



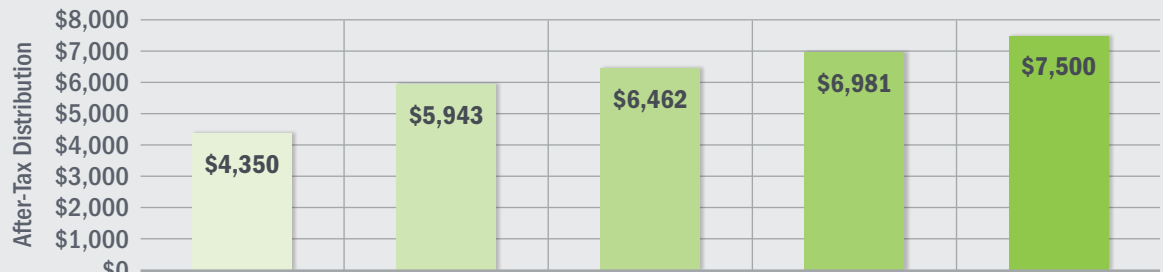
In addition to providing portfolio diversification and increased yields, investing in REITs provide investors with tax-efficient income due to favorable tax treatment. **REIT investors are able to deduct 20% from their tax rate on the ordinary dividends they receive from their investments in REITs.**¹ Investors also benefit from distributions that are classified as a return of capital (“ROC”), which reduces the taxable portion of the REIT’s distribution by as much as 40-100% thereby maximizing after-tax income.² Additionally, REITs are able to later classify distributions as capital gains instead of ordinary income, which is taxed at a lower rate, increasing after-tax income.

1. As a result of the Tax Cuts and Jobs Act (“TCJA”), **REIT investor’s ordinary dividend distributions benefit from a 20% reduction in the investor’s tax rate.** This means investors at the highest federal tax rate of 37%, will see their tax rate fall to 29.6% on REIT dividend income.¹
2. Generally, REITs have the ability to characterize a portion of distributions made to shareholders as ROC by utilizing tax deferral instruments including depreciation and amortization. **This allows investors to defer a portion of payment of taxes with respect to the REIT’s distributions.** The tax is then later realized as a capital gain at the repurchase/sale of shares, which is taxed at a lower rate than dividend distributions.²
3. REITs also have the ability to classify distributions as capital gains providing investors with an additional tax shelter. Long-term capital gains have a maximum tax rate of 20% versus ordinary income, which is taxed at 37%.³

Below is an example of the tax-efficiency that REITs provide. REITs are able to produce an approximate 36% - 72% higher after-tax distribution rate when compared to a taxable corporate bond paying the same distribution amount.

Hypothetical REIT Example

After-Tax Distribution Amounts Based on a \$100,000 Investment at 7.5% Dividend Rate



	Taxable Corporate Bond	REIT 40% ROC	REIT 60% ROC	REIT 80% ROC	REIT 100% ROC
Distribution	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Return of Capital (ROC)	\$0	\$3,000	\$4,500	\$6,000	\$7,500
Taxable Basis	\$7,500	\$4,500	\$3,000	\$1,500	\$0
Federal + State Tax Rate	42%	42%	42%	42%	42%
Tax Rate with REIT Reduction	42%	34.6%	34.6%	34.6%	34.6%
Tax Payable	(\$3,150)	(\$1,557)	(\$1,038)	(\$519)	\$0
After-Tax Distribution	\$4,350	\$5,943	\$6,462	\$6,981	\$7,500
Effective Federal + State Tax Rate	42.0%	20.8%	13.8%	6.9%	0.0%
After-Tax Distribution Rate	4.4%	5.9%	6.5%	7.0%	7.5%
Tax Equivalent Distribution Rate	7.5%	10.2%	11.1%	12.0%	12.9%

As of the year-end 2023, BHM’s ROC portion was 100% for common and preferred stock dividends. The illustrative example assumes 37% federal income tax rate and 5% state income tax rate. In all scenarios illustrated, the example considers the impact of Section 199A dividends (Qualified Business Income Deductions) and includes those paid from REITs and professionally managed real estate funds that own REITs (including private REITs) that reduce taxable income through a 20% reduction in the taxes owed on REIT/real estate fund dividends. Certain non-cash deductions, such as depreciation and amortization, lower the taxable income for REIT distributions. The 40-60-80-100% ROC scenario reflects straight-line depreciation, which can account for approximately 50% of a REIT’s distributions. The stockholder’s tax basis may be reduced by ROC distributions in the year the distribution is received and generally defer taxes on that portion until the stockholder’s stock is sold via repurchase. Upon repurchase, the investor will calculate their gain by reference to the lower cost basis attributable to the ROC distributions, which gain may be subject to tax at capital gain rates. Assuming a 7.5% distribution and a 40-year depreciable life, depreciation would amount to 2.5% annually; including additional non-cash deductions we estimate that 40-60-80-100% of distributions would be considered ROC. The illustrative example does not reflect the impact of increasing net operating income (“NOI”); an increasing NOI from higher rents would reduce the amount of ROC. While NOI for commercial real estate has historically increased, past performance is not indicative of future results.

