue to experience strong leasing activity. Over the course of Q1 2023 and the initial days of Q2 2023, the asset team executed several leases at multiple open-air assets, most notably with retailers such as Athleta, Burlington, Five Below, and Lovesac. Additionally, lease negotiations continue with prospective tenants which are expected to be completed over the course of 2023.

We remain cautiously optimistic about retail property fundamentals as retailers generally entered 2023 in a healthier position than they did a year ago

## RETAIL TIME-WEIGHTED RETURNS\*



\* Time-weighted returns shown include all of the HART portfolio's retail sector. The full portfolio's time-weighted returns can be found on page 3.

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28. US Census Bureau (accessed on April 14, 2023). Advance Monthly Sales for Retail and Food Services

29. US Census Bureau (accessed on April 14, 2023). Advance Monthly Sales for Retail and Food Services

30. Placer.ai data (accessed on April 18, 2023). National foot traffic by category through April 15, 2023

31. All claims and data prior to this come from the "Retail Q1 2023" file which is derived from Heitman Research's analysis of CoStar data (aggregated data of existing, under construction, and under renovation shopping centers of various formats for 75 US geographies, compiled on 4/7/23. Formats include community center, lifestyle center, neighborhood center, power center, strip center, and regional mall).

32. Telsey Advisory Group (April 19, 2023). TAG Insights: Store Openings & Closing Analysis

# Self-Storage



Life Storage I Portfolio – Various US

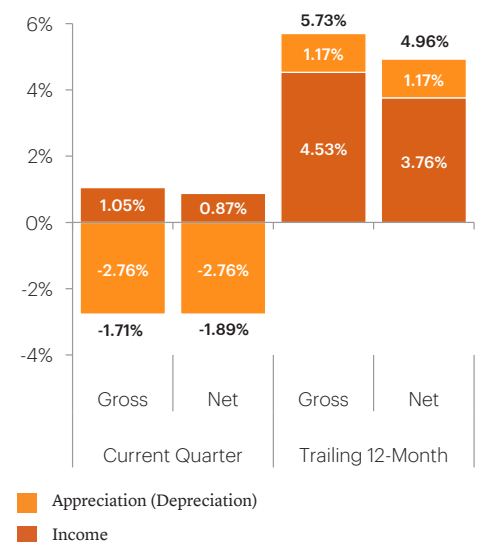
The pandemic-induced boost to self-storage fundamentals continues to fade with operations now settling into a more typical seasonal pattern. Occupancy in Heitman’s same-store pool, which peaked at more than 95% in July 2021, appears to be bottoming at a March 2023 rate of 90.2%, matching its rate at the end of 2022. Similarly, street rates that started to decline on a month-to-month basis in July 2022 leveled out at \$15.94 per square foot (“psf”) in November, and have since increased by 3.0% to a March 2023 rate of \$16.41 psf. We anticipate more rapid increases with the onset of the busy Spring leasing season. Our effective in-place rate during March of \$17.34 psf is up 6.8% from a year ago, but new leasing will not be accretive to revenues until street rates climb back above in-place levels. In-place rent growth continues to be strongest in Florida, which includes the top five markets. Year-over-year growth ranges from 10.4% in Miami to 14.7% in the Cape Coral/Fort Myers MSA.<sup>33</sup>

Transaction volume, like other sectors, has slowed dramatically in recent quarters given uncertainties about the economy and higher interest rates.<sup>34</sup> The big news this quarter was the announced merger of Extra Space (“EXR”) and Life Storage (“LSI”) that is expected to close in the second half of 2023. The combined company will consist of more than 3,500 stores, making it the largest in the industry by store count. Extracting private market pricing implications is challenging because of the all-stock deal nature. However, Green Street stated in an April 3, 2023, report that EXR is paying more than their ascribed private market value of LSI’s portfolio.<sup>35</sup> Green Street currently utilizes an applied 5.0% cap rate in valuing LSI’s portfolio.<sup>36</sup>

The Fund’s dedicated allocation to the self-storage sector stood at 23% of GAV at the end of Q1 2023. The self-storage portfolio’s performance is moderating after coming off record highs, but fundamentals remain strong. The portfolio’s same-property NOI increased by 8.5% for the recent 12-month period over the preceding 12-month period. Occupancy ended the quarter at 89%, down 290 bps from Q1 2022 for the same-store pool. Move-in volumes have been slow to start the year, which is muting market rent growth, however rental revenue growth continues to be supported through existing customer rent increases and extended lengths of stay. Including stabilization of fees, other income, and bad debt write-offs, year-over-year revenue growth increased 7.0%, down from 8.6% last quarter. Much of that growth is attributable to the Florida and Sunbelt markets. Inflationary pressures are impacting portfolio expenses, which grew 4.3%. Higher insurance premiums, utility rates, and maintenance costs are contributing to expense increases. The portfolio is anticipated to experience more normalized growth as increasing economic headwinds slow customer traffic and prior year comparisons become more difficult. However, several value-added expansion projects in the Life Storage, Metro, and iStorage portfolios are being completed and will provide revenue growth as the additional square footage is leased-up.

## Self-storage transaction volume slowed dramatically in recent quarters given uncertainties about the economy and higher interest rates

### SELF-STORAGE TIME-WEIGHTED RETURNS\*



\* Time-weighted returns shown include all of the HART portfolio’s self-storage sector. The full portfolio’s time-weighted returns can be found on page 3.

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33. Self-storage fundamentals data cited above is sourced from Heitman’s same store pool of 367 stabilized properties, spread throughout the US with various joint venture partners. Stabilized stores include any store that has reached and maintained 85%+ occupancy for 18 months, excluding any stores with major expansions or natural disasters. Forward-looking statements are based on Heitman’s budgets for 2023.

34. Self-storage transaction volume and cap rates come from a variety of subscription-based sources including Green Street, Real Capital Analytics, and Yardi Matrix. Due to the incomplete nature of the data, Heitman research fills in gaps with internal underwriting, and sales comparable data from brokers, appraisers and partners. For this reason, the data is estimated to the best of our abilities.

35. “Paying Extra for Life Storage,” Green Street Advisors; April 3, 2023.

36. “Weekly REIT Pricing Review,” Green Street Advisors; April 14, 2023.



# Portfolio Summary

1225 Old Town - Chicago, IL

# Portfolio Summary

(\$ IN THOUSANDS)

Investment Name	Year Acquired	Location	Effective Fund Ownership Percentage <sup>1</sup>	No. of Assets	Total Owned Square Feet/ Units <sup>2</sup>	Leasing Level <sup>3</sup>	Fund Capitalization <sup>1</sup>			
							Gross Value	Property Level Third Party Debt <sup>4</sup>	Net Value	Cash Invested <sup>5</sup>
<b>Apartments</b>										
15 Bank	2010	White Plains, NY	100.0%	1	501 units	94%	\$ 217,000	\$ 92,306	\$ 124,694	\$ 82,378
Villas at River Oaks	2012	Houston, TX	100.0%	1	288 units	98%	62,600	-	62,600	49,859
AO Santa Monica	2012	Santa Monica, CA	100.0%	1	350 units	95%	225,000	81,681	143,319	99,972
Commons Park West	2013	Denver, CO	100.0%	1	340 units	96%	164,200	-	164,200	121,202
1225 Old Town	2013	Chicago, IL	100.0%	1	250 units	99%	156,000	-	156,000	165,993
Folio	2014	Austin, TX	100.0%	1	606 units	98%	162,000	50,575	111,425	41,986
Biltmore at Camelback	2014	Phoenix, AZ	100.0%	1	270 units	97%	121,000	-	121,000	78,033
OneEleven	2015	Chicago, IL	75.0%	1	504 units	94%	239,282	96,552	142,730	164,349
The Taylor	2015	Dallas, TX	100.0%	1	308 units	98%	117,000	-	117,000	120,288
Premiere on Pine	2015	Seattle, WA	100.0%	1	386 units	95%	226,000	-	226,000	247,927
The Porter Del Ray	2017	Alexandria, VA	100.0%	1	276 units	96%	130,000	52,531	77,469	46,583
Cambridge Park	2017	Cambridge, MA	100.0%	1	312 units	94%	212,000	-	212,000	182,017
Avalia Boca Raton	2018	Boca Raton, FL	100.0%	1	297 units	94%	194,000	-	194,000	127,934
Square on Fifth	2018	Atlanta, GA	100.0%	1	230 units	100%	162,000	77,241	84,759	64,722
Radius at 15th	2018	Minneapolis, MN	100.0%	1	200 units	100%	96,000	-	96,000	77,326
The Sawyer Providence Farm	2018	Charlotte, NC	100.0%	1	404 units	97%	155,000	-	155,000	99,023
Halo 46	2018	Tampa, FL	100.0%	1	158 units	100%	65,400	-	65,400	51,818
The Ashborough	2021	Ashburn, VA	100.0%	1	504 units	95%	213,000	-	213,000	161,305
<b>Total - Apartments</b>				<b>18</b>	<b>6,184 units</b>	<b>96%</b>	<b>2,917,482</b>	<b>450,886</b>	<b>2,466,596</b>	<b>1,982,715</b>
<b>Industrial</b>										
Chicago Industrial Portfolio	Various	Various IL	100.0%	12	4,606,268	99%	518,700	94,996	423,704	220,363
West Coast Industrial Portfolio - CA	2013	Various CA	51.0%	14	3,860,421	100%	707,217	90,566	616,651	91,769
West Coast Industrial Portfolio - WA	2013	Various WA	51.0%	3	1,422,353	100%	135,252	21,634	113,618	44,563
New Jersey Industrial Portfolio	2015	Various NJ	100.0%	3	1,531,596	100%	402,800	-	402,800	97,785
Westgate Building	2016	San Bernardino, CA	100.0%	1	414,020	100%	134,000	-	134,000	36,030
Dallas Industrial Portfolio	2016 & 2019	Various TX	100.0%	11	3,459,578	100%	415,550	85,133	330,417	194,130
Perris Circle	2017	Perris, CA	100.0%	1	474,235	100%	131,000	-	131,000	52,275
Rickenbacker	2019	Columbus, OH	100.0%	1	972,160	100%	97,200	-	97,200	67,055
Gillem 900	2020	Forest Park, GA	100.0%	1	1,043,418	100%	115,000	-	115,000	86,092
Agua Mansa	2021	Colton, CA	100.0%	3	813,513	91%	243,000	-	243,000	125,082
Logistics Center Phoenix	2021	Glendale, AZ	100.0%	1	915,160	100%	105,000	-	105,000	68,298
Stockton Industrial	2021	Stockton, CA	95.5%	3	-	N/A	73,705	-	73,705	67,623
Columbus Point Portfolio	2022	Columbus, OH	100.0%	4	-	N/A	99,374	-	99,374	99,778
<b>Total - Industrial</b>				<b>58</b>	<b>19,512,722</b>	<b>99%</b>	<b>3,177,798</b>	<b>292,329</b>	<b>2,885,469</b>	<b>1,250,843</b>
<b>Office</b>										
Alhambra Medical Office Building	2011	Sacramento, CA	100.0%	1	103,652	88%	57,700	-	57,700	48,413
Foundry Square IV	2012	San Francisco, CA	100.0%	1	239,798	98%	284,000	-	284,000	207,664
353 North Clark	2014	Chicago, IL	75.0%	1	1,184,258	89%	447,810	208,011	239,799	359,842
First Hill Medical Pavilion	2016	Seattle, WA	100.0%	1	230,563	78%	197,900	-	197,900	194,925
Healthcare Portfolio	2018	Various US	100.0%	10	962,626	94%	451,100	-	451,100	433,191
28 State Street	2018	Boston, MA	100.0%	1	573,584	87%	401,000	175,840	225,160	264,389
Campus at Playa Vista	2018	Los Angeles, CA	100.0%	1	338,069	77%	262,000	-	262,000	340,757
<b>Total - Office</b>				<b>16</b>	<b>3,632,550</b>	<b>89%</b>	<b>2,101,510</b>	<b>383,851</b>	<b>1,717,659</b>	<b>1,849,181</b>
<b>Retail</b>										
Chandler Fashion Center	2009	Chandler, AZ	10.1%	1	635,788	94%	48,497	25,286	23,211	12,349
Freehold Raceway Mall	2009	Freehold, NJ	10.1%	1	876,913	92%	35,894	35,894	-	1,379
Pinnacle at Turkey Creek	2011	Knoxville, TN	100.0%	1	657,175	93%	157,500	-	157,500	153,772
Miracle Marketplace	2013	Miami, FL	100.0%	1	242,485	98%	69,300	-	69,300	100,309
Pacific Commons	2013 & 2014	Fremont, CA	100.0%	1	994,387	93%	295,800	135,154	160,646	153,855
Shops at Wailea	2015	Wailea, HI	100.0%	1	179,594	96%	328,000	126,712	201,288	229,168
Deptford Mall	2016	Deptford, NJ	49.0%	1	505,860	96%	126,420	78,263	48,157	185,397
Twenty Ninth Street	2016	Boulder, CO	49.0%	1	692,458	96%	128,870	70,393	58,477	109,208
FlatIron Crossing <sup>6</sup>	2016	Broomfield, CO	49.0%	1	1,041,332	77%	178,654	84,972	93,682	281,774
Broadway Plaza	2018	Walnut Creek, CA	50.0%	1	762,887	99%	356,650	203,540	153,110	214,798
<b>Total - Retail</b>				<b>10</b>	<b>6,588,879</b>	<b>92%</b>	<b>1,725,585</b>	<b>760,214</b>	<b>965,371</b>	<b>1,442,009</b>
<b>Total - Retail Excluding Vacant Anchor<sup>7</sup></b>					<b>6,423,879</b>	<b>94%</b>				
<b>Self-Storage</b>										
Life Storage I Portfolio	Various	Various US	75.3%	37	24,263 units	90%	712,397	135,339	577,058	299,389
Life Storage II Portfolio	2011 & 2012	NJ, PA, & TX	70.7%	22	15,358 units	92%	352,941	72,337	280,604	44,661
Life Storage III Portfolio	2022 & 2023	Various US	40.0%	16	10,858 units	71%	108,608	-	108,608	114,833
Storage Post I Portfolio	2012 & 2013	NJ & NY	96.6%	14	18,316 units	94%	490,245	144,756	345,489	162,971
Metro Portfolio	2013 & 2014	Various US	77.4%	20	11,876 units	84%	267,128	57,857	209,271	55,605
CubeSmart I Portfolio	2013	NC & TX	50.0%	28	14,351 units	92%	199,420	49,493	149,927	84,383
Storage Post II Portfolio	2015	Various NY	95.7%	2	3,863 units	91%	155,563	47,788	107,775	77,062
CubeSmart II Portfolio	2016	Various US	68.1%	13	5,875 units	89%	130,797	28,478	102,319	32,387
iStorage Portfolio	2018 & 2020	Various US	34.0%	104	65,974 units	89%	604,846	213,701	391,145	223,007
<b>Total - Self-Storage</b>				<b>256</b>	<b>170,734 units</b>	<b>89%</b>	<b>3,021,945</b>	<b>749,749</b>	<b>2,272,196</b>	<b>1,094,298</b>
<b>TOTAL PORTFOLIO</b>				<b>358</b>			<b>95% \$ 12,944,320</b>	<b>\$ 2,637,029</b>	<b>\$ 10,307,291</b>	<b>\$ 7,619,046</b>

