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DELTA REPORT

10-Q

SEVN - SEVEN HILLS REALTY TRUST

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	352
CHANGES	113
DELETIONS	87
ADDITIONS	152

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, 2024 June 30, 2024

OR

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

Commission File Number 001-34383

Seven Hills Realty Trust
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**20-4649929**
(State of Organization)	(IRS Employer Identification No.)

Two Newton Place, 255 Washington Street, Suite 300, Newton, MA 02458-1634
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code **617-332-9530**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Shares of Beneficial Interest	SEVN	The Nasdaq Stock Market LLC

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 in 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 ☒

Number of registrant's common shares of beneficial interest, $0.001 par value per share, outstanding as of April 25, 2024 July 25, 2024: 14,805,494. 14,829,399.

SEVEN HILLS REALTY TRUST

FORM 10-Q

March 31, June 30, 2024

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References in this Quarterly Report on Form 10-Q to "SEVN", "we", "us" or "our" mean Seven Hills Realty Trust and its consolidated subsidiaries unless otherwise expressly stated or the context indicates otherwise.

PART I. Financial Information

Item 1. Financial Statements

SEVEN HILLS REALTY TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)
(unaudited)

	March 31,	**December 31,**			
	June 30,	**December 31,**			
	2024	**2024**	**2023**	**2024**	**2023**
ASSETS					
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents					
Loans held for investment					
Allowance for credit losses					
Loans held for investment, net					
Real estate owned, net					
Real estate owned, net					
Real estate owned, net					
Acquired real estate leases, net					
Accrued interest receivable					
Prepaid expenses and other assets, net					

Total assets
LIABILITIES AND SHAREHOLDERS' EQUITY
LIABILITIES AND SHAREHOLDERS' EQUITY
LIABILITIES AND SHAREHOLDERS' EQUITY
Accounts payable, accrued liabilities and other liabilities
Accounts payable, accrued liabilities and other liabilities
Accounts payable, accrued liabilities and other liabilities
Secured financing facilities, net
Due to related persons
Due to related persons
Due to related persons
Total liabilities
Commitments and contingencies
Commitments and contingencies
Commitments and contingencies
Shareholders' equity:
Shareholders' equity:
Shareholders' equity:
Common shares of beneficial interest, $0.001 par value per share; 25,000,000 shares authorized; 14,805,494 and 14,811,410 shares issued and outstanding, respectively
Common shares of beneficial interest, $0.001 par value per share; 25,000,000 shares authorized; 14,805,494 and 14,811,410 shares issued and outstanding, respectively
Common shares of beneficial interest, $0.001 par value per share; 25,000,000 shares authorized; 14,805,494 and 14,811,410 shares issued and outstanding, respectively
Common shares of beneficial interest, $0.001 par value per share; 25,000,000 shares authorized; 14,832,982 and 14,811,410 shares issued and outstanding, respectively
Common shares of beneficial interest, $0.001 par value per share; 25,000,000 shares authorized; 14,832,982 and 14,811,410 shares issued and outstanding, respectively
Common shares of beneficial interest, $0.001 par value per share; 25,000,000 shares authorized; 14,832,982 and 14,811,410 shares issued and outstanding, respectively
Additional paid in capital
Cumulative net income
Cumulative distributions
Total shareholders' equity
Total liabilities and shareholders' equity

See accompanying notes.

SEVEN HILLS REALTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,						
		Three Months Ended June 30,		Six Months Ended June 30,			
	2024	2024	2023	2024	2023	2024	2023
INCOME FROM INVESTMENTS:							
Interest and related income							
Interest and related income							
Interest and related income							
Purchase discount accretion							
Less: interest and related expenses							
Income from loan investments, net							

Revenue from real estate owned	
Total revenue	
OTHER EXPENSES:	
Base management fees	
Base management fees	
Base management fees	
Incentive fees	
General and administrative expenses	
Reimbursement of shared services expenses	
Provision for (reversal of) credit losses	
Provision for credit losses	
Expenses from real estate owned	
Total other expenses	
Income before income taxes	
Income tax expense	
Net income	
Weighted average common shares outstanding - basic and diluted	
Weighted average common shares outstanding - basic and diluted	
Weighted average common shares outstanding - basic and diluted	
Net income per common share - basic and diluted	
Net income per common share - basic and diluted	
Net income per common share - basic and diluted	

See accompanying notes.

