HIGHLANDS REIT, INC.

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 000-55580

HIGHLANDS REIT, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**81-0862795**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

1 South Dearborn Street, 20th Floor
Chicago, Illinois 60603
(Address of Principal Executive Offices)

(312) 583-7990
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	Trading Symbol	Name of each exchange on which registered
N/A	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act: Common Stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
☐	☐	☑	☑	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

As of May 7, 2025, there were 718,345,926 shares of the registrant's common stock outstanding.

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HIGHLANDS REIT, INC.

Consolidated Balance Sheets (unaudited)
(Amounts in thousands, except per share amounts)

	March 31, 2025	December 31, 2024
Assets	**(unaudited)**	
Investment properties		
Land	$ 83,792	$ 83,792
Building and other improvements	297,785	289,126
Construction in progress	231	3,663
Total	381,808	376,581
Less accumulated depreciation	(89,995)	(87,211)
Net investment properties	291,813	289,370
Cash and cash equivalents	27,266	29,864
Restricted cash and escrows	2,037	4,364
Accounts receivable (net of allowance of $192 and $139 as of March 31, 2025 and December 31, 2024, respectively)	6,922	6,909
Intangible assets, net	195	205
Deferred costs and other assets, net	6,338	6,028
Total assets	$ 334,571	$ 336,740
Liabilities		
Debt, net	$ 120,647	$ 120,713
Accounts payable and accrued expenses	10,249	9,867
Other liabilities	2,134	2,315
Total liabilities	133,030	132,895
Commitments and contingencies (see Note 12)		
Stockholders' Equity		
Common stock, $0.01 par value, 1,000,000 shares authorized, 724,321 shares issued and outstanding as of March 31, 2025 and December 31, 2024	7,243	7,243
Additional paid-in capital	1,390,536	1,390,536
Accumulated distributions in excess of net income	(1,195,124)	(1,192,873)
Accumulated other comprehensive income	(5)	47
Total Highlands REIT, Inc. stockholders' equity	202,650	204,953
Noncontrolling interests	(1,109)	(1,108)
Total equity	201,541	203,845
Total liabilities and equity	$ 334,571	$ 336,740

See accompanying notes to the consolidated financial statements.

HIGHLANDS REIT, INC.

Consolidated Statements of Operations and Comprehensive Income (Loss) (unaudited)
(Amounts in thousands, except per share amounts)

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Revenues		
Rental income	$ 9,088	$ 9,016
Other property income	217	233
Total revenues	9,305	9,249
Expenses		
Property operating expenses	2,591	2,367
Real estate taxes	1,491	1,413
Depreciation and amortization	2,862	3,027
General and administrative expenses	3,014	2,610
Total expenses	9,958	9,417
Loss from operations	(653)	(168)
Gain on sale of investment properties, net	—	6,869
Other income	237	252
Interest expense	(1,836)	(1,911)
Net income (loss)	(2,252)	5,042
Net loss attributable to noncontrolling interests	1	1
Net income (loss) attributable to Highlands REIT, Inc. common stockholders	$ (2,251)	$ 5,043
Net income (loss) per common share, basic and diluted	$ (0.00)	$ 0.01
Weighted average number of common shares outstanding, basic and diluted	724,321	721,671
Comprehensive loss		
Net income (loss)	$ (2,252)	$ 5,042
Unrealized gain (loss) on derivatives	(52)	217
Total other comprehensive income (loss)	(52)	217
Comprehensive income (loss)	(2,304)	5,259
Comprehensive (income) loss attributable to noncontrolling interests	1	(3)
Comprehensive income (loss) attributable to Highlands REIT, Inc. common stockholders	$ (2,303)	$ 5,256

See accompanying notes to the consolidated financial statements.

HIGHLANDS REIT, INC.

Consolidated Statements of Equity (unaudited)
(Amounts in thousands)

Three Months Ended March 31, 2025 and 2024

	Common Stock		Additional Paid-in Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Total Company's Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount						
Balance at January 1, 2024	721,671	$ 7,217	$ 1,389,951	$ (1,191,868)	$ 20	$ 205,320	$ (1,108)	$ 204,212
Net income (loss)	—	—	—	5,043	—	5,043	(1)	5,042
Other comprehensive income	—	—	—	—	213	213	4	217
Costs for repurchase of shares	—	—	(220)	—	—	(220)	—	(220)
Balance at March 31, 2024	721,671	$ 7,217	$ 1,389,731	$ (1,186,825)	$ 233	$ 210,356	$ (1,105)	$ 209,251
Balance at January 1, 2025	724,321	$ 7,243	$ 1,390,536	$ (1,192,873)	$ 47	$ 204,953	$ (1,108)	$ 203,845
Net loss	—	—	—	(2,251)	—	(2,251)	(1)	(2,252)
Other comprehensive loss	—	—	—	—	(52)	(52)	—	(52)
Balance at March 31, 2025	724,321	$ 7,243	$ 1,390,536	$ (1,195,124)	$ (5)	$ 202,650	$ (1,109)	$ 201,541

See accompanying notes to the consolidated financial statements.

HIGHLANDS REIT, INC.

Consolidated Statements of Cash Flows (unaudited)
(Amounts in thousands)

	Three Months Ended March 31, 2025	2024
Cash flows from operating activities:		
Net income (loss)	$ (2,252)	$ 5,042
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,862	3,027
Amortization of debt discounts and financing costs	180	179
Straight-line rental income	(253)	(24)
Gain on sale of investment properties, net	—	(6,869)
Changes in assets and liabilities:		
Accounts and rents receivable, net	240	(71)
Deferred costs and other assets, net	(102)	110
Accounts payable and accrued expenses	617	336
Other liabilities	(178)	(512)
Net cash flows provided by operating activities	$ 1,114	$ 1,218
Cash flows from investing activities:		
Capital expenditures and tenant improvements	(5,464)	(2,498)
Proceeds from sale of investment properties, net	—	20,071
Payment of leasing fees	(329)	(250)
Net cash flows provided by (used in) investing activities	$ (5,793)	$ 17,323
Cash flows from financing activities:		
Payment of debt issuance costs	—	(3)
Repurchase of shares	—	(220)
Principal payments of debt	(246)	(231)
Net cash flows used in financing activities	$ (246)	$ (454)
Net increase (decrease) in cash and cash equivalents and restricted cash and escrows	(4,925)	18,087
Cash and cash equivalents and restricted cash and escrows, at beginning of period	34,228	19,484
Cash and cash equivalents and restricted cash and escrows, at end of period	$ 29,303	$ 37,571
Cash and cash equivalents	$ 27,266	$ 35,220
Restricted cash and escrows	2,037	2,351
Cash and cash equivalents and restricted cash and escrows, at end of period	$ 29,303	$ 37,571

See accompanying notes to the consolidated financial statements.

HIGHLANDS REIT, INC.

Consolidated Statements of Cash Flows (unaudited) (continued)
(Amounts in thousands)

	Three Months Ended March 31,	
	2025	**2024**
Supplemental disclosure of cash flows information:		
Cash paid for interest	$ 1,660	$ 1,735
Supplemental schedule of non-cash investing and financing activities:		
Non-cash accruals for capital expenditures and tenant improvements	$ 2,974	$ 1,758

See accompanying notes to the consolidated financial statements.

HIGHLANDS REIT, INC.
Notes to Consolidated Financial Statements (unaudited)
(Amounts in thousands, except square footage and per share amounts)
March 31, 2025

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. Readers of this Quarterly Report should refer to the audited consolidated financial statements of Highlands REIT, Inc. for the year ended December 31, 2024, which are included in the Annual Report on Form 10-K, as filed with the U.S. Securities and Exchange Commission by Highlands REIT, Inc. on March 14, 2025, as certain note disclosures contained in such audited consolidated financial statements have been condensed or omitted from this Report. In the opinion of management, all adjustments (consisting of normal recurring accruals, except as otherwise noted) necessary for a fair presentation, and to make these financial statements not misleading, have been included in these financial statements.