1. Fund share based on effective Fund ownership percentage. Ownership percentage is net of the joint venture partner's promote, if applicable.

2. 100% of the property value, including joint venture partner's share, if applicable.

3. Weighting based on Fund ownership share.

4. Amount reflects the fair value of the third party loan secured by the property and excludes borrowings under the Fund's credit facility.

5. Net investment (net cost of real estate assets), plus capital additions and principal payments on debt.

6. Leasing level is inclusive of vacant anchor store at FlatIron Crossing, where the anchor box was acquired on 5/14/2021. Leasing level excluding vacant anchor store for FlatIron Crossing is 92%.

7. FlatIron Crossing vacant anchor box excluded.

# Portfolio Summary

## FUND'S VALUE-ADDED STRATEGY

The Fund's current value-added strategy portfolio represents 1.3% of the total gross real estate value of the Fund as of Q1 2023 and is expected to grow to an estimated 1.9% when the development and lease-up costs of the Fund's two industrial development projects are fully invested. The Fund is currently executing two build-to-core activities, Stockton Industrial and Columbus Point, which total 1.1 msf and 1.2 msf, respectively, with the potential for an additional 2.9 msf of future development at Columbus Point. Substantial completion for

the Columbus Point and Stockton Industrial developments is projected for Q2 2023 and Q4 2023, respectively. During Q1 2023, the Fund successfully delivered the Logistics Center Phoenix development and executed a lease with a logistics tenant, achieving a 100% leasing level, which served to move the project from a value-add to a core designation. The table below summarizes the capacity for, and the current and prospective assets in, the Fund's value-added strategy:

## VALUE-ADDED STRATEGY SUMMARY

Investment Name	Location	Property Type	Strategy	Gross Value at Fund's Share (000's)	Projected Total Investment at Fund's Share (000's)	Percent Complete (%)
Stockton Industrial	Stockton, CA (Bay Area Metro)	Industrial	Build-to-core	73,705	114,032	59.1%
Columbus Point Portfolio	Columbus, OH (Columbus Metro)	Industrial	Build-to-core	99,374	92,134	71.5%
<b>Total</b>				<b>\$ 173,079</b>	<b>\$ 206,166</b>	<b>64.6%<sup>1</sup></b>

1. Represents the weighted average percent complete based on each investment's total gross investment.



Columbus Point — Columbus, OH



Stockton Industrial — Stockton, CA

There can be no assurance that the Fund will be able to effectively implement its capital expenditures plan or investment strategy, achieve its investment or asset allocation objectives or avoid substantial losses.

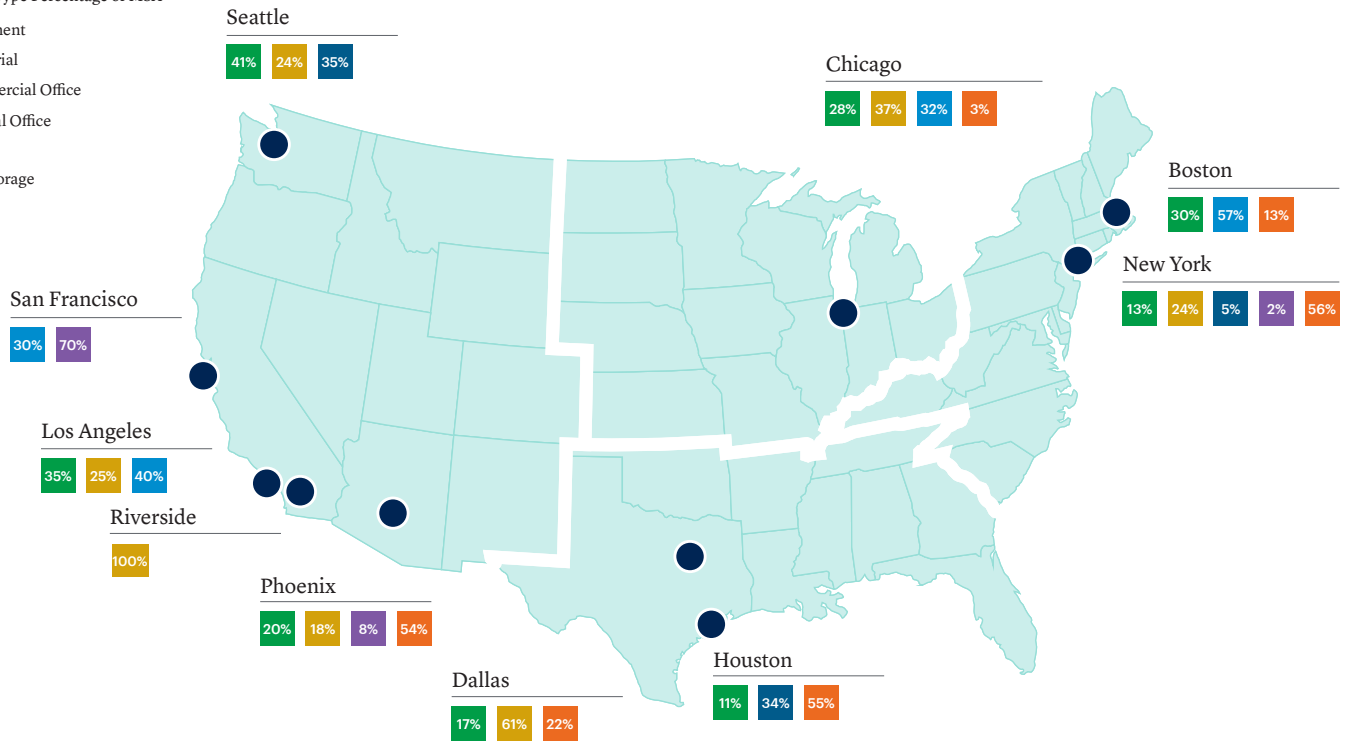
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# Portfolio Summary

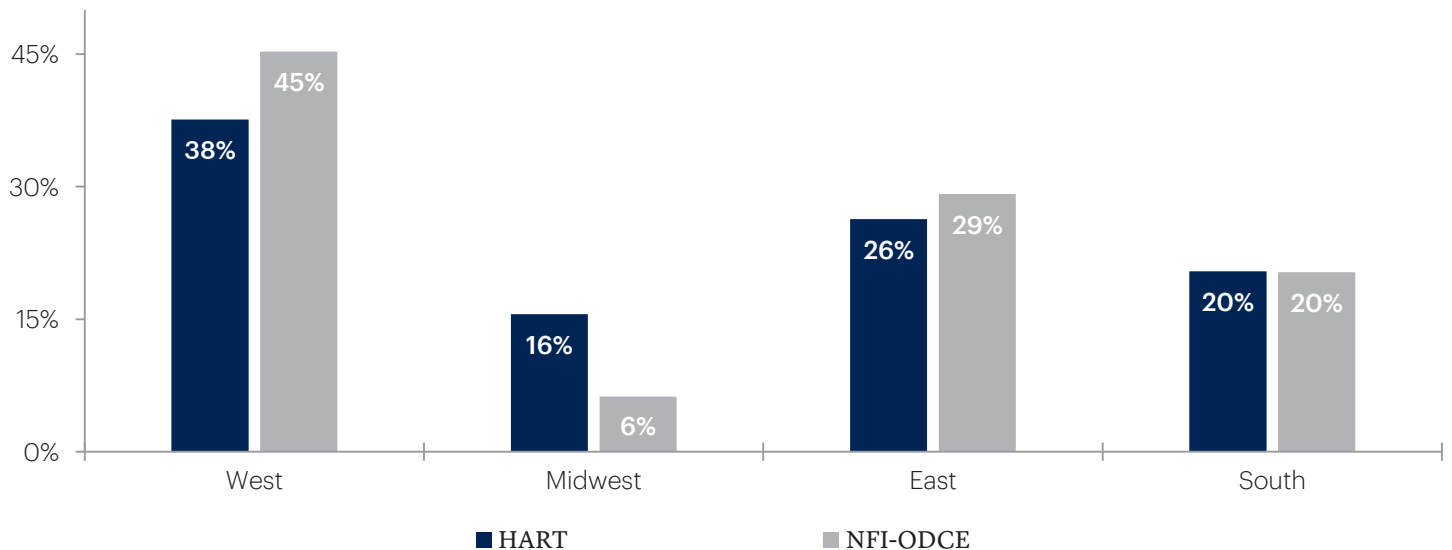
## TOP TEN MSAs AS OF MARCH 31, 2023 BASED ON FUND SHARE OF GROSS VALUE