SEVEN HILLS REALTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(amounts in thousands)
(unaudited)

	Number of Common Shares	Number of Common Shares	Common Shares	Additional Paid In Capital	Cumulative Net Income	Cumulative Distributions	Total	Number of Common Shares	Common Shares	Additional Paid In Capital	Cumulative Net Income	Cumulative Distributions	Total
Balance at December 31, 2023													
Balance at December 31, 2023													
Balance at December 31, 2023													
Share grants													
Share repurchases													
Net income													
Distributions													
Balance at March 31, 2024													
Share grants													
Share repurchases													

Net income
Distributions
Balance at June 30, 2024

Balance at December 31, 2022
Balance at December 31, 2022
Balance at December 31, 2022
Cumulative-effect adjustment upon adoption of credit loss accounting standard
Share grants
Share repurchases
Share forfeitures
Net income
Distributions
Balance at March 31, 2023
Share grants
Share repurchases
Share forfeitures
Net income
Distributions
Balance at June 30, 2023

See accompanying notes.

SEVEN HILLS REALTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

		Three Months Ended March 31,		Six Months Ended June 30,	
	2024	**2024**	**2023**	**2024**	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income					
Net income					
Net income					
Adjustments to reconcile net income to net cash provided by operating activities:					
Accretion of purchase discount					
Accretion of purchase discount					
Accretion of purchase discount					
Provision for (reversal of) credit losses					
Provision for credit losses					
Amortization of loan origination and exit fees					
Amortization of deferred financing costs					
Straight line rental income					
Depreciation and amortization					
Share based compensation					
Changes in operating assets and liabilities:					
Accrued interest receivable					
Accrued interest receivable					
Accrued interest receivable					
Prepaid expenses and other assets					

Accounts payable, accrued liabilities and other liabilities
Due to related persons
Net cash provided by operating activities
CASH FLOWS FROM INVESTING ACTIVITIES:
CASH FLOWS FROM INVESTING ACTIVITIES:
CASH FLOWS FROM INVESTING ACTIVITIES:
Additional funding of loans held for investment
Additional funding of loans held for investment
Origination of loans held for investment
Origination of loans held for investment
Origination of loans held for investment
Additional funding of loans held for investment
Repayment of loans held for investment
Net cash provided by investing activities
Net cash provided by investing activities
Cash assumed from transfer of loans held for investment to real estate owned
Real estate owned improvements
Net cash provided by investing activities
CASH FLOWS FROM FINANCING ACTIVITIES:
CASH FLOWS FROM FINANCING ACTIVITIES:
CASH FLOWS FROM FINANCING ACTIVITIES:
Proceeds from secured financing facilities
Proceeds from secured financing facilities
Proceeds from secured financing facilities
Repayments under secured financing facilities
Repayments under secured financing facilities
Repayments under secured financing facilities
Payments of deferred financing costs
Payments of deferred financing costs
Payments of deferred financing costs
Repurchase of common shares
Repurchase of common shares
Repurchase of common shares
Distributions
Net cash used in financing activities
Increase in cash and cash equivalents
Increase in cash and cash equivalents
Increase in cash and cash equivalents
(Decrease) increase in cash and cash equivalents
(Decrease) increase in cash and cash equivalents
(Decrease) increase in cash and cash equivalents
Cash and cash equivalents at beginning of period
Cash and cash equivalents at end of period
SUPPLEMENTAL DISCLOSURES:
SUPPLEMENTAL DISCLOSURES:
SUPPLEMENTAL DISCLOSURES:
Interest paid
Interest paid
Interest paid
Income taxes (refunded) paid
NON-CASH INVESTING ACTIVITIES:

(dollars in thousands, except per share data)

NON-CASH INVESTING ACTIVITIES:

NON-CASH INVESTING ACTIVITIES:

Transfer of loans held for investment to real estate owned

Transfer of loans held for investment to real estate owned

Transfer of loans held for investment to real estate owned

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited. Certain information and disclosures required by U.S. generally accepted accounting principles, or GAAP, for complete financial statements have been condensed or omitted. We believe the disclosures made are adequate to make the information presented not misleading. However, the accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2023, or our 2023 Annual Report. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim periods have been included. All intercompany transactions and balances with or among our consolidated subsidiaries have been eliminated. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates. Significant estimates in the accompanying condensed consolidated financial statements include the allowance for credit losses, the valuation of real estate owned and the fair value of financial instruments.

Note 2. Recent Accounting Pronouncements

On November 27, 2023, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, or ASU No. 2023-07, which requires public entities to: i) provide disclosures of significant segment expenses and other segment items if they are regularly provided to the Chief Operating Decision Maker, or the CODM, and included in each reported measure of segment profit or loss; ii) provide all annual disclosures about a reportable segment's profit or loss and assets currently required by ASC 280, *Segment Reporting*, or ASC 280, in interim periods; and iii) disclose the CODM's title and position, as well as an explanation of how the CODM uses the reported measures and other disclosures. Public entities with a single reportable segment must apply all the disclosure requirements of ASU No. 2023-07, as well as all the existing segment disclosures under ASC 280. The amendments in ASU No. 2023-07 are incremental to the requirements in ASC 280 and do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. ASU No. 2023-07 should be applied retrospectively to all prior periods presented in the financial statements and is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact ASU No. 2023-07 will have on our consolidated financial statements and disclosures.

Note 3. Loans Held for Investment, net

We originate first mortgage loans secured by middle market and transitional commercial real estate, or CRE, which are generally to be held as long term investments. We fund our loan portfolio using cash on hand and advancements under our Secured Financing Facilities, as defined in Note 5. See Note 5 for further information regarding our secured financing agreements.

The table below provides overall statistics for our loan portfolio as of March 31, 2024 June 30, 2024 and December 31, 2023:

			As of March 31, 2024		**As of December 31, 2023**					
			As of June 30, 2024		**As of December 31, 2023**					
Number of loans	Number of loans		21		24	Number of loans		22		24
Total loan commitments	Total loan commitments	$	628,891	$	670,293	Total loan commitments	$	652,198	$	670,293
Unfunded loan commitments (1)	Unfunded loan commitments (1)	$	38,259	$	40,401	Unfunded loan commitments (1)	$	41,988	$	40,401
Principal balance	Principal balance	$	590,632	$	629,892	Principal balance	$	610,210	$	629,892

Carrying value						
Carrying value						
Carrying value		$ 583,486	$ 622,086		$603,527	$622,086
Weighted average coupon rate	Weighted average coupon rate	9.14 %	9.19 %	Weighted average coupon rate	9.11 %	9.19 %
Weighted average all in yield (2)	Weighted average all in yield (2)	9.58 %	9.64 %	Weighted average all in yield (2)	9.55 %	9.64 %
Weighted average floor	Weighted average floor	1.41 %	1.36 %	Weighted average floor	1.42 %	1.36 %
Weighted average maximum maturity (years) (3)	Weighted average maximum maturity (years) (3)	2.8	3.0	Weighted average maximum maturity (years) (3)	2.6	3.0
Weighted average risk rating	Weighted average risk rating	3.0		Weighted average risk rating	3.0	

(1) Unfunded loan commitments are primarily used to finance property improvements and leasing capital and are generally funded over the term of the loan.

(2) All in yield represents the yield on a loan, including amortization of deferred fees over the initial term of the loan and excluding any purchase discount accretion.

(3) Maximum maturity assumes all borrower loan extension options have been exercised, which options are subject to the borrower meeting certain conditions.