1. Organization

Highlands REIT, Inc. ("Highlands"), which was formed in December 2015, is a Maryland corporation with a portfolio of investment properties including multi-family, retail and office properties, a correctional facility and unimproved land. Prior to April 28, 2016, Highlands was a wholly-owned subsidiary of InvenTrust Properties Corp. ("InvenTrust" and formerly known as Inland American Real Estate Trust, Inc.), its former parent. Unless stated otherwise or the context otherwise requires, the terms "we," "our" and "us" and references to the "Company" refer to Highlands and its consolidated subsidiaries.

On April 28, 2016, Highlands was spun-off from InvenTrust through a pro rata distribution by InvenTrust of 100% of the outstanding shares of common stock, $0.01 par value per share (the "Common Stock"), of Highlands to holders of record of InvenTrust's common stock as of the close of business on April 25, 2016 (the "Record Date"). Each holder of record of InvenTrust's common stock received one share of Common Stock for every one share of InvenTrust's common stock held at the close of business on the Record Date (the "Distribution"). As a result, Highlands became an independent, self-advised, non-listed public company. Highlands has elected to be taxed, and currently qualifies, as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code") for U.S. federal income tax purposes commencing with Highlands' short taxable year ending December 31, 2016.

Each investment property is owned by a separate legal entity which maintains its own books and financial records, and each entity's assets are not available to satisfy the liabilities of other affiliated entities. With the exception of one investment property we own through a variable interest entity with a third-party partner (the "Corvue Venture"), we are the sole owner of each of these separate legal entities. As of March 31, 2025, we have an approximate 95% interest in the Corvue Venture and have funded equity contributions to the Corvue Venture in the approximate amount of $10,200. See Note 2 for additional information regarding the basis of presentation of the Corvue Venture, which is consolidated in the accompanying consolidated financial statements.

As of March 31, 2025 and December 31, 2024, the Company owned 18 investment properties and one parcel of unimproved land.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The accompanying consolidated financial statements include the accounts of Highlands and its consolidated subsidiaries. Highlands consolidates its wholly-owned subsidiaries and any other entities which it controls (i) through voting rights or similar rights or (ii) by means other than voting rights if Highlands is the primary beneficiary of a variable interest entity ("VIE"). The portions of the equity and net income of consolidated subsidiaries that are not attributable to the Company are presented separately as amounts attributable to noncontrolling interests in our consolidated financial statements. Entities which Highlands does not control, and entities which are VIEs in which Highlands is not a primary beneficiary, if any, are accounted for under appropriate GAAP. Highlands' subsidiaries generally consist of limited liability companies ("LLCs"). The effects of all significant intercompany transactions have been eliminated.

Refer to the Company's audited consolidated financial statements for the year ended December 31, 2024, included in the Company's Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on March 14, 2025, as certain note disclosures contained in such audited financial statements have been condensed or omitted from these interim consolidated financial statements.

Consolidation

As of March 31, 2025 and December 31, 2024, we have determined we are the primary beneficiary of one VIE, the Corvue Venture, and have consolidated the operations of this entity in the accompanying consolidated financial statements. The Corvue Venture owns The Locale, a multi-family investment property located in Allendale, Michigan. We reviewed the operating agreement of the Corvue Venture in order to determine our rights and the rights of our third-party partner, including whether those rights are protective or participating. We have determined we are the primary beneficiary of the Corvue Venture because we have (a) the power to direct the activities that most significantly impact the economic performance of the Corvue Venture, (b) the obligation to absorb the losses that could be significant to the Corvue Venture and (c) the right to receive the benefits that could be significant to the Corvue Venture. Included in total assets and liabilities on the Company's consolidated balance sheets as of March 31, 2025 is $22,699 of assets and $18,196 of liabilities related to the Corvue Venture. Included in total assets and liabilities on the Company's consolidated balance sheets as of December 31, 2024 is $22,787 of assets and $18,106 of liabilities related to the Corvue Venture. The assets of the Corvue Venture may only be used to settle obligations of the Corvue Venture and the creditors of the Corvue Venture have no recourse to the general credit of the Company.

Cash and Cash Equivalents and Restricted Cash and Escrows

We consider all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements with a maturity of three months or less, at the date of purchase, to be cash equivalents. We maintain our cash and cash equivalents at financial institutions. The combined account balances at one or more institutions exceed the Federal Depository Insurance Corporation ("FDIC") insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. Restricted cash and escrows is comprised primarily of cash held by our lenders for payment of real estate taxes, insurance and certain capital expenditures and tenant improvements.

Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates, judgments, and assumptions are required in a number of areas, including, but not limited to, evaluating the collectability of accounts receivable, allocating the purchase price of acquired investment properties, and evaluating the impairment of real estate assets. We base these estimates, judgments and assumptions on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Recently Issued Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, "Disaggregation of Income Statement Expenses." ASU 2024-03 requires public entities to provide additional disclosures in the notes to the financial statements of certain expense categories which are included in expense line items disclosed on the face of the income statements. Specifically, an entity should provide disclosures in a tabular format for each line item on the income statement which contains any of the following expenses: purchases of inventory, employee compensation, depreciation, intangible asset amortization, and/or depreciation, depletion and amortization. ASU 2024-03 also requires an entity to disclose total selling expenses. ASU 2024-03 may be adopted on a prospective or retrospective basis. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently analyzing the impact adoption will have on its related disclosures.

(Amounts in thousands, except square footage and per share amounts)

Recently issued accounting standards or pronouncements not discussed herein have been excluded because they are either not relevant to the Company, or are not expected to have, or did not have, a material effect on the consolidated financial statements of the Company.

3. Disposed Investment Properties

There were no investment property dispositions during the three months ended March 31, 2025.

The following table reflects the investment property dispositions during the three months ended March 31, 2024. The Company recognized a net gain on sale of investment properties of $6,869.

Property	Location	Disposition Date	Gross Disposition Price	Sale Proceeds, Net	Gain on Sale
Versacold USA	New Ulm, MN	February 5, 2024	$ 7,175	$ 6,995	$ 2,052
Versacold USA	St. Paul, MN	February 5, 2024	$ 13,325	$ 13,076	$ 4,817
			$ 20,500	$ 20,071	$ 6,869

4. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	March 31, 2025	December 31, 2024
Accrued real estate taxes	$ 4,015	$ 4,816
Accrued compensation	1,541	213
Accrued interest payable	550	554
Other accrued expenses	4,143	4,284
Total accounts payable and accrued expenses	$ 10,249	$ 9,867

5. Leases

Leasing as a lessor

We lease multi-family investment properties under operating leases with terms of generally one year or less. We lease commercial investment properties under operating leases with remaining lease terms that range from less than one year to sixteen years as of March 31, 2025 and from less than one year to fourteen years as of March 31, 2024.

Certain of the Company's commercial leases provide the tenant with one or more multi-year renewal options to extend their lease, subject to generally the same terms and conditions as the initial lease, potentially including rent increases.

Rental income related to the Company's operating leases is comprised of the following:

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Rental income related to fixed lease payments	$ 7,596	$ 7,618
Rental income related to variable lease payments (1)	1,492	1,398
Other	217	233
Total revenues	$ 9,305	$ 9,249

(1) Variable lease payments are comprised of tenant recovery income.

(Amounts in thousands, except square footage and per share amounts)

Future Minimum Rental Income

As of March 31, 2025, commercial operating leases provide for future minimum rental income, assuming no expiring leases are renewed, as follows. Multi-family residential leases are not included as the terms are generally for one year or less.