Property Type Percentage of MSA

- Apartment
- Industrial
- Commercial Office
- Medical Office
- Retail
- Self-Storage



## GEOGRAPHIC DIVERSIFICATION AS OF MARCH 31, 2023 BASED ON FUND GROSS VALUE



# Portfolio Summary

## PROPERTY LEASING PROFILE

Logistics Center Phoenix<sup>37</sup>  
 GLENDALE, AZ

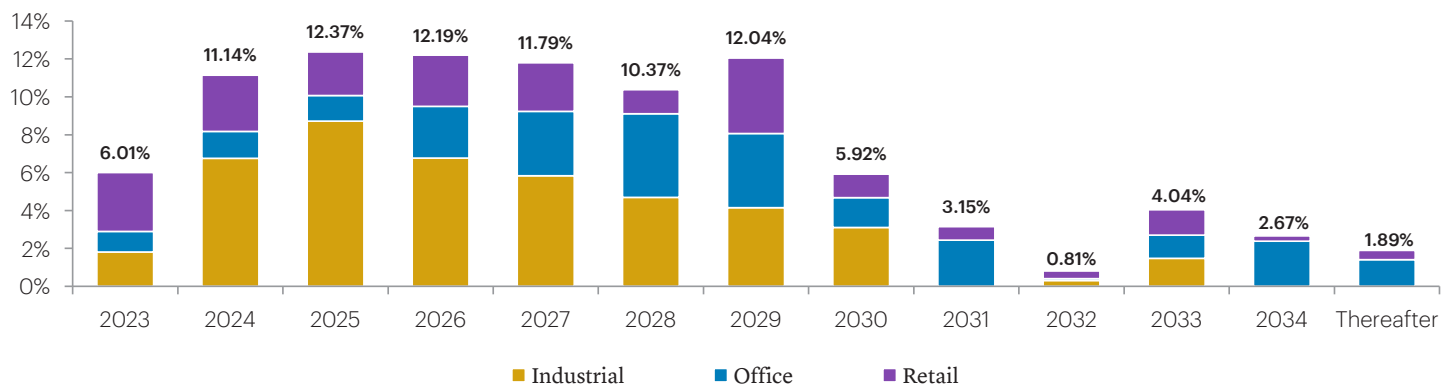
In March 2021, the Fund acquired the Logistics Center Phoenix (the "Property") industrial development land site located in the Southwest Valley submarket of Phoenix. Phoenix has become a major logistics hub with many corporations relocating to, or expanding operations in, the market due to its large and growing population, deep labor pool, low operating cost environment, and infrastructure. The Property is located along Loop 303, five miles north of the Interstate-10 interchange, providing convenient access to the broader Phoenix metro as well as surrounding logistics hubs, namely Southern California. The Property's location provides access to 1.7 million people within a 30-minute drive and major cities, such as Los Angeles, San Diego, Tucson, El Paso, and Albuquerque, all within a one-day's drive. The Property development plan consisted of one bulk warehouse totaling approximately 914,000 sf with Pizzuti Companies providing development management services. The Property commenced vertical construction in Q3 2021, and substantial completion was achieved in Q3 2022. The Project features include a cross dock configuration, 40-foot ceiling clear height, early suppression/fast response sprinklers, and ample trailer storage. A full-building lease was executed in Q1 2023 with a wholly owned affiliate of UNIS for a seven-year term, commencing in April 2023. UNIS provides third-party logistics services for over 1,200 corporate clients across the United States with a current footprint of over 12 msf of industrial space. The UNIS rental rate is 20% above the original pro forma underwritten rent for the development.



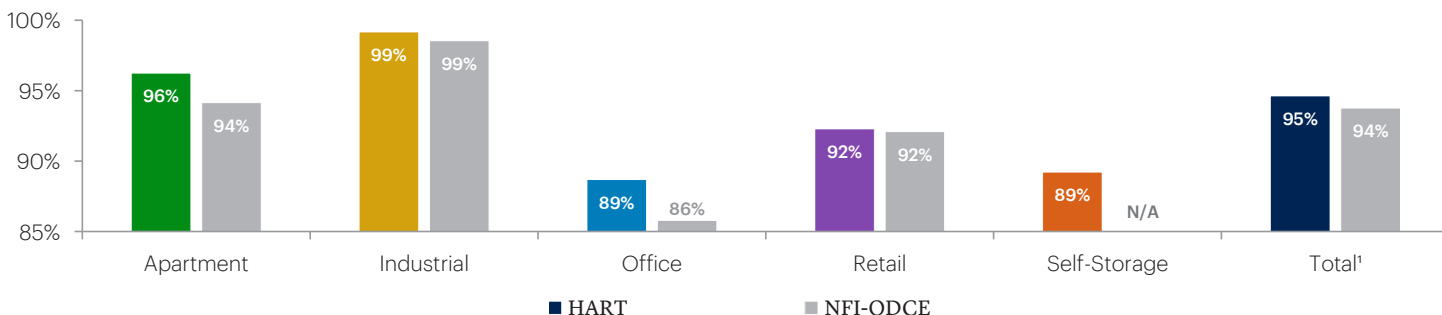
37. The property leasing profile reflects what Heitman believes to be the most notable leasing activity occurring in the Fund in Q1 2023. Past performance is not necessarily indicative of future results, and there can be no assurance that the Fund will achieve comparable results in the future.

## LEASE EXPIRATION SCHEDULE AS OF MARCH 31, 2023

BASED ON FUND COMMERCIAL GROSS ASSET VALUE



## CURRENT LEASING COMPARISON



1. Fund leasing level excluding self-storage properties averages 97%.

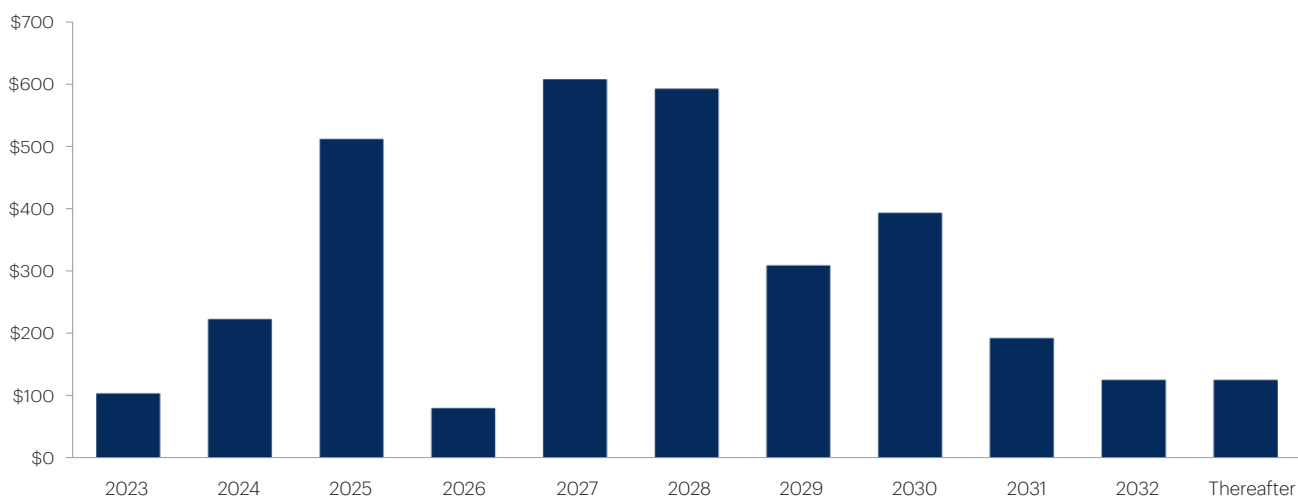
# Portfolio Summary

## DEBT OVERVIEW<sup>1</sup>

Total Leverage Ratio <sup>2-3</sup>	23.6%
NFI-ODCE Leverage Ratio	23.8%
Fixed Rate Debt <sup>4</sup>	97%
Weighted Average Maturity of Debt <sup>4</sup>	4.9 years
Trailing One Year Debt Service Coverage Ratio <sup>5</sup>	3.89
Weighted Average Interest Rate <sup>6</sup>	3.97%

## LOAN MATURITIES BY YEAR<sup>7</sup>

\$ IN MILLIONS



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Thereafter
Loan Value	\$103.3	\$222.5	\$511.7	\$79.7	\$607.2	\$592.2	\$308.7	\$393.2	\$192.0	\$125.0	\$125.0
Percentage of Outstanding Loans	3.2%	6.8%	15.7%	2.4%	18.6%	18.2%	9.5%	12.1%	5.9%	3.8%	3.8%
Weighted Average Interest Rate	3.93%	3.71%	3.51%	4.10%	4.31%	3.97%	3.59%	3.82%	4.33%	3.24%	3.34%

1. There can be no assurance that the Fund will be able to effectively implement its debt management plan or investment strategy, achieve its investment or asset allocation objectives or avoid substantial losses.

2. Total leverage (including the Credit Facility) at fair market value over total assets. Total leverage (including the Credit Facility) at cost over total assets at cost is 30.6%.

3. Total leverage (excluding the Credit Facility) at fair market value over total assets is 23.5%.

4. Excludes the Credit Facility outstanding balance of \$15 million as of March 31, 2023.

5. Trailing one year debt service coverage ratio is 3.05 for Fund encumbered assets.

6. Weighted by Fund's share of leverage (excluding the Credit Facility) at cost. Weighted average interest rate including the Credit Facility is 3.98%.

7. Fund's share of total debt excluding the Credit Facility.

# Portfolio Summary

## TIER 1 (T1) TOTAL LEVERAGE RECONCILIATION<sup>3</sup>

Total Assets per Condensed Combined Financial Statements	\$	14,092,609,723
+ Fund's Economic Share of Non-Consolidated Liabilities		1,418,302,477
- Joint Venture Partner's Economic Share of Total Assets		(2,268,205,937)
<b>= Fund's Economic Share of Total Assets</b>	<b>\$</b>	<b>13,242,706,263</b>
Fund's Total Debt at Cost <sup>1</sup>	\$	3,267,599,195
÷ Fund's Economic Share of Assets		13,242,706,263
<b>= T1 Leverage Level<sup>2</sup></b>		<b>24.7%</b>

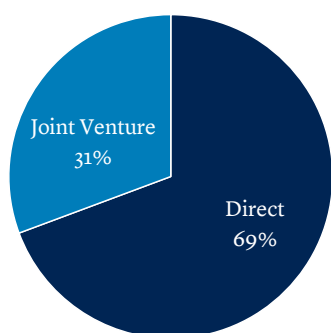
1. Includes Fund Level Debt, \$515 million outstanding as of March 31, 2023.

2. T1 Leverage Level is calculated in accordance and as defined by the NCREIF/PREA reporting standards.

3. There can be no assurance that the Fund will be able to effectively implement its debt management plan or investment strategy, achieve its investment or asset allocation objectives or avoid substantial losses.

