

**ESSENTIAL INCOME REIT CLASS I**

# 1st Quarter 2023 Report

**April, 2023**

Dear ExchangeRight Essential Income REIT Class I Investor,

On the 14<sup>th</sup> of this month, you will have received your monthly distribution from the ExchangeRight Essential Income REIT. Our inception-to-date distributions continue to be fully covered by operations and the fundamentals of our REIT continue to remain extremely strong. Throughout Q1 2023, we received 100% of scheduled rent across all properties in the Essential Income REIT, supporting uninterrupted investor distributions meeting or exceeding cash-flow expectations, as we have done for all net-leased portfolios managed by ExchangeRight for every quarter since our inception. Our consistent performance is due to the strength of our tenants and the industries in which they operate, the REIT's moderate debt levels, and its favorable long-term fixed-rate financing.

## Portfolio Update

The Essential Income REIT remained stable during Q1. We acquired one additional property and now have 337 properties diversified across 37 national creditworthy tenants and totaling more than 4.5 million square feet across 34 states. The REIT's properties are primarily leased to businesses operating in essential retail and necessity-based industries, including grocery stores, pharmacies, discount retail, automotive repair, and health care.

We executed two financings during the quarter to convert the last 12.6% of the REIT's debt to fixed-rate financing, taking the REIT from 87.4% fixed-rate financing to 100%. In addition to eliminating the REIT's near-term exposure to rising rates, these most recent financings also contained pre-payment flexibility to take advantage of any future reduction in interest rates that could result from a recession or moderating inflation.

The REIT's current acquisition pipeline includes \$2.8+ billion of high-quality net-leased assets diversified over 606 properties and includes 18 new tenants. The majority of the acquisitions benefit from long-term fixed-rate financing that is fixed significantly below current market rates. This fully identified portfolio enables the REIT to maintain best-in-industry dividends and dividend coverage ratios on behalf of investors as it continues to execute its aggregation strategy while maintaining the distribution levels we have underwritten.

KPMG has finalized their updated valuation report and has provided the results of their valuation as of March 31, 2023. They indicated an adjustment to their portfolio valuation assumptions due to the current macroeconomic environment, and our Trustee has declared a March 31, 2023, NAV of \$27.74 per share. Though the underlying

fundamentals and cash flows of the properties within the REIT have not changed, the uncertainty and increased volatility in the financial markets caused by recent bank failures led to an adjustment to the discount rate and valuation assumptions used in the analysis that they perform.

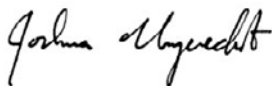
We remain on track to submit our Form 10 for public reporting with the Securities and Exchange Commission (“SEC”) later this month. We anticipate this process could take 60 days before it becomes effective. Although an effective Form 10 filing will register our common shares with the SEC and make us subject to SEC reporting requirements, we are not applying to list our shares on any securities exchange at the time of the Form 10 filing. The effectiveness of the Form 10 filing will not make our shares freely tradable or create a public market for our shares at this time. We anticipate that the Form 10 filing will provide a cost-effective way to build a public reporting track record and will allow the REIT to be better positioned to continue executing its aggregation strategy.

We plan on providing the ability for investors to reinvest dividends through a dividend reinvestment plan (or “DRIP”) sometime in the next several quarters. Investors will be given the option to reinvest their monthly dividends into new shares, providing an efficient way to grow their equity positions and their future potential income. Each investor will need to consult their Registered Representative or Advisor to assess their investment goals and determine the suitability of the DRIP program to their needs after their review of offering materials.

Thank you for the opportunity to successfully manage and steward your capital. Should you have any questions, please contact our Investor Relations department at (855) 379-8172 or [investors@exchangeright.com](mailto:investors@exchangeright.com).

Best regards,

ExchangeRight Real Estate, LLC



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