2025 (remaining)	$	10,039
2026		13,248
2027		13,012
2028		12,619
2029		11,872
Thereafter		91,018
Total	$	151,808

Tenant Concentration

For the three months ended March 31, 2025, the Locale and Sherman Plaza each accounted for greater than 10% of our total revenues and Trimble accounted for greater than 20% our total revenues. Specifically, the XP Power, LLC lease accounted for approximately 11.1% and Veeco Instruments accounted for approximately 9.3% of our total revenues for the three months ended March 31, 2025

6. Debt

Total debt outstanding as of March 31, 2025 and December 31, 2024 was as follows:

	March 31, 2025		December 31, 2024	
Debt, gross	$	123,638	$	123,884
Mortgage discount		(1,800)		(1,855)
Deferred financing costs, net		(1,191)		(1,316)
Total Debt, Net	$	120,647	$	120,713

As of March 31, 2025, the Company's outstanding mortgage indebtedness included 11 mortgage loans with various maturities through January 2036. The following table presents the principal amount of debt maturing each year, including amortization of principal based on debt outstanding at March 31, 2025, and the weighted average interest rates for the maturing debt in each specified period:

Debt maturing during the year ended December 31,	As of March 31, 2025		Weighted average interest rate
2025 (remaining)	$	734	— %
2026		43,084	5.16 %
2027		10,785	3.99 %
2028		234	— %
2029		245	— %
Thereafter		68,556	5.64 %
Total	$	123,638	5.33 %

The mortgage loan encumbering the Trimble office investment property currently leased by Veeco Instruments, Inc. matured on April 6, 2025. This loan has a principal amount of $20,000, $4,000 of which is guaranteed by Highlands. The Company exercised the 12-month extension option that was available under the original loan documents, and paid an extension fee equal to $20, to extend the maturity date on the loan to April 6, 2026. The swap arrangement that the Company entered into at the time we closed the loan fixed the interest rate at 5.86% for the term of the loan, including the extended maturity date.

The Company's ability to pay off the mortgages when they become due is dependent upon the Company's ability either to refinance the related mortgage debt or to sell the related investment property. With respect to each mortgage loan, if the applicable wholly-owned property-owning subsidiary is unable to refinance or sell the related investment property, or in the event that the estimated value is less than the mortgage balance, the applicable wholly-owned property-owning subsidiary may, if appropriate, satisfy a mortgage obligation by transferring title of the investment property to the lender or permitting a lender to foreclose. As of March 31, 2025 and December 31, 2024, Highlands guaranteed one mortgage loan up to $4,000 and all other mortgage debt was non-recourse to the Company. However, Highlands or its subsidiaries may act as guarantor under customary, non-recourse, carve-out guarantees in connection with obtaining mortgage loans on certain of our investment properties.

Some of the mortgage loans require compliance with certain covenants, such as debt service coverage ratios and minimum net worth requirements. As of March 31, 2025 and December 31, 2024, the Company was in compliance with such covenants.

7. Fair Value Measurements

In accordance with ASC 820, Fair Value Measurement and Disclosures, the Company defines fair value based on the price that would be received upon sale of an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 - Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company has estimated fair value using available market information and valuation methodologies the Company believes to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that would be realized upon disposition.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of debt funding and, to a limited extent, the use of derivative financial instruments. Specifically, the Company may enter into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments, described below, are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company may use interest rate swaps or caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. We do not enter into derivative financial instruments for speculative purposes. As of March 31, 2025 and 2024, we had two derivative financial instruments designated as cash flow hedges. The interest rate swap on Trimble had an original notional amount of $20,000 and a maturity date of April 6, 2026. The interest rate cap on The Muse had an original notional amount of $19,496 and a maturity date of November 1, 2026. These derivatives are measured at fair value on a recurring basis.

(Amounts in thousands, except square footage and per share amounts)

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income or loss on the consolidated balance sheets and is subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings. The amount recorded as other comprehensive loss related to our derivative financial instruments was $52 for the three months ended March 31, 2025 and as income was $217 for the three months ended March 31, 2024.

Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on our variable rate debt. The Company estimates that $17 will be reclassified as a decrease to interest expense over the next twelve months.

The table below presents the fair value of the Company's derivative financial instrument as well as its classification on the consolidated balance sheets as of March 31, 2025 and December 31, 2024, respectively.

	March 31, 2025			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial instruments designated as cash flow hedges:				
Classified as "Deferred costs and other assets, net"	$ —	$ 39	$ —	$ 39
	December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial instruments designated as cash flow hedges:				
Classified as "Deferred costs and other assets, net"	$ —	$ 90	$ —	$ 90

The fair value of our derivative financial instruments was determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the derivative financial instrument. This analysis reflected the contractual terms of the derivative, including the period to maturity, and used observable market-based inputs, including interest rate market data and implied volatilities in such interest rates. While it was determined that the majority of the inputs used to value the derivative fall within Level 2 of the fair value hierarchy under authoritative accounting guidance, the credit valuation adjustments associated with the derivative also utilized Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default. However, as of March 31, 2025, the significance of the impact of the credit valuation adjustments on the overall valuation of the derivative financial instrument was assessed, and it was determined that these adjustments were not significant to the overall valuation of the derivative financial instrument. As a result, it was determined that the derivative financial instrument in its entirety should be classified in Level 2 of the fair value hierarchy.

Non-Recurring Measurements

In accordance with ASC 360-10, the Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that long-lived assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. During the three months ended March 31, 2025 and 2024, events and circumstances indicated that certain investment properties might be impaired. However, the Company's estimate of undiscounted cash flows indicated that such carrying values were expected to be recovered. Nonetheless, it is reasonably possible that the estimate of undiscounted cash flows may change in the future resulting in the need to write down assets to fair value.

(Amounts in thousands, except square footage and per share amounts)

Financial Liabilities Disclosed at Fair Value on a Recurring Basis

The table below presents the fair value of financial instruments that are presented at carrying values in the consolidated financial statements as of March 31, 2025 and December 31, 2024.

	March 31, 2025		December 31, 2024	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Debt	$ 123,638	$ 120,265	$ 123,884	$ 118,781

The Company estimates the fair value of its debt instruments using a weighted average market effective interest rate of 6.40% and 6.79% per annum as of March 31, 2025 and December 31, 2024, respectively. The Company estimates the fair value of its mortgage loans by discounting the anticipated future cash flows of each instrument at rates currently offered to the Company by its lenders for similar debt instruments of comparable maturities. The rates used are based on credit spreads observed in the marketplace during the quarter for similar debt instruments, and a floor rate that the Company has derived using its subjective judgment for each asset segment. Based on this, the Company determines the appropriate rate for each of its individual mortgage loans based upon the specific terms of the agreement, including the term to maturity, the quality and nature of the underlying property and its leverage ratio. The weighted average market effective interest rates used range from 5.31% to 9.11% and 5.76% to 9.47% as of March 31, 2025 and December 31, 2024, respectively. The assumptions reflect the terms currently available on similar borrowing terms to borrowers with credit profiles similar to the Company's. The Company has determined that its debt instrument valuations are classified in Level 2 of the fair value hierarchy.

8. Income Taxes

The Company is taxed and operates in a manner that will allow the Company to continue to qualify as a REIT for U.S. federal income tax purposes. So long as it maintains its qualification as a REIT, the Company generally will not be subject to U.S. federal income tax on taxable income that is distributed to stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it distribute at least 90% of its REIT taxable income (subject to certain adjustments) to its stockholders each year. If the Company fails to continue to qualify as a REIT in any taxable year, without the benefit of certain relief provisions, the Company will be subject to U.S. federal and state income tax on its taxable income at regular corporate tax rates and would not be able to re-elect REIT status during the four years following the year of the failure. Although the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and U.S. federal income and excise taxes on its undistributed income.

During the three months ended March 31, 2025 and 2024, no income tax benefit or expense was included in the consolidated statements of operations and comprehensive income (loss).

9. Segment Reporting

GAAP has established guidance for reporting information about a company's operating segments. The Company monitors and reviews its segment reporting structure in accordance with guidance under FASB ASC Topic 280, Segment Reporting ("ASC 280") to determine whether any changes have occurred that would impact its reportable segments. The Company currently has two business segments, consisting of multi-family and other.

The Company's Chief Executive Officer evaluates the results of operations and makes decisions about resources to be allocated between the multi-family and other property portfolios and therefore is the Company's Chief Operating Decision Maker ("CODM"). The Company's operating results are reviewed on an individual property basis, with specific attention to the multi-family portfolio given its importance to our overall strategy.