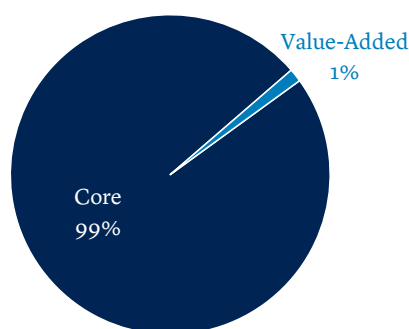
## FUND STRUCTURE

BASED ON FUND GROSS VALUE



## INVESTMENT STRATEGY

BASED ON FUND GROSS VALUE



## TOTAL GLOBAL EXPENSE RATIO<sup>1</sup>

FOR THE ROLLING FOUR QUARTER PERIODS ENDING MARCH 31, 2023 AND 2022

		2023		2022
Asset/Fund management fees <sup>2</sup>	\$	77,055,971	\$	74,356,897
Transaction-based management fees <sup>3</sup>		1,065,000		-
<b>Total Fees Earned by Investment Advisor</b>	<b>\$</b>	<b>78,120,971</b>	<b>\$</b>	<b>74,356,897</b>
<b>Total Vehicle-related costs charged by third parties<sup>4</sup></b>	<b>\$</b>	<b>7,623,719</b>	<b>\$</b>	<b>6,304,297</b>
<b>Average Gross Asset Value<sup>5</sup></b>	<b>\$</b>	<b>13,916,967,048</b>	<b>\$</b>	<b>13,064,059,412</b>
<b>Gross Asset Value TGER</b>		<b>0.62%</b>		<b>0.62%</b>
<b>Weighted Average Net Asset Value<sup>6</sup></b>	<b>\$</b>	<b>10,616,746,009</b>	<b>\$</b>	<b>9,304,513,199</b>
<b>Net Asset Value TGER</b>		<b>0.81%</b>		<b>0.87%</b>

1. There can be no assurance that the fees and costs reflected in the above table will not be significantly greater in the future. Increases in such fees and costs may negatively impact the returns to limited partners.

2. Includes regularly recurring asset management fees earned by the General Partner for the ongoing management of the Fund. These fees are paid on a quarterly basis and are not included in the Fund's condensed combined financial statements as the asset management service arrangements are directly between the limited partners and the General Partner.

3. Includes debt arrangement fees paid to the General Partner for each financing that the General Partner arranges on behalf of the Fund.

4. Includes vehicle costs paid to third parties to maintain and grow the Fund's operations. These costs include audit costs, bank charges, custodian costs and depository costs, other/misc. vehicle administration costs, professional services costs, dead deal costs, legal costs, and appraisal/valuation costs.

5. Gross asset value is the average of the quarterly assets as of March 31, 2022 through March 31, 2023 and March 31, 2021 through March 31, 2022, respectively. Assets are calculated as follows: Total Balance Sheet assets less Joint Venture partner's economic share of total assets plus Fund's economic share of non-consolidated liabilities.

6. Net asset value is the average of the quarterly weighted net assets as of March 31, 2022 through March 31, 2023 and March 31, 2021 through March 31, 2022, respectively.

# Environmental Performance

The Fund is committed to investment in energy efficiency projects that reduce carbon emissions, achieve savings in operational expenses, and enhance long-term asset value.

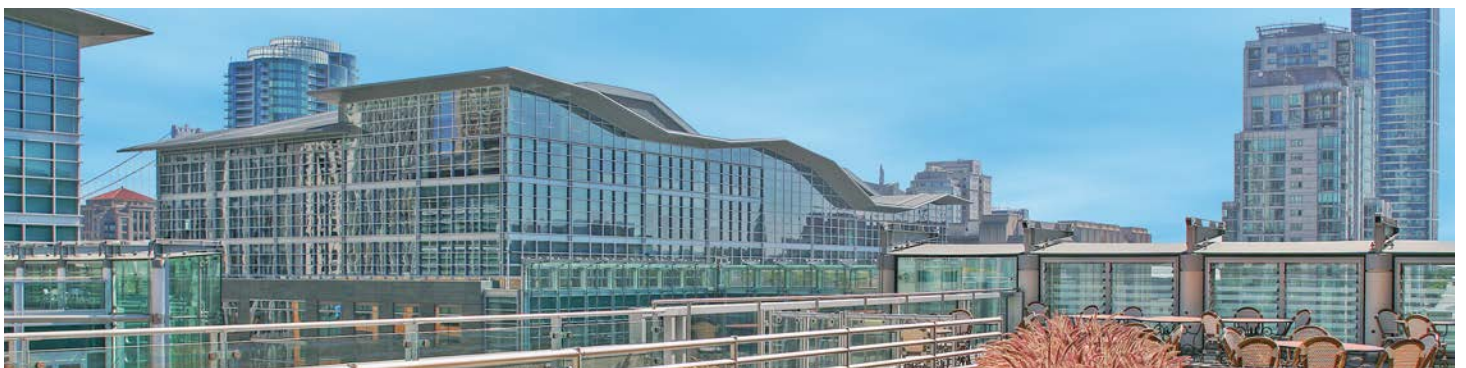
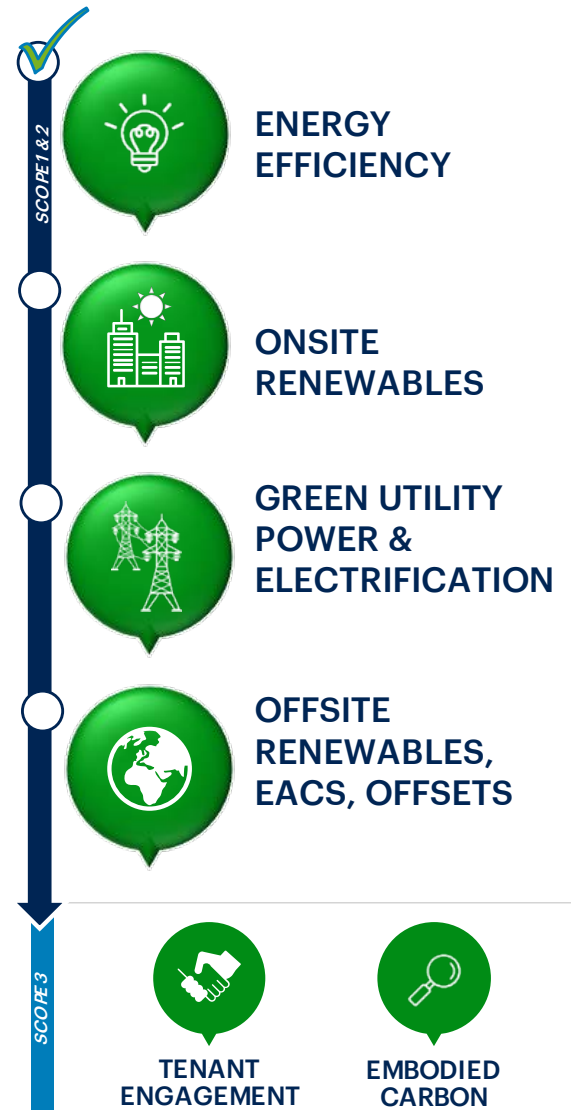
In 2022, assets within HART completed 72 energy efficiency projects with a total estimated annual savings of \$1.3 million, a cost of \$4.6 million and an average payback period of 3.5 years. Key projects include building automation system upgrades/replacements, building envelope upgrades, installation of high-efficiency equipment, and retro-commissioning. Investing in energy efficiency projects is crucial for decarbonizing real estate assets and reducing their carbon footprint. These projects not only improve the energy performance of buildings but also enhance their value and operational efficiency, thereby reducing operational expenses associated with energy usage.

72  
Projects<sup>1</sup>

3.5 yrs  
Payback

\$4.6<sub>mm</sub>  
Cost

\$1.3<sub>mm</sub>  
Annual Savings<sup>2</sup>



Foundry Square IV — San Francisco, CA

1. A total of 72 projects covering 111 investments.

2. Calculation of annual savings is dependent on assumptions applied to certain material factors. There can be no assurance the assumptions used to calculate the annual savings will be correct or achievable.

The Fund considers ESG factors in the total mix of data used to make investment decisions. In addition to ESG factors the Fund will weigh other considerations with equal and in some cases preferred prominence.



# Property Transactions

Premiere on Pine - Seattle, WA

# First Quarter 2023 Acquisitions

## LIFE STORAGE III PORTFOLIO ADD-ON

FREEHOLD, NJ



Property Type	Self-Storage
Closing Date	February 28, 2023
Gross Purchase Price (Fund's Share)	\$9.0 million
Fund's Share	40.0%
Leverage at Acquisition	0.0%
Total Square Feet/Units	70,360 sqft
Leasing Level at Acquisition	0%

The investment is consistent with the Fund's self-storage investment strategy of maintaining a dedicated allocation to the sector and aggregation of self-storage portfolios in joint venture with strong operating partners with evidenced expertise in this sector. This acquisition represents an add-on to the existing institutional-quality Life Storage III portfolio which features a mix of highly desirable attributes and provides access and exposure to an array of self-storage markets with low competition and saturation levels.



# Financial Statements & Notes

# Condensed Combined Financial Statements

## HEITMAN AMERICA REAL ESTATE TRUST

### CONDENSED COMBINED STATEMENTS OF NET ASSETS AS OF MARCH 31, 2023 AND DECEMBER 31, 2022

UNAUDITED

	2023	2022
<b>ASSETS</b>		
REAL ESTATE INVESTMENTS AT ESTIMATED FAIR VALUE:		
Real estate and improvements (Cost: 2023 - \$8,402,466,647; 2022 - \$8,375,361,546)	\$ 11,296,613,904	\$ 11,729,882,157
Non-consolidated real estate corporations and ventures (Cost: 2023 - \$1,902,983,994; 2022 - \$1,881,915,934)	2,462,396,225	2,499,907,592
<b>Total real estate investments</b>	<b>13,759,010,129</b>	<b>14,229,789,749</b>
CASH AND CASH EQUIVALENTS	211,411,427	237,305,324
RESTRICTED CASH	17,081,150	21,169,685
ACCOUNTS RECEIVABLE (net of allowance for doubtful accounts: 2023 - \$2,755,074; 2022 - \$2,907,557)	28,214,354	23,352,050
OTHER ASSETS	76,892,663	75,108,122
<b>Total assets</b>	<b>14,092,609,723</b>	<b>14,586,724,930</b>
<b>LIABILITIES</b>		
MORTGAGE NOTES PAYABLE AT ESTIMATED FAIR VALUE (Cost: 2023 - \$1,993,405,305; 2022 - \$1,993,959,846)	1,916,886,993	1,917,069,488
CREDIT FACILITY AT ESTIMATED FAIR VALUE (Cost: 2023 - \$15,000,000; 2022 - \$0)	15,000,000	-
PRIVATE PLACEMENT DEBT PAYABLE AT ESTIMATED FAIR VALUE (Cost: 2023 - \$500,000,000; 2022 - \$500,000,000)	468,212,778	468,412,526
REAL ESTATE TAXES PAYABLE	38,684,661	47,169,166
DISTRIBUTIONS PAYABLE	83,700,000	91,500,000
OTHER LIABILITIES	164,896,671	177,535,951
<b>Total liabilities</b>	<b>2,687,381,103</b>	<b>2,701,687,131</b>
<b>TOTAL NET ASSETS</b>	<b>\$ 11,405,228,620</b>	<b>\$ 11,885,037,799</b>
NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1,540,540,661	1,591,211,763
<b>NET ASSETS ATTRIBUTABLE TO HEITMAN AMERICA REAL ESTATE TRUST</b>	<b>\$ 9,864,687,959</b>	<b>\$ 10,293,826,036</b>
SHARES OUTSTANDING ATTRIBUTABLE TO HEITMAN AMERICA REAL ESTATE TRUST	6,889,056.3937	6,875,710.8082
<b>NET ASSET VALUE PER SHARE ATTRIBUTABLE TO HEITMAN AMERICA REAL ESTATE TRUST</b>	<b>\$ 1,431.9360</b>	<b>\$ 1,497.1290</b>

See notes to condensed combined financial statements.