There can be no assurance that the actual results will be similar to the example set forth herein or that BHM will be able to effectively implement its investment strategy, achieve its investment objectives, be profitable or avoid losses.

¹ This deduction allows 20% reduction in tax rate on ordinary REIT dividends. The 20% deduction is currently set to expire after 2025, unless extended. The majority of REIT dividends are taxed as ordinary income up to the maximum federal tax rate of 37% (returning to 39.6% in 2026), plus a separate 3.8% surtax on investment income. Taxpayers may also generally deduct 20% of the combined qualified business income amount which includes Qualified REIT Dividends through Dec. 31, 2025. Taking into account the 20% deduction, the highest effective federal tax rate on Qualified REIT Dividends is typically 29.6%.

² An ROC, for tax purposes, should be distinguished from an economic return of capital, where an investor is repaid out of its own contributions rather than from the economic profits of the investment. As a tax law concept, an ROC is not tied to an investment's financial performance. From a tax perspective, amortization and depreciation create an income deferral benefit because a taxpayer is entitled to amortization and depreciation deductions without regard to whether an asset actually amortizes or depreciates. ROC distributions reduce the stockholder's tax basis in the year the dividend is received, and generally defer taxes on that portion until the stock is sold. Investors should be aware that a REIT's ROC percentage may vary significantly in a given year. The hypothetical example is intended to show the likely effects of existing tax laws and is for information purposes only.

³ This assumes investors are in the highest tax bracket.

ABOUT BLUEROCK HOMES TRUST

Bluerock Homes Trust, Inc. (NYSE American: BHM) is an externally managed real estate investment trust (REIT) formed to assemble a portfolio of infill first-ring suburban single-family rental homes in knowledge-economy and high quality of life growth markets across the United States, targeting middle-market single-family home renters. We have elected to be taxed as a real estate investment trust, or "REIT," for U.S. federal income tax purposes and we intend to continue to operate in accordance with the requirements for qualification as a REIT.

- There is no assurance that we will be able to achieve our investment objectives.
- If we are unable to acquire suitable properties or investments, or suffer a delay in doing so, we may not have cash flow available for distribution to you as a stockholder.
- There is currently no public trading market for shares of our Series A Redeemable Preferred Stock, and we do not intend to list them on a securities exchange. As a result, our shares of Series A Redeemable Preferred Stock should be considered as having only limited liquidity and may be illiquid. If you sell your stock, it may be at a substantial discount.
- Other than investments disclosed in a supplement hereto prior to an investor's investment; investors will not have the opportunity to evaluate the economic or other merits of any of our future investments prior to our making them.
- This is a "best efforts" offering and if we are unable to raise substantial funds, then we may be more limited in our investments.
- We may change our investment policies without stockholder notice or consent, which could result in investments that are different from those described in the Prospectus.
- Some of our executive officers, directors and other key personnel also serve as officers, directors, managers, key personnel and/ or holders of an ownership interest in the Manager, the Dealer Manager, and/or their respective affiliates. As a result, they face conflicts of interest, including but not limited to conflicts arising from time constraints, allocation of investment opportunities among their affiliated entities and us, and the Manager's compensation arrangements with us and other programs advised by them.
- Although dividends on the Series A Redeemable Preferred Stock are cumulative, dividend payments on the Series A Redeemable Preferred Stock are not guaranteed. Our board of directors must approve actual payment of the dividends and can elect at any time not to pay any or all accrued distributions.
- Compensation paid to our Manager in connection with transactions involving the management of our investments will be payable regardless of the quality of the investments made or of the services rendered to us. This arrangement could influence our Manager to recommend riskier or unsuitable transactions to us.
- We will rely totally on our Manager to manage our business and assets. Adverse changes in the financial condition of our Manager or its affiliates, or our relationship with our Manager, could adversely affect us and our stockholders.
- Our use of leverage, such as mortgage indebtedness and other borrowings, increases the risk of loss on our investments.
- Distributions paid from sources other than cash flow from operations may constitute a return of capital and reduce investor returns. Rates of distributions to stockholders may not be indicative of our operating results. Beginning two years from the date of original issuance, we may redeem the outstanding shares of Series A Redeemable Preferred Stock, without your consent, at 100% of the Stated Value per share, plus any accrued and unpaid dividends in cash or shares of BHM's Class A Common Stock at BHM's discretion.
- Holders of shares of Series A Redeemable Preferred Stock will have no voting rights or control over changes in our policies and operations. Our board of directors may approve changes to our policies without your approval.
- Our charter contains various restrictions on the ownership and transfer of our securities.

Not FDIC Insured | No Bank Guarantee | May Lose Value
Past performance is not necessarily indicative of future results.

© 2024 Bluerock. V-24-103



bluerock.com | 877.826.BLUE (2583)