The CODM evaluates performance based on net operating income. Net operating income excludes GAAP rent adjustments such as straightline rent and the amortization of intangibles, general and administrative expenses, depreciation and amortization, other income, interest expense, gains or losses on the sale of investment properties and net income or loss from noncontrolling interests. Prior period segment information has been restated to align with our current segment disclosure format, which is consistent with how our CODM evaluates the business.

HIGHLANDS REIT, INC.
Notes to Consolidated Financial Statements (unaudited)
(Amounts in thousands, except square footage and per share amounts)
March 31, 2025

The following tables summarize net operating income by segment for the three months ended March 31, 2025 and 2024.

	Three Months Ended March 31, 2025			Three Months Ended March 31, 2024		
	Total	Multi-family	Other	Total	Multi-family	Other
Rental income	$ 7,346	$ 4,493	$ 2,853	$ 7,280	$ 4,456	$ 2,824
Tenant recovery income	1,492	255	1,237	1,398	270	1,128
Other property income	217	217	—	233	233	—
Total income	$ 9,055	$ 4,965	$ 4,090	$ 8,911	$ 4,959	$ 3,952
Repairs and maintenance	552	332	220	564	349	215
Property payroll and benefits	342	303	39	328	281	47
Property insurance	373	174	199	365	167	198
Other property expenses	1,324	907	417	1,110	813	297
Real estate taxes	1,491	530	961	1,413	530	883
Total expenses	$ 4,082	$ 2,246	$ 1,836	$ 3,780	$ 2,140	$ 1,640
Net operating income	$ 4,973	$ 2,719	$ 2,254	$ 5,131	$ 2,819	$ 2,312
Non-allocated expenses (1)	(5,876)			(5,637)		
Gain on sale of investment properties, net (2)	—			6,869		
Other income	237			252		
Interest expense	(1,836)			(1,911)		
GAAP adjustments to NOI (3)	250			338		
Net income (loss)	$ (2,252)			$ 5,042		
Balance Sheet Data						
Real estate assets, net (4)	$ 292,008	$ 190,302	$ 101,706	$ 293,475	$ 196,475	$ 97,000
Non-segmented assets (5)	42,563			50,041		
Total assets	$ 334,571			$ 343,516		
Capital expenditures	$ 5,464	$ 114	$ 5,350	$ 2,498	$ 50	$ 2,448

(1) Non-allocated expenses consist of general and administrative expenses and depreciation and amortization.

(2) Gain on sale of investment properties is related to the sale of the industrial portfolio.

(3) GAAP adjustments to NOI include straightline rental income and amortization of above and below market lease revenues.

(4) Real estate assets include intangible lease assets, net of amortization.

(5) Non-segmented assets include cash and cash equivalents, restricted cash and escrows, accounts receivable and deferred costs and other assets.

10. Share Based Compensation

Incentive Award Plan

On April 28, 2016, the board of directors adopted, ratified and approved the Highlands REIT, Inc. 2016 Incentive Award Plan (the "Incentive Award Plan") under which the Company may grant cash and equity-based incentive awards to eligible employees, directors, and consultants. Prior to the Company's spin-off from InvenTrust, the board of directors of the Company (then a wholly-owned subsidiary of InvenTrust) adopted, and InvenTrust, as the sole stockholder of Highlands, approved, the Incentive Awards Plan.

Under the Incentive Award Plan, the Company was initially authorized to grant up to 43,000 shares of the Company's common stock pursuant to awards under the Incentive Award Plan. On August 12, 2021, the board of directors increased the authorized number of shares of its common stock under the Incentive Award Plan from 43,000 to 67,000 pursuant to that certain Second

Amendment to Highlands REIT, Inc. 2016 Incentive Award Plan, dated as of August 12, 2021. As of March 31, 2025, 7,046 shares were available for future issuance under the Incentive Award Plan.

11. Repurchase of Shares

Subsequent to the close of our 2023 tender offer, the Company discovered an administrative error in which certain tender requests were not processed. We honored all such tender requests in April 2024, and accordingly another 33 shares were repurchased at a price per share of $0.14 for total cash of $4.

During the three months ended March 31, 2024, the Company incurred $220 of additional costs related to this previously executed tender offer.

12. Commitments and Contingencies

The Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, management believes, based on currently available information, that the final outcome of such matters will not have a material adverse effect on the financial statements of the Company.

Highlands has also agreed to indemnify InvenTrust against all taxes related to the Company and its assets, including taxes attributable to periods prior to the separation and distribution. InvenTrust has agreed to indemnify the Company for any taxes attributable to the failure of InvenTrust or MB REIT (Florida), Inc., a subsidiary of the Company, to maintain its qualification as a REIT for any taxable year ending on or before December 31, 2016.

In April 2024, the Company executed a lease with LTF Lease Company, LLC, for an approximately 61,000 square foot LifeTime Fitness at Sherman Plaza, located in Evanston, Illinois. The lease requires a significant tenant allowance, which is being accounted for as lessor-owned improvements, and a leasing commission. Rental payments under this lease commenced March 1, 2025, the date tenant opened for business. The tenant began reimbursing for its share of common area maintenance upon taking possession of the space in July 2024. The total cost commitment is estimated to be approximately $9,200. As of March 31, 2025, we estimate that remaining costs to be paid under this commitment are approximately $3,000.

In April 2025, the Company entered into a Separation and Consulting Agreement with its former President and Chief Executive Officer, Richard Vance. As part of this agreement, Mr. Vance will be paid a consulting fee totaling $800 covering the remainder of the 2025 fiscal year. Mr. Vance will also be paid $100 quarterly during the 2026 and 2027 fiscal years. Also, as part of the agreement, the Company has agreed to repurchase 6,698 shares of Mr. Vance’s common stock, at a price of $0.28 per share (a discount from the most recent share valuation of $0.31 per share) for a total of $1,875 and may repurchase additional shares beginning in 2029, as stated in the agreement. The Company will pay Mr. Vance Cobra premiums for a period of 18-months from the effective date of the agreement.

13. Subsequent Events

We have evaluated subsequent events through the date that the consolidated financial statements were issued, noting none.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

References to "Highlands," the "Company," "we" or "us" are to Highlands REIT, Inc., as well as all of Highlands' wholly-owned and consolidated subsidiaries.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and accompanying notes, which appear elsewhere in this Quarterly Report on Form 10-Q, and the historical consolidated financial statements, and related notes included elsewhere in our Annual Report on Form 10-K. The following discussion and analysis contains forward-looking statements based upon our current expectations, estimates and assumptions that involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements due to a variety of risks, uncertainties and other factors, including but not limited to, factors discussed in "Part I - Item 1A. Risk Factors" and "Disclosure Regarding Forward-Looking Statements" in our Annual Report on Form 10-K.

Certain statements in this Quarterly Report on Form 10-Q, other than purely historical information, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include statements about Highlands' plans, objectives, strategies, financial performance and outlook, trends, the amount and timing of future cash distributions, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "guidance," "predict," "potential," "continue," "likely," "will," "would," "illustrative" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by Highlands and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements. There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties and other important factors include, among others: the risks, uncertainties and factors set forth in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K; business, financial and operating risks inherent to real estate investments and the industry; our ability to renew leases, lease vacant space, or re-lease space as leases expire; our ability to repay or refinance our debt as it comes due; difficulty selling or re-leasing our investment properties due to their specific characteristics as described elsewhere in this report; contraction in the global economy or low levels of economic growth; our ability to sell our investment properties at a price and on a timeline consistent with our investment objectives, or at all; our ability to service our debt; changes in interest rates and operating costs; compliance with regulatory regimes and local laws; uninsured or underinsured losses, including those relating to natural disasters or terrorism; domestic or international instability or political or civil unrest, including the ongoing hostilities in Ukraine and Israel and their worldwide economic impact; the amount of debt that we currently have or may incur in the future; provisions in our debt agreements that may restrict the operation of our business; our separation from InvenTrust and our ability to operate as a stand-alone public reporting company; our organizational and governance structure; our status as a REIT; the cost of compliance with and liabilities under environmental, health and safety laws; the uncertainty and economic impact of pandemics, epidemics or other public health emergencies or fear of such events; adverse litigation judgments or settlements; changes in real estate and zoning laws and increase in real property tax rates; changes in federal, state or local tax law, including legislative, administrative, regulatory or other actions affecting REITs; changes in governmental regulations or interpretations thereof; and estimates relating to our ability to make distributions to our stockholders in the future.