# Condensed Combined Financial Statements

## HEITMAN AMERICA REAL ESTATE TRUST

### CONDENSED COMBINED STATEMENTS OF REAL ESTATE INVESTMENTS AS OF MARCH 31, 2023 AND DECEMBER 31, 2022

UNAUDITED

	Total Owned Square Feet/ Units <sup>1</sup>	Form of Ownership Interest	Location	2023		2022	
				Cost	Fair Value	Cost	Fair Value
<b>Real estate and improvements</b>							
<b>Apartments:</b>							
15 Bank	501 units	Direct	White Plains, NY	\$ 178,779,689	\$ 217,000,000	\$ 178,697,731	\$ 234,000,000
Villas at River Oaks	288 units	Direct	Houston, TX	49,893,933	62,600,000	49,666,889	64,300,000
AO Santa Monica	350 units	Direct	Santa Monica, CA	186,544,308	225,000,000	186,391,525	243,000,000
Commons Park West	340 units	Direct	Denver, CO	121,238,365	164,200,000	120,977,442	179,100,000
1225 Old Town	250 units	Direct	Chicago, IL	166,073,678	156,000,000	165,997,046	155,000,000
Folio	606 units	Direct	Austin, TX	97,032,642	162,000,000	96,802,690	164,000,000
Biltmore at Camelback	270 units	Direct	Phoenix, AZ	78,068,924	121,000,000	77,947,434	128,000,000
OneEleven	504 units	Co-Investment	Chicago, IL	350,491,012	319,000,000	350,240,617	348,000,000
The Taylor	308 units	Direct	Dallas, TX	120,367,043	117,000,000	120,079,186	117,000,000
Premiere on Pine	386 units	Direct	Seattle, WA	248,055,238	226,000,000	247,941,859	238,000,000
The Porter Del Ray	276 units	Direct	Alexandria, VA	103,782,812	130,000,000	103,633,632	131,000,000
Cambridge Park	312 units	Direct	Cambridge, MA	182,052,513	212,000,000	181,812,227	227,000,000
Avalia Boca Raton	297 units	Direct	Boca Raton, FL	127,935,768	194,000,000	127,777,896	203,000,000
Square on Fifth	230 units	Direct	Atlanta, GA	142,875,119	162,000,000	142,855,906	159,000,000
Radius at 15th	200 units	Direct	Minneapolis, MN	77,335,448	96,000,000	77,322,030	103,400,000
The Sawyer Providence Farm	404 units	Direct	Charlotte, NC	99,020,507	155,000,000	98,881,250	163,000,000
Halo 46	158 units	Direct	Tampa, FL	51,825,478	65,400,000	51,780,492	65,400,000
The Ashborough	504 units	Direct	Ashburn, VA	161,323,433	213,000,000	161,073,920	213,900,000
<b>Total - Apartments (Fair Value is 30% of NAV)</b>	<b>6,184 units</b>			<b>2,542,695,910</b>	<b>2,997,200,000</b>	<b>2,539,879,772</b>	<b>3,136,100,000</b>
<b>Industrial:</b>							
Chicago Industrial Portfolio	4,606,268	Direct	Various IL	320,731,107	518,700,000	320,248,773	515,400,000
West Coast Industrial Portfolio-CA	3,860,421	Co-Investment	Various CA	357,909,849	1,386,700,000	357,162,111	1,428,100,000
West Coast Industrial Portfolio-WA	1,422,353	Co-Investment	Various WA	129,797,965	265,200,000	129,617,558	269,100,000
New Jersey Industrial Portfolio	1,531,596	Direct	Various NJ	97,918,415	402,800,000	97,918,415	420,900,000
Westgate Building	414,020	Direct	San Bernardino, CA	36,083,907	134,000,000	36,083,907	139,000,000
Dallas Industrial Portfolio	3,459,578	Direct	Various TX	284,202,036	415,550,000	283,343,079	426,250,000
Perris Circle	474,235	Direct	Perris, CA	52,277,074	131,000,000	52,277,074	136,000,000
Rickenbacker	972,160	Direct	Columbus, OH	67,060,652	97,200,000	67,060,652	102,700,000
Gillem 900	1,043,418	Direct	Atlanta, GA	86,101,818	115,000,000	86,098,106	122,000,000
Agua Mansa Portfolio	813,513	Direct	Colton, CA	125,096,369	243,000,000	125,096,369	249,600,000
Logistics Center Phoenix	915,160	Direct	Glendale, AZ	68,297,592	105,000,000	62,180,626	104,100,000
Stockton Industrial Portfolio <sup>2</sup>	-	Joint Venture	Stockton, CA	70,946,805	77,200,000	67,526,050	70,400,001
Columbus Point Portfolio <sup>2</sup>	-	Direct	Columbus, OH	99,778,217	99,373,904	95,856,469	95,452,156
<b>Total - Industrial (Fair Value is 40% of NAV)</b>	<b>19,512,722</b>			<b>1,796,201,806</b>	<b>3,990,723,904</b>	<b>1,780,469,189</b>	<b>4,079,002,157</b>
<b>Office:</b>							
Alhambra Medical Office Building	103,652	Direct	Sacramento, CA	48,766,359	57,700,000	48,591,689	59,900,000
Foundry Square IV	239,798	Direct	San Francisco, CA	207,799,787	284,000,000	207,799,787	305,000,000
353 North Clark	1,184,258	Co-Investment	Chicago, IL	765,874,648	597,000,000	761,885,496	645,000,000
First Hill Medical Pavilion	230,563	Direct	Seattle, WA	194,972,387	197,900,000	197,124,760	206,900,000
Healthcare Portfolio	962,626	Direct	Various US	433,389,821	451,100,000	433,047,003	466,300,000
28 State Street	573,584	Direct	Boston, MA	456,408,054	401,000,000	453,430,635	439,000,000
Campus at Playa Vista	338,069	Direct	Los Angeles, CA	341,141,226	262,000,000	341,141,226	275,000,000
<b>Total - Office (Fair Value is 23% of NAV)</b>	<b>3,632,550</b>			<b>2,448,352,282</b>	<b>2,250,700,000</b>	<b>2,443,020,596</b>	<b>2,397,100,000</b>
<b>Retail:</b>							
Pinnacle at Turkey Creek	657,175	Direct	Knoxville, TN	153,806,114	157,500,000	152,970,640	161,500,000
Miracle Marketplace	242,485	Direct	Miami, FL	100,399,621	69,300,000	99,773,599	72,900,000
Pacific Commons	994,387	Direct	Fremont, CA	299,193,053	295,800,000	298,840,027	307,500,000
Shops at Wailea	179,594	Direct	Wailea, HI	366,403,186	328,000,000	365,695,830	326,000,000
<b>Total - Retail (Fair Value is 9% of NAV)</b>	<b>2,073,641</b>			<b>919,801,974</b>	<b>850,600,000</b>	<b>917,280,096</b>	<b>867,900,000</b>
<b>Self-Storage:</b>							
Storage Post I Portfolio	18,316 units	Joint Venture	NJ & NY	325,449,628	507,500,000	324,924,488	530,100,000
Metro Portfolio	11,876 units	Joint Venture	Various US	147,113,582	345,100,000	147,068,158	353,500,000
Storage Post II Portfolio	3,863 units	Joint Venture	Various NY	130,571,915	162,600,000	130,525,132	166,200,000
CubeSmart II Portfolio	5,875 units	Joint Venture	Various US	92,279,550	192,190,000	92,194,115	199,980,000
<b>Total - Self Storage (Fair Value is 12% of NAV)</b>	<b>39,930 units</b>			<b>695,414,675</b>	<b>1,207,390,000</b>	<b>694,711,893</b>	<b>1,249,780,000</b>
<b>Total real estate and improvements</b>				<b>\$ 8,402,466,647</b>	<b>\$ 11,296,613,904</b>	<b>\$ 8,375,361,546</b>	<b>\$ 11,729,882,157</b>
<b>Non-consolidated real estate corporations and ventures</b>							
<b>Retail:</b>							
Freehold Chandler Holdings LP	1,512,701	Joint Venture	AZ & NJ	\$ 4,134,413	\$ 83,289,097	\$ 3,775,744	\$ 85,916,582
Macerich HHF Centers LLC	2,239,650	Joint Venture	CO & NJ	580,968,456	203,077,810	579,123,766	204,358,901
Macerich HHF Broadway Plaza LLC	762,887	Joint Venture	Walnut Creek, CA	221,701,016	159,576,636	218,273,209	170,950,789
<b>Total - Retail (Fair Value is 5% of NAV)</b>	<b>4,515,238</b>			<b>806,803,885</b>	<b>445,943,543</b>	<b>801,172,719</b>	<b>461,226,272</b>
<b>Self-Storage:</b>							
Life Storage I Portfolio (f/k/a Sovran I Portfolio)	24,263 units	Joint Venture	Various US	270,223,597	581,157,432	270,581,141	598,562,448
Life Storage II Portfolio (f/k/a Sovran II Portfolio)	15,358 units	Joint Venture	NJ, PA, & TX	15,353,382	282,512,493	16,179,582	296,410,819
Life Storage HHF Wasatch Holdings, LLC <sup>3</sup>	10,858 units	Co-Investment	Various US	230,230,145	217,658,381	213,959,728	212,119,861
CubeSmart I Portfolio	14,351 units	Joint Venture	NC & TX	84,198,043	149,681,139	84,315,142	148,574,010
NSA HHF JV, LLC	65,974 units	Co-Investment	Various US	496,174,942	785,443,237	495,707,622	783,014,182
<b>Total - Self Storage (Fair Value is 20% of NAV)</b>	<b>130,804 units</b>			<b>1,096,180,109</b>	<b>2,016,452,682</b>	<b>1,080,743,215</b>	<b>2,038,681,320</b>
<b>Total non-consolidated real estate corporations and ventures</b>				<b>\$ 1,902,983,994</b>	<b>\$ 2,462,396,225</b>	<b>\$ 1,881,915,934</b>	<b>\$ 2,499,907,592</b>

1. 100%, including Joint Venture partner share, if applicable.  
2. No owned square feet due to currently being under development.  
3. Includes acquisition of one additional building on February 28, 2023.  
See notes to condensed combined financial statements.

# Condensed Combined Financial Statements

## HEITMAN AMERICA REAL ESTATE TRUST

### CONDENSED COMBINED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND THE YEAR ENDED DECEMBER 31, 2022

UNAUDITED

	2023	2022
<b>INVESTMENT INCOME:</b>		
Revenues from real estate and improvements	\$ 167,815,680	\$ 675,785,228
Equity income from non-consolidated real estate corporations and ventures	29,791,853	127,557,599
Interest income	1,856,385	2,946,846
<b>Total investment income</b>	<b>199,463,918</b>	<b>806,289,673</b>
<b>EXPENSES:</b>		
Real estate operating expenses	35,144,460	141,351,912
Real estate taxes	29,393,105	116,340,806
Interest expense	24,342,465	88,635,952
Financing costs	1,581,751	8,480,631
General and administrative expenses	3,796,563	14,311,679
<b>Total expenses</b>	<b>94,258,344</b>	<b>369,120,980</b>
<b>NET INVESTMENT INCOME</b>	<b>105,205,574</b>	<b>437,168,693</b>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON REAL ESTATE INVESTMENTS:</b>		
Net proceeds from real estate and improvements sold	-	805,133,357
Less cost of real estate and improvements sold	-	(701,401,942)
Realization of previously recorded unrealized gain on real estate improvements sold	-	(110,918,308)
Realization of previously recorded unrealized loss on mortgage notes payable	(310,459)	(292,876)
Equity in realized loss on disposed non-consolidated real estate corporations and ventures	-	(2,090,765)
Realization of previously recorded unrealized loss on disposed non-consolidated real estate corporations and ventures	-	3,227,588
<b>Net realized and unrealized loss</b>	<b>(310,459)</b>	<b>(6,342,946)</b>
Unrealized gain (loss) on real estate and improvements	(460,373,354)	626,517,660
Unrealized gain (loss) on investments in non-consolidated real estate corporations and ventures	(58,579,427)	172,894,709
Unrealized gain on derivative financial instrument	795,790	2,209,118
Unrealized gain (loss) on mortgage notes payable	(61,587)	83,461,312
Unrealized gain on private placement debt payable	199,748	36,644,632
<b>Net unrealized gain (loss)</b>	<b>(518,018,830)</b>	<b>921,727,431</b>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>	<b>(518,329,289)</b>	<b>915,384,485</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ (413,123,715)</b>	<b>\$ 1,352,553,178</b>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(47,705,575)	273,134,370
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HEITMAN AMERICA REAL ESTATE TRUST</b>	<b>\$ (365,418,140)</b>	<b>\$ 1,079,418,808</b>

See notes to condensed combined financial statements.