These factors are not necessarily all of the important factors that could cause our actual financial results, performance, achievements or prospects to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made, and we do not undertake or assume any obligation to update publicly any of these forward-looking statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Overview

We are a self-advised and self-administered real estate investment trust ("REIT") created to own and manage substantially all of the "non-core" investment properties previously owned and managed by our former parent, InvenTrust Properties Corp., a Maryland corporation ("InvenTrust"). On April 28, 2016, we were spun-off from InvenTrust through a pro rata distribution (the "Distribution") by InvenTrust of 100% of the outstanding shares of our common stock to holders of InvenTrust's common stock. Prior to or concurrent with the separation, we and InvenTrust engaged in certain reorganization transactions that were designed to consolidate substantially all of InvenTrust's remaining "non-core" investment properties in Highlands.

This inherited portfolio of "non-core" investment properties, which were acquired by InvenTrust between 2005 and 2008, included investment properties that are special use, single tenant or build to suit; face unresolved legal issues; are in undesirable locations or in weak markets or submarkets; are aging or functionally obsolete; and/or have sub-optimal leasing metrics. Certain of our investment properties are retail properties located in tertiary markets, which are particularly susceptible to the negative trends affecting retail real estate. As a result of these characteristics, such investment properties are difficult to lease, finance and refinance and are relatively illiquid compared to other types of real estate properties. These factors also significantly limit our investment property disposition options, impact the timing of such dispositions and restrict the viable options available to the Company for future potential liquidity options.

Our strategy is focused on preserving, protecting and maximizing the total value of our portfolio with the long-term objective of providing stockholders with a return of their investment. We engage in rigorous asset management, seek to sustain and enhance our portfolio, and improve the quality and income-producing ability of our portfolio by engaging in selective dispositions, acquisitions, capital expenditures, financing, refinancing and enhanced leasing. We are also focused on cost containment efforts across our portfolio, improving our overall capital structure and making select investments in our existing "non-core" investment properties to maximize their value. To the extent we are able to generate cash flows from operations or dispositions of investment properties, in addition to the cash uses outlined above, our board of directors has determined that it is in the best interest of the Company to seek to reinvest in investment properties that are more likely to generate more reliable and stable cash flows, such as multi-family investment properties, as part of the Company's overall strategy to optimize the value of the portfolio, enhance our options for future potential liquidity options and maximize shareholder value. Given the nature and quality of the "non-core" investment properties in our portfolio as well as current market conditions, a definitive timeline for execution of our strategy cannot be made.

With this strategy in mind, in the fourth quarter of 2023, we launched a modified "Dutch Auction" self-tender offer in an effort to provide a liquidity option for certain of our stockholders who elected to tender their stock while at the same time balancing the best interests of the Company and of those stockholders who wished to remain invested in the Company. We believe that the tender offer provided an efficient mechanism to provide our stockholders who desired immediate liquidity with the opportunity to tender shares, while also providing a benefit to those stockholders who did not participate, as such stockholders automatically increased their relative percentage ownership interest in the Company and our future operations, including any liquidity events that we may have in the future. We will continue to explore offering an additional liquidity option to our shareholders, which we expect to announce within a year. Our ability to execute on future liquidity events will be influenced by external and macroeconomic factors, including, among others, interest rate movements, inflation, local, regional, national and global economic performance and real estate markets, government policy changes and competitive factors and we may be unable to execute such a transaction on terms we find attractive for our stockholders.

As of March 31, 2025, our portfolio of investment properties included thirteen multi-family, three retail and one office property, one correctional facility and one parcel of unimproved land. We currently have two business segments, consisting of multi-family and other assets. We may have additional or fewer segments in the future to the extent we enter into additional real property sectors, dispose of investment properties, or change the character of our assets. For the complete presentation of our reportable segments, see Note 9 to our consolidated financial statements for the three months ended March 31, 2025 and 2024.

Basis of Presentation

The accompanying consolidated financial statements reflect the accounts of Highlands and its consolidated subsidiaries (collectively, the "Company"). Highlands consolidates its wholly-owned subsidiaries and any other entities which it controls (i) through voting rights or similar rights or (ii) by means other than voting rights if Highlands is the primary beneficiary of a variable interest entity ("VIE"). The portions of the equity and net income of consolidated subsidiaries that are not attributable to the Company are presented separately as amounts attributable to noncontrolling interests in our consolidated financial statements. Entities which Highlands does not control and entities which are VIEs in which Highlands is not a primary beneficiary, if any, are accounted for under appropriate GAAP. Highlands' subsidiaries generally consist of limited liability companies ("LLCs"). The effects of all significant intercompany transactions have been eliminated.

Critical accounting policies are described in the "Notes to Consolidated Financial Statements" for the year ended December 31, 2024 contained in the Company's latest Annual Report on Form 10-K. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been discussed in the "Notes to Consolidated Financial Statements" in this Quarterly Report on Form 10-Q. The application of critical accounting policies may require management to make assumptions, judgments and estimates about the amounts reflected in the Consolidated Financial Statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

Revenues and Expenses

Revenues

Our revenues are primarily derived from rental income and expense recoveries we receive from our tenants under leases with us, including monthly rent and other property income pursuant to tenant leases. Tenant recovery income primarily consists of reimbursements for real estate taxes, common area maintenance costs, management fees and insurance costs.

Expenses

Our expenses consist of property operating expenses, real estate taxes, depreciation and amortization expense, general and administrative expenses, interest expense and provision for asset impairment. Property operating expenses primarily consist of repair and maintenance, management fees, utilities and insurance (some of which are recoverable from the tenant).

Key Indicators of Operating Performance

In evaluating our financial condition and operating performance, management focuses on the following financial and non-financial indicators, discussed in further detail herein:

- Cash flow from operations as determined in accordance with GAAP;
- Economic and physical occupancy and rental rates;
- Leasing activity and lease rollover;
- Management of operating expenses;
- Management of general and administrative expenses;
- Debt maturities and leverage ratios;
- Liquidity levels;
- Funds From Operations ("FFO"), a supplemental non-GAAP measure; and
- Adjusted Funds From Operations ("AFFO"), a supplemental non-GAAP measure.

Acquisition and Disposition Activity

There were no asset acquisitions during the three months ended March 31, 2025 and 2024.

There were no investment property dispositions during the three months ended March 31, 2025.

During the three months ended March 31, 2024, consistent with our strategy of disposing of legacy "non-core" investment properties, we sold the following investment properties:

			(dollar amounts in thousands)		
Property	**Location**	**Disposition Date**	**Gross Disposition Price**	**Sale Proceeds, Net**	**Gain on Sale**
Versacold USA	New Ulm, MN	February 5, 2024	$ 7,175	$ 6,995	$ 2,052
Versacold USA	St. Paul, MN	February 5, 2024	$ 13,325	$ 13,076	$ 4,817
			$ 20,500	$ 20,071	$ 6,869

Results of Operations

Comparison of the three months ended March 31, 2025 and 2024

Key performance indicators are as follows:

	As of March 31,			
	2025		2024	
Economic occupancy [(1)]		76.6 %		73.2 %
Rent per square foot [(2)]	$	26.38	$	24.98

(1) Economic occupancy is defined as the percentage of total gross leasable area for which a tenant is obligated to pay rent under the terms of its lease agreement, regardless of the actual use or occupation by the tenant of the area being leased. Actual use may be less than economic square footage.

(2) Rent per square foot is computed as annualized base rent divided by the total occupied square footage at the end of the period. Annualized rent is computed as revenue for the last month of the period multiplied by twelve months. Annualized rent includes the effect of rent abatements, lease inducements and straight-line rent GAAP adjustments.

Consolidated Results of Operations

The following section describes and compares our consolidated results of operations for the three months ended March 31, 2025 and 2024.

	(dollar amounts in thousands) For the three months ended March 31,						
	2025		2024		Increase (Decrease)		
Net income (loss)	$	(2,252)	$	5,042	$	(7,294)	(144.7)%

Net income decreased $7.3 million during the three months ended March 31, 2025, compared to the three months ended March 31, 2024, due primarily to the gain on sale of investment properties recorded in conjunction with the February 2024 sale of our industrial portfolio and higher expenses.

Details of these changes are provided below.

The following table presents the changes in our revenues for the three months ended March 31, 2025 and 2024.

	(dollar amounts in thousands) For the three months ended March 31,						
	2025		2024		Increase (Decrease)		
Income:							
Rental income	$	9,088	$	9,016	$	72	0.8 %
Other property income		217		233		(16)	(6.9)%
Total revenues	$	9,305	$	9,249	$	56	0.6 %

Total revenues increased $0.1 million during the three months ended March 31, 2025, compared to the three months ended March 31, 2024, due primarily to rent commencement on the LifeTime Fitness lease at Sherman Plaza and increased revenue from our multi-family portfolio. Partially offsetting this increase was a decrease in rent due to the sale of our industrial portfolio in February 2024 and the recognition during the three months ended March 31, 2024 of additional recovery revenue upon the commencement of XP Power at Trimble.

The following table presents the changes in our expenses for the three months ended March 31, 2025 and 2024.

	(dollar amounts in thousands) For the three months ended March 31,			
	2025	2024	Increase (Decrease)	
Expenses:				
Property operating expenses	$ 2,591	$ 2,367	$ 224	9.5 %
Real estate taxes	1,491	1,413	78	5.5 %
Depreciation and amortization	2,862	3,027	(165)	(5.5)%
General and administrative expenses	3,014	2,610	404	15.5 %
Total expenses	$ 9,958	$ 9,417	$ 541	5.7 %

Property operating expenses increased $0.2 million during the three months ended March 31, 2025, compared to the three months ended March 31, 2024, due to higher bad debt expense on our multi-family portfolio, higher professional fees due to pursuit costs on a transaction that did not close and higher utilities, payroll and insurance at our properties.

Real estate taxes increased $0.08 million during the three months ended March 31, 2025, compared to the three months ended March 31, 2024, due our estimate for current year real estate taxes being higher than the estimate for the prior year.

Depreciation and amortization decreased $0.2 million during the three months ended March 31, 2025, compared to the three months ended March 31, 2024, due to the sale of the industrial portfolio in February 2024 and to certain assets being fully depreciated during 2024.

General and administrative expense increased $0.4 million for the three months ended March 31, 2025, compared to the three months ended March 31, 2024, due primarily to increased payroll and other benefits due to annual increases and the accrual of retention bonuses granted in 2024 to eligible employees that are to be paid in the second quarter of 2025. No such bonuses were accrued during the the three months ended March 31, 2024.

The following table presents the changes in our other income and expenses for the three months ended March 31, 2025 and 2024.

	(dollar amounts in thousands) For the three months ended March 31,			
	2025	2024	Increase (Decrease)	
Other income and (expenses):				
Gain on sale of investment properties, net	$ —	$ 6,869	$ (6,869)	(100.0)%
Other income	$ 237	$ 252	$ (15)	(6.0)%
Interest expense	$ (1,836)	$ (1,911)	$ (75)	(3.9)%

There were no sales of investment properties during the three months ended March 31, 2025. During the three months ended March 31, 2024, the gain on sale of investment properties of $6.9 million was attributed to the sale of our industrial portfolio in February 2024.

Other income decreased $0.02 million for the three months ended March 31, 2025, as compared to the three months ended March 31, 2024, due primarily to lower interest income earned on our cash balances due to lower interest rates.

Interest expense decreased $0.1 million for the three months ended March 31, 2025, compared to the three months ended March 31, 2024, due to lower interest rates on our variable mortgage for The Muse and lower interest expense on the derivative for The Locale, which has since expired.

Leasing Activity

Our primary source of funding for our property-level operating activities and debt payments is rent collected pursuant to our tenant leases. The following table represents scheduled tenant lease expirations, excluding multi-family residential leases, as of March 31, 2025, assuming none of the tenants exercise renewal options:

Lease Expiration Year	Number of Expiring Leases	Gross Leasable Area (GLA) of Expiring Leases (Sq. Ft.)	Annualized Rent of Expiring Leases (in thousands)	Percent of Total GLA	Percent of Total Annualized Rent	Expiring Rent/Square Foot
2025	8	22,875	$ 515	4.3 %	3.8 %	$ 22.52
2026	7	39,342	653	7.4 %	4.8 %	16.60
2027	3	12,383	320	2.3 %	2.4 %	25.82
2028	8	31,402	660	5.9 %	4.9 %	21.02
2029	11	87,760	1,933	16.5 %	14.3 %	22.02
2030	7	51,823	740	9.7 %	5.4 %	14.29
2031	—	—	—	— %	— %	—
2032	3	10,599	219	2.0 %	1.6 %	20.62
2033	1	815	27	0.2 %	0.2 %	32.96
2034	1	2,888	88	0.5 %	0.6 %	30.47
Thereafter	5	272,855	8,401	51.2 %	62.0 %	30.79
Grand Total	54	532,742	$ 13,556	100.0 %	100.0 %	$ 25.44

The following table represents new and renewed leases that commenced during the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31, 2025				Three Months Ended March 31, 2024			
	# of Leases	Gross Leasable Area	Rent per square foot	Weighted Average Lease Term	# of Leases	Gross Leasable Area	Rent per square foot	Weighted Average Lease Term
New	1	60,692	$ 30.39	15.0	—	—	$ —	—
Renewals	5	36,665	16.01	4.4	1	2,460	46.37	5.0
Total	6	97,357	$ 24.97	11.0	1	2,460	$ 46.37	5.0

Critical Accounting Estimates

General

The accompanying consolidated financial statements have been prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates, judgments, and assumptions are required in a number of areas, including, but not limited to, evaluating the collectability of accounts receivable, allocating the purchase price of acquired investment properties, and evaluating the impairment of real estate assets. We base these estimates, judgments and assumptions on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Acquisition of Real Estate

We evaluate the inputs, processes and outputs of each investment property acquired to determine if the transaction is a business combination or asset acquisition. If an acquisition qualifies as a business combination, the related transaction costs are recorded as an expense in the consolidated statements of operations and comprehensive income (loss). If an acquisition qualifies as an asset acquisition, the related transaction costs are generally capitalized and amortized over the useful life of the acquired assets. Generally, acquisition of real estate qualifies as an asset acquisition.

We allocate the purchase price of real estate to land, building, other building improvements, tenant improvements, and intangible assets and liabilities (such as the value of above- and below-market leases and in-place leases). The values of above- and below-market leases are recorded as intangible assets, net, and other liabilities, respectively, in the consolidated balance sheets, and are amortized as either a decrease (in the case of above-market leases) or an increase (in the case of below-market leases) to rental income over the remaining term of the associated tenant lease. The values associated with in-place leases are recorded in intangible assets, net in the consolidated balance sheets and are amortized to depreciation and amortization expense in the consolidated statements of operations and comprehensive income (loss) over the remaining lease term.

The difference between the contractual rental rates and our estimate of market rental rates is measured over a period equal to the remaining non-cancelable term of the leases, including below-market renewal options for which exercise of the renewal option appears to be reasonably assured. The remaining term of leases with renewal options at terms below market reflect the assumed exercise of such below-market renewal options and assume the amortization period would coincide with the extended lease term.