# Condensed Combined Financial Statements

## HEITMAN AMERICA REAL ESTATE TRUST

### CONDENSED COMBINED STATEMENTS OF CHANGES IN NET ASSETS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND THE YEAR ENDED DECEMBER 31, 2022

UNAUDITED

	Heitman America Real Estate Trust		Non-controlling Interests	Total
	Shares	Amount		
<b>NET ASSETS, JANUARY 1, 2022</b>	<b>7,410,881.1767</b>	<b>\$ 10,373,725,136</b>	<b>\$ 1,254,066,273</b>	<b>\$ 11,627,791,409</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM:</b>				
<b>OPERATIONS:</b>				
Net investment income		386,981,690	50,187,003	437,168,693
Net realized and unrealized gain		692,437,118	222,947,367	915,384,485
<b>CAPITAL TRANSACTIONS:</b>				
Contributions	153,727.7277	231,125,000	109,452,488	340,577,488
DRIP contributions	65,593.8515	99,457,092	-	99,457,092
Redemptions	(754,491.9477)	(1,125,000,000)	-	(1,125,000,000)
Distributions		(364,900,000)	(45,441,368)	(410,341,368)
<b>NET ASSETS, DECEMBER 31, 2022</b>	<b>6,875,710.8082</b>	<b>10,293,826,036</b>	<b>1,591,211,763</b>	<b>11,885,037,799</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM:</b>				
<b>OPERATIONS:</b>				
Net investment income		92,105,917	13,099,657	105,205,574
Net realized and unrealized loss		(457,524,057)	(60,805,232)	(518,329,289)
<b>CAPITAL TRANSACTIONS:</b>				
Contributions	-	-	9,022,026	9,022,026
DRIP contributions	13,345.5855	19,980,063	-	19,980,063
Distributions		(83,700,000)	(11,987,553)	(95,687,553)
<b>NET ASSETS, MARCH 31, 2023</b>	<b>6,889,056.3937</b>	<b>\$ 9,864,687,959</b>	<b>\$ 1,540,540,661</b>	<b>\$ 11,405,228,620</b>

See notes to condensed combined financial statements.

# Condensed Combined Financial Statements

## HEITMAN AMERICA REAL ESTATE TRUST

### CONDENSED COMBINED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND THE YEAR ENDED DECEMBER 31, 2022

UNAUDITED

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net increase (decrease) in net assets resulting from operations	\$ (413,123,715)	\$ 1,352,553,178
<b>Adjustments to reconcile net change in net assets resulting from operations to net cash flows from operating activities:</b>		
Net realized and unrealized (gain) loss	518,329,289	(915,384,485)
Equity income from non-consolidated real estate corporations and ventures	(29,791,853)	(127,557,599)
Contributions to non-consolidated real estate corporations and ventures	(19,610,011)	(266,615,109)
Distributions from non-consolidated real estate corporations and ventures	28,333,804	107,492,752
Purchases of real estate and improvements	(36,204,407)	(200,911,207)
Acquisitions of real estate and improvements	-	(39,035,880)
Proceeds from sale of real estate and improvements	-	805,133,357
Financing costs	1,581,751	8,480,631
<b>Changes in:</b>		
Accounts receivable	(4,862,304)	6,379,001
Other assets	(5,784,541)	196,502
Real estate taxes payable	(8,484,505)	1,589,920
Other liabilities	1,255,816	9,395,322
<b>Net cash flows from operating activities</b>	<b>31,639,324</b>	<b>741,716,383</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from the credit facility	35,000,000	135,000,000
Payments on the credit facility	(20,000,000)	(135,000,000)
Proceeds from mortgage notes payable	220,000,000	200,000,000
Principal payments on mortgage notes payable	(554,541)	(2,112,797)
Payoff on mortgage notes payable	(220,000,000)	(243,702,684)
Payment of financing costs	(1,581,751)	(8,480,631)
Proceeds from private placement debt payable	-	250,000,000
Limited partner capital contributions	-	231,125,000
Limited partner redemptions	-	(1,125,000,000)
Capital contributions from non-controlling interests	9,022,026	109,452,488
Distributions to limited partners, net of reinvestment	(71,519,937)	(273,742,908)
Distributions to non-controlling interests	(11,987,553)	(45,441,368)
<b>Net cash flows from financing activities</b>	<b>(61,621,756)</b>	<b>(907,902,900)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(29,982,432)</b>	<b>(166,186,517)</b>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - Beginning of period	258,475,009	424,661,526
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - End of period</b>	<b>\$ 228,492,577</b>	<b>\$ 258,475,009</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for interest	\$ 23,605,428	\$ 87,521,809
<b>SUPPLEMENTAL NON-CASH FLOW INFORMATION:</b>		
Recognition of RoU assets and corresponding lease liabilities under ASC 842	\$ -	\$ 74,600,000

Real estate and improvements at March 31, 2023 and December 31, 2022, includes liabilities of \$23,620,024 and \$32,719,330, respectively, of accruals for leasing commissions and tenant building improvements.

See notes to condensed combined financial statements.

# Notes to Condensed Combined Financial Statements

## HEITMAN AMERICA REAL ESTATE TRUST

### NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND THE YEAR ENDED DECEMBER 31, 2022

UNAUDITED

#### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Heitman America Real Estate Trust (the "Fund") is comprised of Heitman America Real Estate Trust, L.P. ("HARTLP") and Heitman America Real Estate Trust (PF#1), L.P. ("PF#1"). HARTLP is a Delaware Limited Partnership established by an Amended and Restated Agreement of Limited Partnership dated January 4, 2007 and most recently amended on January 22, 2019. On July 12, 2013, the General Partner established an investment vehicle ("Parallel Fund") for investors with special legal, regulatory, tax, or other needs to invest in real estate investments with HARTLP. The Fund's Parallel Fund, PF#1, is a Delaware Limited Partnership established by an Amended and Restated Agreement of Limited Partnership dated July 12, 2013 and most recently amended on October 9, 2014 (together with HARTLP, the "Partnership Agreements").

The general partner of HARTLP and PF#1 is Heitman America Real Estate Trust, LLC (the "General Partner"). The accompanying condensed combined financial statements of HARTLP and PF#1 are under common ownership as well as common management by the General Partner. Operating and organizational expenses incurred by HARTLP and PF#1 are allocated pro rata in proportion to their respective net asset values.

The Fund is organized as a perpetual-life, open-ended pooled fund for the objective and purpose of creating a high-quality, low risk, diversified portfolio of stabilized, income-producing real estate investments. All authority to conduct the business of the Fund is vested in the General Partner. The managing member of the General Partner is Heitman Capital Management LLC ("HCM"). The General Partner may, at its discretion, appoint an affiliate of HCM to assist in identifying and acquiring suitable investments and to assist with management, administration and operation of the Fund. Any compensation for these services will be paid out of the General Partner's management fees. The General Partner has established an Advisory Board (the "Advisory Board"), in accordance with the Partnership Agreements. The General Partner, in its sole discretion, may consult with the Advisory Board with respect to Fund matters.

The Fund shall continue until dissolved, pursuant to the events of dissolution as defined in the Partnership Agreements.

The General Partner may, at its discretion, establish additional Parallel Fund vehicles. The General Partner shall direct and control the operations of each Parallel Fund.

The General Partner on behalf of the Fund is authorized to enter into one or more credit facilities (each, a "Credit Facility") to finance the acquisition and ownership of real estate investments and to otherwise carry out the business and activities permitted per the Partnership Agreements.

The Fund's initial closing occurred on January 4, 2007, with nine limited partners (the "Initial Limited Partners") totaling \$800,000,000 in equity commitments (the "Initial Contributions"). Subsequently, additional equity commitments totaling to \$8,135,090,770, including \$124,292,760 of PF#1, consisting of 139 investors, increased the total to \$8,935,090,770. As of March 31, 2023, the total unfunded capital commitments of the Fund, including \$0 of PF#1, were \$126,300,000.

All shares acquired are permitted to be redeemed on a quarterly basis. Outstanding redemption requests will be accommodated each calendar quarter as liquid assets permit. To the extent that liquid assets are insufficient during any calendar quarter to satisfy all outstanding redemption requests, redemptions will be made on a pro rata basis as liquid assets become available. The General Partner will have the discretion to determine the extent to which liquid assets are available for redemption or are necessary for the ongoing expenses (including debt payments), investments, capital expenditures or reserves. Shares will be redeemed at a price that reflects the Fund's net asset value as of the last day of the calendar quarter subsequent to the calendar quarter in which the redemption request is received. The Fund will not be obligated to sell, finance or refinance any investments to satisfy redemption requests. For the three months ended March 31, 2023, the Fund did not make any redemption payments. For the year ended December 31, 2022, the Fund redeemed 754,492 shares totaling \$1,125,000,000. At March 31, 2023 and December 31, 2022, there were \$1,664,429,673 and \$1,598,582,044 of outstanding redemption requests, respectively.

**Basis of Presentation** – The Fund reports as an investment company. The accompanying condensed combined financial statements of the Fund have been presented on the fair value basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of each of the wholly owned title holding companies owning real estate investments and majority owned or controlled real estate entities. All significant intercompany balances and transactions are eliminated in consolidation and combination.

The Fund has entered into several real estate corporation and venture relationships with third party owner/operators. For those ventures in which the Fund has control over decision making, the underlying accounts are consolidated in the Fund's condensed combined financial statements with the external partners' net share, as determined in accordance with the venture documents, reflected as non-controlling interests.

In accordance with Accounting Standards Codification ("ASC") Topic 810, *Consolidation*, certain entities are considered variable interest entities ("VIEs") because the non-controlling interests do not have substantive kick-out or participating rights. Using the variable interest entity model, the Fund consolidates any VIEs in which the Fund is the primary beneficiary.

# Notes to Condensed Combined Financial Statements

Lake Michigan Partners I, L.P., Lake Michigan Partners II, L.P., Heitman Storage Partners Co-Investment PV, LLC, and HHF Life Storage Wasatch Investor, LLC, which own through co-investment 353 North Clark, OneEleven, the iStorage Portfolio, and the Life Storage III Portfolio, respectively, are consolidated VIEs. As of March 31, 2023, the total assets and liabilities of the Fund's consolidated VIEs are \$1,980,012,693 and \$432,054,280, respectively. As of December 31, 2022, the total assets and liabilities of the Fund's consolidated VIEs are \$2,055,069,337 and \$438,540,226, respectively.

The Fund does not consolidate those ventures over which it exercises significant influence over operating, investing and financial policies, but does not maintain overall control. These investments in non-consolidated real estate corporations and ventures are recorded at the original investment, plus additional amounts invested and subsequently adjusted for the Fund's share of undistributed earnings or losses (including unrealized appreciation and depreciation) and distributions from the underlying entity.

**Income and Distribution Allocations** – Income is allocated based on respective share ownership interests among the limited partners.

Distributions are allocated based on respective share ownership interests among the limited partners. Each limited partner may participate in the Dividend Reinvestment Program ("DRIP") and elect to have their distributions reinvested in additional shares in the Fund at a price that reflects the Fund's net asset value as of the last day of the calendar quarter immediately preceding the date of the distribution payment.

**Management's Use of Estimates** – The preparation of the condensed combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed combined financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates. The Fund's estimates of fair value are based on the best information available to management at the date of valuation. Amounts ultimately realized may vary significantly from the fair values presented.

**Risks and Uncertainties** – Investing in real estate is subject to risks and uncertainties disclosed in the Fund's private placement memorandum, including the following:

**Investment in Real Estate Generally** – The Fund's investments will be subject to the risks incident to ownership and development of real estate, including risks associated with changes in the general economic climate, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of or demand for competing properties in an area, accelerated construction activity, technological innovations that dramatically alter space requirements, the availability of financing, changes in interest rates, competition based on rental rates, energy and supply shortages, operating cost increases, various uninsured and uninsurable risks and government regulations. Overall uncertainty in financial markets, including the impact of inflation and rising interest rates, ongoing geopolitical tensions, actual or perceived

instability in the U.S. banking system, and a general decline in business activity could adversely affect the Fund's future operations, cash flows and access to financial markets, and the value of the Fund's investments in real estate and its business.

**Real Estate Investments** – Real estate investments are carried at estimated fair value. An independent appraisal management firm (the "AMF") oversees and administers the appraisal process for the Fund. The current AMF is Altus Group. Real estate and improvements, held directly or through a consolidated or non-consolidated venture, are stated at estimated fair value approved by the General Partner, based on values presented by the AMF or prepared by the General Partner. Except as provided below, the Fund's real estate and improvements are appraised annually by independent real estate appraisers (members of the American Institute of Real Estate Appraisers). On a quarterly basis, the AMF presents the appraised values, which are updated by the appraisers based upon financial and leasing updates provided by the General Partner and changes in factors such as occupancy levels, lease amendments, overall market conditions and capital improvements.

Prior to its first appraisal, all acquired real estate and improvements will be valued at cost plus capital expenditures, as deemed to approximate fair value, and will join the annual valuation cycle within 12 months following its acquisition date. A value-added property may be valued at the discretion of the General Partner at cost (including subsequent capital expenditures), as deemed to approximate fair value, until the substantial completion of the value-added program (or sooner at the discretion of the General Partner), and thereafter will be appraised in accordance with the procedures described above.

Determination of estimated fair value involves subjective judgment because the actual fair value of real estate can be determined only by negotiation between parties in a sale transaction and amounts ultimately realized may vary from the fair values presented. For the three months ended March 31, 2023 and the year ended December 31, 2022, \$106,082 and \$1,379,548 of acquisition costs attributable to the Fund were capitalized and written off immediately in unrealized loss on the condensed combined statements of operations.

**Cash and Cash Equivalents** – The Fund considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. As of March 31, 2023 and December 31, 2022, \$31,963,272 and \$47,300,092, respectively, of cash and cash equivalents is invested in an exchange-traded money market fund. From time to time, amounts deposited in operating cash accounts may be in excess of the FDIC insurance level.

For purposes of the presentation of the condensed combined statements of cash flows, the cash and cash equivalents balance is combined with restricted cash held by the Fund. A reconciliation of the balances is shown below.

	As of March 31, 2023	As of December 31, 2022
Cash and cash equivalents	\$ 211,411,427	\$ 237,305,324
Restricted cash	17,081,150	21,169,685
<b>Total cash and cash equivalents and restricted cash</b>	<b>\$ 228,492,577</b>	<b>\$ 258,475,009</b>

# Notes to Condensed Combined Financial Statements

**Restricted Cash** – Restricted cash includes real estate tax, real estate improvement and insurance escrows that are required as part of mortgage note agreements, redevelopment escrows, and security, loan and utility deposits.

**Mortgage Notes and Financing Costs** – Mortgage notes payable is shown at estimated fair value.

Financing costs represent costs incurred in connection with obtaining the mortgage notes, Credit Facility, and private placement debt.

**Credit Facility** – The Credit Facility is shown at estimated fair value. Cost approximates fair value as of March 31, 2023 and December 31, 2022.

**Private Placement Debt** – Private placement debt payable is shown at estimated fair value.

**Derivative Financial Instrument** – In the normal course of business, derivative financial instruments are used to manage or hedge interest rate risk. The Fund has entered into interest rate swap agreements on three mortgage notes payable to effectively cap or convert floating rate debt to a fixed rate basis. The change in fair value of the derivative financial instruments are recorded to the condensed combined statements of operations as an unrealized gain or loss.

The Fund records its derivative financial instruments, interest rate swaps, at fair value, which is the estimated amount that the Fund would receive or pay in a current exchange transaction. As of March 31, 2023 and December 31, 2022, the interest rate swaps were recorded in other assets in the amounts of \$2,297,159 and 1,501,369, respectively.

**Distributions Payable** – The Fund recognizes undistributed declared distributions as a payable as of the date of the condensed combined statements of net assets.

**Revenue Recognition** – Revenue from real estate and improvements is recognized on an accrual basis when earned in accordance with the terms of the underlying lease agreements. Other lease rental income, such as adjustments based on the Consumer Price Index, charges to tenants for their share of operating expenses, and percentage rents based on sales, are recognized when earned.

Lease cancellation fees are recognized as income when the lease is terminated. For the three months ended March 31, 2023 and the year ended December 31, 2022, the Fund recorded \$280,422 and \$1,494,738, respectively, of lease cancellation income. Such amounts are included in the condensed combined statements of operations as revenues from real estate and improvements.

**Income Taxes** – The Fund is not subject to federal and state income taxes. Taxable income and losses of the Fund are reportable on the income tax return of the respective partners. The Fund makes certain investments through subsidiaries that operate as real estate investment trusts (“REITs”) under Sections 856 through 860 of the Internal Revenue Code. In order to qualify as a REIT for federal income tax purposes, a REIT must continually satisfy certain requirements including, but not limited to, distributing at least 90% of its ordinary taxable income. A REIT may distribute all of its capital gains or pay corporate income tax on any undistributed

capital gains. In addition, REITs are required to meet certain asset and income tests.

REITs are generally not subject to corporate level federal income tax on taxable income distributed currently to shareholders. If an entity fails to qualify as a REIT, it would be subject to federal income taxes at regular corporate rates and may not be able to qualify as a REIT for four subsequent taxable years. Even if an entity qualifies as a REIT, it may be subject to certain state and local taxes on income or property and to federal income and excise taxes on undistributed taxable income and capital gain. The Fund’s subsidiaries that operate as REITs have distributed 100% of their taxable income and therefore no provision for federal income taxes has been made in the accompanying condensed combined financial statements.

The Fund holds certain investments in taxable REIT subsidiaries (“TRSs”), which are subject to taxation at normal corporate rates. A provision for income tax expense, which is not significant, has been recorded in general and administrative expenses on the condensed combined statements of operations.

The Fund evaluates tax positions taken in the course of preparing the Fund’s tax returns to determine whether tax positions are “more likely than not” of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the “more likely than not” threshold would be recorded as a tax expense in the current year. For the three months ended March 31, 2023 and the year ended December 31, 2022, there have been no uncertain tax positions.

**Leases** – The Financial Accounting Standards Board (the “FASB”) issued ASC Topic 842, *Leases*, which amended the guidance in former ASC Topic 840. The new leasing standard requires lessees to recognize operating leases on their condensed combined statements of net assets by recording a right-of-use asset (“RoU”) and a corresponding lease liability for the rights and obligations associated with operating leases. ASC 842 also modified certain targeted changes to lessor accounting.

The Fund adopted ASC 842 effective January 1, 2022 under the modified retrospective approach and elected the optional transition method to apply the provisions of ASC 842 as of the adoption date, rather than to all comparative periods. The Fund also elected the practical expedient transition package which permits the Fund to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) any initial direct costs for any existing leases as of the effective date.

In July 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-11, *Leases – Targeted Improvements* (“ASU 2018-11”). ASU 2018-11 provides a practical expedient, which allows lessors to combine non-lease components with the related lease components if (1) both the timing and pattern of transfer are the same for the non-lease component(s) and related lease component, and (2) the lease component would be classified as an operating lease if accounted for separately. Lessors are permitted to apply the practical expedient to all existing leases on a retrospective (if there is no change to previously reported total revenues and expenses) or prospective basis. The Fund elected the practical expedient to combine its lease (right to use an underlying asset) and non-lease components (transfer of a good or service that is not a lease) that meet the defined

# Notes to Condensed Combined Financial Statements

criteria and will account for the combined lease component under ASC 842 on a prospective basis. These amounts are reported as revenues from real estate and improvements within the condensed combined statement of operations.

The Fund's leases where it is the lessee primarily consist of ground leases which are classified as operating leases upon adoption of the new leasing standard. ASC 842 requires the Fund to record a RoU asset and related lease liability for the rights and obligations associated with these operating leases. As of March 31, 2023 and December 31, 2022, the balance of lease liabilities was \$63,400,000 and \$67,400,000, respectively, and RoU assets was \$63,400,000 and \$67,400,000, respectively. These lease liabilities and RoU assets are included in the condensed combined statement of net assets in other liabilities and other assets, respectively.

The Fund values the lease liabilities and RoU assets on a quarterly basis and the amount of unrealized gain (loss) between the lease liabilities and RoU assets offset to have no material impact on net assets. For the three months ended March 31, 2023 and the year ended December 31, 2022, the Fund recorded unrealized gain of \$4,000,000 and \$7,200,000, respectively, on the lease liabilities and unrealized loss of \$4,000,000 and \$7,200,000, respectively, on the RoU assets.

The Fund's current lessee lease portfolio is comprised primarily of operating leases. If the Fund enters into a new ground lease or modifies an existing ground lease, the lease classification will have to be reassessed in accordance with ASC 842.

## 2. REAL ESTATE INVESTMENTS

The Fund's real estate investments consist of direct and venture investments with third-party owner/operators. The ventures allocate income to the venture partners based on achieving certain estimated threshold returns. As higher estimated return thresholds are met, a larger income allocation is made to the third-party venture partners (the "Promote"). Therefore, the Promote may cause the Fund's effective ownership interest in a venture's net assets to be different than its legal ownership percentage. Non-consolidated real estate corporations and ventures, and net assets attributable to non-controlling interests, reflect the impact of the Promote (if any). The estimated venture returns are calculated in accordance with each venture's documents and reflect the deemed liquidation of each venture's net assets.

The ventures allocate distributions to the venture partners based on achieving actual return thresholds. As higher actual return thresholds are met, a larger portion of the distributions is made to the third-party venture partners ("Promote Distribution"). For the three months ended March 31, 2023 and the year ended December 31, 2022, no Promote Distributions were made as certain thresholds were not achieved.

As of March 31, 2023 and December 31, 2022, the Fund has \$244,341,738 and \$240,802,086, respectively, of unfunded capital commitments to real estate and improvements and non-consolidated real estate corporations and ventures (subject to various terms and conditions in accordance with the venture agreements).

## 3. CREDIT FACILITY

The Fund entered into a \$200,000,000 Credit Facility agreement with Bank of America ("BofA") on April 24, 2013. On July 1, 2013, BofA, as the administrative agent, evenly assigned 63.75% of the Credit Facility to three additional institutions, JP Morgan Chase Bank, PNC Bank, and Wells Fargo Bank (collectively with BofA the "Lenders").

During 2015, the Fund amended the Credit Facility agreement, increasing to a maximum aggregated principal amount of \$400,000,000. BofA has committed 31.25% of the Credit Facility and has assigned 21.25% to JP Morgan Chase Bank, 16.25% to PNC Bank, and 31.25% to Wells Fargo Bank.

On June 27, 2018, the Fund amended the Credit Facility agreement, by extending the term of the loan to June 27, 2021. All other terms from the previously amended agreement remained the same.

On June 27, 2021, the Fund exercised the first of two options to extend the term of the Credit Facility by one year to June 27, 2022. All other terms from the previously amended agreement remained the same.

On June 24, 2022, the Fund amended the Credit Facility agreement to extend the term of the loan to June 24, 2025. The amended maximum aggregated principal amount may not exceed \$750,000,000. The index rate for the Credit Facility has been amended to Secured Overnight Financing Rate ("SOFR"). All other terms from the previously amended agreement remained the same.