Impairment of Real Estate

The Company assesses the carrying values of the respective long-lived investment properties whenever events or changes in circumstances indicate that the carrying amounts of these investment properties may not be fully recoverable, such as a reduction in the expected holding period of the investment property. If it is determined that the carrying value is not recoverable because the undiscounted cash flows do not exceed carrying value, the Company records an impairment loss to the extent that the carrying value exceeds fair value. The valuation and possible subsequent impairment of investment properties is a significant estimate that can and does change based on the Company’s continuous process of analyzing each investment property and reviewing assumptions about uncertain inherent factors, as well as the economic condition of the asset at a particular point in time.

The use of projected future cash flows and related holding periods is based on assumptions that are consistent with the estimates of future expectations and the strategic plan the Company uses to manage its underlying business. However, assumptions and estimates about future cash flows and capitalization rates are complex and subjective. Changes in economic and operating conditions and the Company’s ultimate investment intent that occur subsequent to the impairment analyses could impact these assumptions and result in future impairment charges of the real estate properties.

Liquidity and Capital Resources

As of March 31, 2025, we had $27.3 million of cash and cash equivalents, and $2.0 million of restricted cash and escrows.

Our primary sources and uses of capital are as follows:

Sources:

- cash flows from our investment properties;
- proceeds from sales of investment properties; and
- proceeds from debt.

Uses:

- to pay the operating expenses of our investment properties;
- to pay our general and administrative expenses;
- to pay for acquisitions;
- to pay for capital commitments;
- to pay for short-term obligations;
- to service or pay-down our debt; and
- to fund capital expenditures and leasing related costs.

Certain of our investment properties have lease maturities within the next two years that we expect to reduce our cash flows from operations if they are not renewed or replaced. Significant lease maturities include Office Max at Market at Hilliard expiring in March 2026.

We may, from time to time, repurchase our outstanding equity and/or debt securities, if any, through cash purchases or via other transactions. Such repurchases or transactions, if any, will depend on our liquidity requirements, contractual restrictions, and other factors. The amounts involved may be material.

Material Cash Requirements

In April 2024, the Company executed a lease with LTF Lease Company, LLC, for an approximately 61,000 square foot Life Time Fitness at Sherman Plaza, located in Evanston, Illinois. The lease requires a significant tenant allowance, which is being accounted for as lessor-owned improvements, and a leasing commission. Rental payments under this lease commenced March 1, 2025, the date tenant opened for business. The tenant began reimbursing for its share of common area maintenance upon taking possession of the space in July 2024. The total cost commitment is estimated to be approximately $9.2 million. As of March 31, 2025, we estimate that remaining costs to be paid under this commitment are approximately $3.0 million.

In April 2025, the Company entered into a Separation and Consulting Agreement with its former President and Chief Executive Officer, Richard Vance. As part of this agreement, Mr. Vance will be paid a consulting fee totaling $0.8 million covering the remainder of the 2025 fiscal year. Mr. Vance will also be paid $0.1 million quarterly during the 2026 and 2027 fiscal years. Also, as part of the agreement, the Company has agreed to repurchase 6.7 million shares of Mr. Vance's common stock, at a price of $0.28 per share (a discount from the most recent share valuation of $0.31 per share) for a total of $1.9 million and may repurchase additional shares beginning in 2029, as stated in the agreement. The Company will pay Mr. Vance Cobra premiums for a period of 18-months from the effective date of the agreement.

The Company expects to use cash on hand, cash flows from operations and proceeds from financings to fund the above commitments.

Borrowings

Total debt outstanding as of March 31, 2025 and December 31, 2024 was $123.6 million and $123.9 million, respectively, with a weighted average interest rate of 5.33% and 5.38% per annum, respectively.

The Company's outstanding mortgage indebtedness included 11 mortgage loans with various maturities through January 2036. The following table presents the principal amount of debt maturing each year, including amortization of principal based on debt outstanding at March 31, 2025, and the weighted average interest rates for the maturing debt in each specified period (dollar amounts are stated in thousands):

Debt maturing during the year ended December 31,	As of March 31, 2025	Weighted average interest rate
2025 (remaining)	$ 734	— %
2026	43,084	5.16 %
2027	10,785	3.99 %
2028	234	— %
2029	245	— %
Thereafter	68,556	5.64 %
Total	$ 123,638	5.33 %

The mortgage loan encumbering the Trimble office investment property currently leased by Veeco Instruments, Inc. matured on April 6, 2025. This loan has a principal amount of $20.0 million, $4.0 million of which is guaranteed by Highlands. The Company exercised the 12-month extension option that was available under the original loan documents, and paid an extension fee equal to $0.02 million, to extend the maturity date on the loan to April 6, 2026. The swap arrangement that the Company entered into at the time we closed the loan fixed the interest rate at 5.86% for the term of the loan, including the extended maturity date.

The Company's ability to pay off the mortgages when they become due is dependent upon the Company's ability either to refinance the related mortgage debt or to sell the related investment property. With respect to each mortgage loan, if the applicable wholly-owned property-owning subsidiary is unable to refinance or sell the related investment property, or in the event that the estimated value is less than the mortgage balance, the applicable wholly-owned property-owning subsidiary may, if appropriate, satisfy a mortgage obligation by transferring title of the investment property to the lender or permitting a lender to foreclose.

As of March 31, 2025 and December 31, 2024, Highlands guaranteed one mortgage loan up to $4,000. However, Highlands or its subsidiaries may act as guarantor under customary, non-recourse, carve-out guarantees in connection with obtaining mortgage loans on certain of our investment properties.

Volatility in the capital markets could expose us to the risk of not being able to borrow on terms and conditions acceptable to us for refinancing.

Summary of Cash Flows

Comparison of the three months ended March 31, 2025 and 2024

	(in thousands) Three Months Ended March 31,	
	2025	2024
Net cash flows provided by operating activities	$ 1,114	$ 1,218
Net cash flows provided by (used in) investing activities	(5,793)	17,323
Net cash flows used in financing activities	(246)	(454)
Net increase (decrease) in cash and cash equivalents and restricted cash and escrows	(4,925)	18,087
Cash and cash equivalents and restricted cash and escrows, at beginning of period	34,228	19,484
Cash and cash equivalents and restricted cash and escrows, at end of period	$ 29,303	$ 37,571

Cash provided by operating activities was $1.1 million for the three months ended March 31, 2025, compared to $1.2 million for the three months ended March 31, 2024. The slight decrease in cash provided by operating activities compared to the same period in 2024 is due primarily to increased expenses on our investment property portfolio.

Cash used in investing activities was $5.8 million for the three months ended March 31, 2025, compared to cash provided by investing activities of $17.3 million for the three months ended March 31, 2024. Cash for investing activities changed by $23.1 million compared to the same period in 2024, as a result of proceeds received from the sale of our industrial portfolio totaling $20.1 million during the three months ended March 31, 2024, and higher cash spent for capital expenditures and tenant improvements during the three months ended March 31, 2025.

Cash used in financing activities was $0.2 million for the three months ended March 31, 2025, compared to $0.5 million for the three months ended March 31, 2024. Cash used in financing activities for the three months ended March 31, 2025 included principal payments on debt totaling $0.2 million. Cash used in financing activities for the three months ended March 31, 2024 included principal payments on mortgage debt in the amount of $0.2 million and payment of additional costs in relation to the tender offer that we executed in the fourth quarter of 2023.

We consider all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements with a maturity of three months or less at the date of purchase to be cash equivalents. We maintain our cash and cash equivalents at financial institutions. The combined account balances at one or more institutions exceed the Federal Depository Insurance Corporation (“FDIC”) insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage.

Distributions

For the three months ended March 31, 2025 and 2024, no cash distributions were paid by the Company.