The Fund has the ability to request Credit Facility increases. The increase must be greater than or equal to \$25,000,000 and in integral multiples of \$1,000,000 in excess thereof. Each lender shall notify the administrative agent whether or not it agrees to increase its commitment, and if so, whether by an amount equal to, greater than, or less than the assigned percentages.

The Fund is a guarantor of the Credit Facility. The amended Credit Facility matures on June 24, 2025, with one one-year extension option, which is subject to compliance with financial covenants, and is exercisable at the Fund's discretion.

Provided the ratio of total indebtedness to total asset value is below 30%, the floating daily interest rate for each borrowing is the Daily Simple SOFR plus 1.00%. Additionally, the Fund pays annually a facility fee of 15 basis points and an administrative agency fee of \$50,000. Should the ratio of indebtedness fall within the range between 30%-40%, the floating daily interest rate for each borrowing would be the Daily Simple SOFR plus 1.15%. Additionally, the Fund would continue to pay annually a facility fee of 20 basis points and an administrative agency fee of \$50,000. Should the ratio of indebtedness be greater than 40%, the floating daily interest rate for each borrowing would be the Daily Simple SOFR plus 1.25%. Additionally, the Fund would continue to pay annually a facility fee of 20 basis points and an administrative agency fee of \$50,000.

Payments of interest are made on a monthly basis. Facility fees and administrative agency fees are included in the condensed combined statements of operations as general and administrative expenses. The

# Notes to Condensed Combined Financial Statements

Fund additionally has the option to take out letters of credit up to 10% of the Credit Facility's aggregate commitment, on which it would pay a fronting fee with respect to each letter of credit issued and outstanding equal to 0.125% per year of the amount available to be drawn. The borrowings are pre-payable in whole or in part without prepayment penalty given three business days' notice for such prepayment. As of March 31, 2023 and December 31, 2022, no letters of credit have been issued.

As of March 31, 2023 and December 31, 2022, \$15,000,000 and \$0, respectively, were outstanding under the Credit Facility at daily floating interest rates of the Daily Simple SOFR rate plus 1.10%, which at March 31, 2023 and December 31, 2022 were 5.87% and 0%, respectively. A summary of the Credit Facility as of March 31, 2023 and December 31, 2022 is below.

The Fund has agreed to maintain certain financial ratios, including ratios of indebtedness to net assets. Management believes the Fund was in compliance with all financial covenants at March 31, 2023.

## 4. MORTGAGE NOTES PAYABLE AND PRIVATE PLACEMENT DEBT PAYABLE

On April 1, 2022, the Fund placed \$125,000,000 in unsecured private placement notes with varying fixed interest rates. The interest only notes are divided into two tranches, US Private Placement Series A and US Private Placement Series B, of \$62,500,000 each. On May 17, 2022, the Fund placed \$125,000,000 in unsecured private placement notes with varying fixed interest rates. The interest only notes are divided into two tranches, US Private Placement Series C and US Private Placement Series D, of \$62,500,000 each. The notes are guaranteed by the Fund, which agrees to maintain certain covenant requirements. Management believes the Fund was in compliance with all covenant requirements at March 31, 2023. A summary of Private Placement Debt Payable as of March 31, 2023 and December 31, 2022 is below.

On May 17, 2022, the Fund paid off the outstanding balance of the Premiere on Pine mortgage note of \$88,702,684 with no prepayment penalty.

On June 20, 2022, the Fund transferred the mortgage note payable on 1401 Lawrence with an outstanding balance of \$90,000,000 to the Dallas Industrial Portfolio. The note is interest only with a fixed interest rate of 3.60% and a maturity date of April 1, 2030. The note is collateralized by a mortgage on real property and all rents and profits of the underlying properties.

On December 1, 2022, the Fund refinanced the mortgage note on the Storage Post I Portfolio, paying the outstanding balance of \$106,600,000. The refinanced mortgage note is in the amount of \$150,000,000. The note is interest only with a contractual floating rate of 1.60% plus 1-month SOFR, fixed by an interest rate swap with a strike rate of 3.88%, for a total fixed interest rate of 5.48%, maturing December 1, 2025. The note is collateralized by a mortgage on real property and all rents and profits of the underlying portfolio.

On December 1, 2022, the Fund refinanced the mortgage note on the Storage Post II Portfolio, paying the outstanding balance of \$48,400,000. The refinanced mortgage note is in the amount of \$50,000,000. The note is interest only with a contractual floating rate of 1.60% plus 1-month SOFR, fixed by an interest rate swap with a strike rate of 3.88%, for a total fixed interest rate of 5.48%, maturing December 1, 2025. The note is collateralized by a mortgage on real property and all rents and profits of the underlying portfolio.

On February 28, 2023, the Fund refinanced the mortgage note on the West Coast Industrial Portfolio, paying the outstanding balance of \$220,000,000. The refinanced mortgage note is in the amount of \$220,000,000. The note is interest only with a fixed rate of 5.58% and a maturity date of September 5, 2027. The note is collateralized by a mortgage on real property and all rents and profits of the underlying portfolio.

As of March 31, 2023 and December 31, 2022, the fair value of mortgage notes payable totaled \$1,916,886,993 and \$1,917,069,488, respectively, bearing fixed interest rates of 2.55% - 5.58% and 2.55% - 5.48%, respectively. As of March 31, 2023 and December 31, 2022, these mortgage notes payable were collateralized by properties with an aggregate fair value

## CREDIT FACILITY AND PRIVATE PLACEMENT DEBT PAYABLE

	March 31, 2023		December 31, 2022		Interest Rate	Origination Date	Maturity Date
	Principal	Fair Value	Principal	Fair Value			
Credit facility <sup>1</sup>	\$ 15,000,000	\$ 15,000,000	\$ -	\$ -	SOFR + 1.10%	6/24/22	6/24/25
US Private Placement Tranche #1	125,000,000	120,800,133	125,000,000	120,755,232	3.77%	2/15/18	2/15/27
US Private Placement Tranche #2	125,000,000	120,800,133	125,000,000	120,755,232	3.77%	3/27/18	2/15/27
US Private Placement Series A	62,500,000	57,093,287	62,500,000	57,148,959	3.24%	4/1/22	4/1/32
US Private Placement Series B	62,500,000	56,265,701	62,500,000	56,352,802	3.34%	4/1/22	4/1/34
US Private Placement Series C	62,500,000	57,037,116	62,500,000	57,094,987	3.24%	5/17/22	5/17/32
US Private Placement Series D	62,500,000	56,216,408	62,500,000	56,305,314	3.34%	5/17/22	5/17/34
<b>Total credit facility and private placement debt</b>	<b>515,000,000</b>	<b>483,212,778</b>	<b>500,000,000</b>	<b>468,412,526</b>			

1. As of March 31, 2023 and December 31, 2022 SOFR was 4.87% and 4.30%, respectively.

# Notes to Condensed Combined Financial Statements

of \$5,038,993,934 and \$5,235,938,576, respectively. All of the mortgage notes payable contain prepayment penalty provisions. As of March 31, 2023, aggregate contractual maturities of debt are as follows by calendar year:

Year Ending December 31		
2023	\$	27,844,076
2024		94,267,147
2025		618,906,558
2026		1,681,820
2027		608,549,718
Thereafter		1,144,461,485
<b>Total</b>	<b>\$</b>	<b>2,495,710,804</b>

The Fund has \$42,053,382 of debt maturing within one year of the issuance date of the condensed combined financial statements. The Fund has the intent and ability to refinance or pay down the mortgage notes payable upon maturity.

## 5. RELATED PARTY TRANSACTIONS

The Fund has engaged the General Partner to provide investment management services. Below is a detailed summary of the fees incurred for these services for the three months ended March 31, 2023 and the year ended December 31, 2022.

### SCHEDULE OF INVESTMENT MANAGEMENT FEES

Investment Management Fees	Financial Statement Caption	Three Months Ended March 31, 2023	Year Ended December 31, 2022	Fee Description
Loan Origination <sup>4</sup>	Financing Costs	\$ 440,000	\$ 625,000	0.25% of new loan proceeds
Asset Management Fees <sup>2</sup>	N/A <sup>3</sup>	17,898,976	78,915,555	% of NAV (varies)
<b>Total Investment Management Fees</b>		<b>\$ 18,338,976</b>	<b>\$ 79,540,555</b>	

- In accordance with the Partnership Agreements, the Fund will pay the General Partner financing fees for each financing that the General Partner arranges on behalf of the Fund.
- In accordance with the Partnership Agreements, each of the limited partners has separately engaged the General Partner to provide asset management services. For the three months ended March 31, 2023 and the year ended December 31, 2022, the limited partners paid asset management fees in the amounts of \$19,017,331 and \$79,251,691, respectively. As of March 31, 2023 and December 31, 2022, asset management fees of \$17,898,976 and \$19,017,331, respectively, remain outstanding to be paid by the limited partners.
- Asset Management Fees are not included in the Fund's condensed combined financial statements as the asset management service arrangements are directly between the limited partners and the General Partner. The General Partner may direct a portion of the limited partners' distributions to the General Partner for payment of such asset management fees. If such amount is insufficient to cover the asset management fee in any quarter, the limited partner will be required to remit the difference to the General Partner.
- For the three months ended March 31, 2023 and the year ended December 31, 2022, the Fund paid \$440,000 and \$625,000, respectively, in financing fees at a rate of 0.25% for the new private placement notes.

For the three months ended March 31, 2023 and the year ended December 31, 2022, the Fund did not incur any financing fees to the General Partner for non-consolidated real estate corporations and ventures.

For the three months ended March 31, 2023 and the year ended December 31, 2022, the Fund incurred \$0 and \$1,228,750, respectively, of acquisition fees to certain of its venture partners. In addition, the Fund's venture partners are paid a property management fee based on a percentage of gross receipts ranging from 1.5% - 6.0%.

## 6. FINANCIAL HIGHLIGHTS

The Fund computes net assets per share on a quarterly basis. The financial highlights for the three months ended March 31, 2023 and the year ended December 31, 2022 are as follows:

Per share operating performance	2023	2022
<b>Net asset value, beginning of period</b>	<b>\$ 1,497.1290</b>	<b>\$ 1,399.7964</b>
<b>Income from investment operations</b>		
Net investment income	13.3699	55.3334
Net realized and unrealized gain (loss)	(66.4132)	94.1921
Total from investment operations	<b>(53.0433)</b>	<b>149.5255</b>
Less distributions	(12.1497)	(52.1929)
<b>Net asset value, end of period</b>	<b>\$ 1,431.9360</b>	<b>\$ 1,497.1290</b>
Total return <sup>1 2</sup>	-3.6%	10.7%
<b>Supplemental Data:</b>		
Net assets, end of period	<b>\$ 9,864,687,959</b>	<b>\$ 10,293,826,036</b>
<b>Ratios to average net assets: <sup>2 3</sup></b>		
Total expenses	1.0%	3.4%
Net investment income	1.1%	4.0%

- Net assets attributable to the Fund calculated on an asset-weighted basis using beginning of period values, adjusted for contributions, including reinvested dividends, redemptions, and distributions. Contributions, redemptions, and distributions are weighted based on the effective date of cash flows.
- An individual limited partner's total return and ratios to average net assets may differ due to the timing of contributions and redemptions.
- Average net assets are calculated as the average of the ending quarterly net assets, attributable to the Fund, for the three months ended March 31, 2023 and the year ended December 31, 2022.

## 7. SUBSEQUENT EVENTS

On April 19, 2023, the Fund borrowed \$40,000,000 on the Credit Facility at a floating interest rate of 5.90%.

On April 20, 2023, the Fund made a distribution in the amount of \$83,700,000 from operating cash flow, of which asset management fees of \$17,898,976 were paid directly to the General Partner by the limited partners. In addition, \$16,442,488 of the distribution was reinvested into the Fund as part of the limited partners' elected DRIP.

The Fund evaluated activity through May 5, 2023 (the date these condensed combined financial statements were available to be issued) and concluded that no additional subsequent events have occurred that would require recognition or additional disclosure.