Funds From Operations and Adjusted Funds From Operations

The National Association of Real Estate Investment Trusts (“NAREIT”), an industry trade group, has promulgated a non-GAAP financial measure known as Funds From Operations, or FFO. As defined by NAREIT, FFO is net income (loss) in accordance with GAAP excluding gains (or losses) resulting from dispositions of investment properties, plus depreciation and amortization and impairment charges on depreciable property. We have adopted the NAREIT definition in our calculation of FFO as management considers FFO a widely accepted and appropriate measure of performance for REITs. FFO is not equivalent to our net income or loss as determined under GAAP.

Since the definition of FFO was promulgated by NAREIT, management and many investors and analysts have considered the presentation of FFO alone to be insufficient. Accordingly, in addition to FFO, we may also use Adjusted Funds From

Operations, or AFFO, as a measure of our operating performance. We define AFFO, a non-GAAP financial measure, to exclude from FFO adjustments for gains or losses related to early extinguishment of debt instruments as these items are not related to our continuing operations. By excluding these items, management believes that AFFO provides supplemental information related to sustainable operations that will be more comparable between other reporting periods and to other public, non-listed REITs. AFFO is not equivalent to our net income or loss as determined under GAAP.

In calculating FFO and AFFO, impairment charges of depreciable real estate are added back even though the impairment charge may represent a permanent decline in value due to decreased operating performance of the applicable investment property. Further, because gains and losses from sales of investment property are excluded from FFO and AFFO, it is consistent and appropriate that impairments, which are often early recognition of losses on prospective sales of investment property, also be excluded.

We believe that FFO and AFFO are useful measures of our investment properties' operating performance because they exclude noncash items from GAAP net income. Neither FFO nor AFFO is intended to be an alternative to "net income" nor to "cash flows from operating activities" as determined by GAAP as a measure of our capacity to pay distributions. Other REITs may use alternative methodologies for calculating similarly titled measures, which may not be comparable to our calculation of FFO and AFFO. The Company may not present AFFO if the events and transactions of the reporting period do not include the related reconciling items.

The following section presents our calculation of FFO to net income (in thousands):

	Three Months Ended March 31,	
	2025	**2024**
Net income (loss) attributable to Highlands REIT, Inc. common stockholders	$ (2,251)	$ 5,043
Depreciation and amortization [1]	2,850	3,014
Gain on sale of investment properties, net	—	(6,869)
Funds From Operations	$ 599	$ 1,188
Funds From Operations per weighted average common shares, basic and diluted	$ —	$ —
Weighted average number of common shares outstanding, basic and diluted	724,321	721,671

(1) The depreciation and amortization add-back excludes the portion of expense attributable to the noncontrolling interest.

Use and Limitations of Non-GAAP Financial Measures

FFO and AFFO do not represent cash generated from operating activities under GAAP and should not be considered as an alternative to net income or loss, operating profit, cash flows from operations or any other operating performance measure prescribed by GAAP. Although we may present and use FFO and AFFO because we believe they are useful to investors in evaluating and facilitating comparisons of our operating performance between periods and between REITs that report similar measures, the use of this non-GAAP measure has certain limitations as an analytical tool. This non-GAAP financial measure is not a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to fund capital expenditures, contractual commitments, working capital, service debt or make cash distributions. This measurement does not reflect cash expenditures for long-term assets and other items that we have incurred and will incur. This non-GAAP financial measure may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures, investment property acquisitions and other commitments and uncertainties. This non-GAAP financial measure, as presented, may not be comparable to non-GAAP financial measures as calculated by other real estate companies.

We compensate for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our reconciliation to the most comparable GAAP financial measures, and our consolidated statements of operations and comprehensive income (loss) and cash flows, include interest expense, capital expenditures and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measure. This non-GAAP financial measure reflects an additional way of viewing our operations that we believe, when viewed with our GAAP results and the reconciliation to the corresponding GAAP financial measure, provides a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. We strongly encourage investors to review our financial information in its entirety and not to rely on a single financial measure.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risk associated with changes in interest rates both in terms of variable-rate debt and the price of new fixed-rate debt upon maturity of existing debt and for acquisitions.

Interest Rate Risk

Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. As of March 31, 2025, our debt included a variable-rate mortgage loan of $20.0 million, which has been swapped to a fixed rate of 5.86% and a variable rate mortgage loan of $19.5 million, with an interest cap, capping the rate at 7.44%. The interest rate in effect on the capped variable rate mortgage loan on March 31, 2025 was 6.41%.

With regard to our variable-rate financing, we assess interest rate cash flow risk by identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. We maintain risk management control systems to monitor interest rate cash flow risk attributable to both outstanding or forecasted debt obligations.

We may use financial instruments to hedge exposure to changes in interest rates on loans. To the extent we do, we are exposed to credit risk and market risk. Credit risk is the risk of failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates a credit risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, it does not pose credit risk. We seek to minimize the credit risk in derivative instruments by entering into transactions with what we believe are high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument resulting from a change in interest rates.

As of March 31, 2025, we had two derivative financial instruments designated as cash flow hedges, with original notional amounts of $20.0 million and $19.5 million and maturity dates of April 6, 2026 and November 1, 2026, respectively. The fair value of the derivatives was $0.04 million as of March 31, 2025 included in deferred costs and other assets in the accompanying consolidated balance sheets. The gains or losses resulting from marking-to-market our derivative financial instruments during the periods presented are recognized as an increase or decrease in comprehensive income on our consolidated statements of operations and comprehensive income (loss).

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15(b) and Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management, including our principal executive officer and our principal financial officer evaluated, as of March 31, 2025, the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and Rule 15d-15(e) of the Exchange Act. Based on that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures, as of March 31, 2025, were effective at a reasonable assurance level for the purpose of ensuring that information required to be disclosed by us in this Quarterly Report is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Exchange Act and is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company’s internal control over financial reporting during the three months ended March 31, 2025 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II.

Item 1. Legal Proceedings

We are from time to time involved in legal actions arising in the ordinary course of business. We are not currently involved in any legal or administrative proceedings that we believe are likely to have a material adverse effect on our business, results of operations or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended March 31, 2025, none of the Company's directors or officers adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

Item 6. Exhibits

The exhibits filed in response to Item 601 of Regulation S-K are listed on the Exhibit Index attached hereto and are incorporated herein by reference.

EXHIBIT NO.	DESCRIPTION
3.1	Articles of Amendment and Restatement of Highlands REIT, Inc. (incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-8, filed with the Securities and Exchange Commission on April 27, 2016)
3.2	Amended and Restated Bylaws of Highlands REIT, Inc. (incorporated by reference to Exhibit 3.2 to the Company’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 15, 2023)
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
10.1	Amended and Restated Executive Employment Agreement, dated as of March 17, 2025, by and between Highlands REIT, Inc. and Robert J. Lange (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 29, 2025)
10.2	Separation and Consulting Agreement, dated as of April 24, 2025, by and between Highlands REIT, Inc. and Richard Vance (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 29, 2025)
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Link Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed as part of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Date
/s/ Robert J. Lange	May 8, 2025
Name: Robert J. Lange	
Title: President and Chief Executive Officer (Principal Executive Officer)	
/s/ Kimberly A. Karas	May 8, 2025
Name: Kimberly A. Karas	
Title: Senior Vice President, Chief Accounting Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	

Exhibit 31.1

Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert J. Lange, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Highlands REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2025

/s/ Robert J. Lange

Name: Robert J. Lange

Title: President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kimberly A. Karas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Highlands REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 8, 2025

/s/ Kimberly A. Karas
Name: Kimberly A. Karas
Title: Senior Vice President, Chief Accounting Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant To 18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Highlands REIT, Inc. (the “Company”) for the period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer’s knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2025

/s/ Robert J. Lange
Name: Robert J. Lange
Title: President and Chief Executive Officer (Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of the Report or on a separate disclosure document.

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant To 18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Highlands REIT, Inc. (the “Company”) for the period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer’s knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	May 8, 2025	/s/ Kimberly A. Karas
		Name: Kimberly A. Karas
		Title: Senior Vice President, Chief Accounting Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of the Report or on a separate disclosure document.