The tables below represent our loan activities during the three months ended March 31, 2024 June 30, 2024 and 2023:

	Principal Balance	Principal Balance	Deferred Fees and Other Items	Amortized Cost	Principal Balance	Deferred Fees and Other Items	Amortized Cost
Balance at December 31, 2023							
Balance at March 31, 2024							
Additional funding							
Repayments							
Repayments							
Originations							
Repayments							
Net amortization of deferred fees							
Net amortization of deferred fees							
Net amortization of deferred fees							
Purchase discount accretion							
Balance at March 31, 2024							
Balance at June 30, 2024							

	Principal Balance	Principal Balance	Deferred Fees and Other Items	Amortized Cost	Principal Balance	Deferred Fees and Other Items	Amortized Cost
Balance at December 31, 2022							
Balance at March 31, 2023							
Additional funding							
Originations							
Repayments							
Repayments							
Repayments							
Net amortization of deferred fees							
Net amortization of deferred fees							
Transfer to real estate owned							
Net amortization of deferred fees							
Purchase discount accretion							
Balance at March 31, 2023							
Balance at June 30, 2023							

SEVEN HILLS REALTY TRUST
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

The tables below represent our loan activities during the six months ended June 30, 2024 and 2023:

	Principal Balance		Deferred Fees and Other Items		Amortized Cost	
Balance at December 31, 2023	$	629,892	$	(3,430)	$	626,462
Additional funding		1,855		(158)		1,697
Originations		36,017		(446)		35,571
Repayments		(57,554)		(136)		(57,690)
Net amortization of deferred fees		—		1,283		1,283
Purchase discount accretion		—		1,927		1,927
Balance at June 30, 2024	$	610,210	$	(960)	$	609,250

	Principal Balance		Deferred Fees and Other Items		Amortized Cost	
Balance at December 31, 2022	$	678,555	$	(8,626)	$	669,929
Additional funding		4,024		(14)		4,010
Originations		37,500		(484)		37,016
Repayments		(69,294)		(175)		(69,469)
Transfer to real estate owned		(15,865)		(95)		(15,960)
Net amortization of deferred fees		—		1,767		1,767
Purchase discount accretion		—		2,232		2,232
Balance at June 30, 2023	$	634,920	$	(5,395)	$	629,525

The tables below detail the property type and geographic location of the properties securing the loans in our portfolio as of March 31, 2024 June 30, 2024 and December 31, 2023:

			March 31, 2024				December 31, 2023							
			June 30, 2024				December 31, 2023							
Property Type	Property Type	Number of Loans	Amortized Cost		Percentage of Value	Number of Loans	Amortized Cost		Percentage of Value	Property Type	Number of Loans	Amortized Cost		Percentag of Value
Multifamily	Multifamily	7	$ 208,610	35	35 %	7	$ 207,734	33	33 %	Multifamily	8	$ 223,500	37	
Office	Office	6	166,618	28	28 %	7	181,268	29	29 %	Office	6	167,352	27	
Industrial	Industrial	4	110,181	19	19 %	5	118,707	19	19 %	Industrial	5	132,176	22	
Retail	Retail	2	57,387	10	10 %	3	72,962	12	12 %	Retail	2	57,441	9	
Hotel	Hotel	2	45,839	8	8 %	2	45,791	7	7 %	Hotel	1	28,781	5	
		21		$588,635	100 %	24		$626,462		100 %				
		22		$609,250	100 %	24		$626,462		100 %				

	June 30, 2024				December 31, 2023			
Geographic Location	Number of Loans	Amortized Cost		Percentage of Value	Number of Loans	Amortized Cost		Percentage of Value
South	7	$	208,860	34 %	8	$	222,477	36 %
West	8		174,822	29 %	9		185,294	30 %
Midwest	4		129,113	21 %	4		128,876	20 %
East	3		96,455	16 %	3		89,815	14 %
	22	$	609,250	100 %	24	$	626,462	100 %

	March 31, 2024				December 31, 2023			
Geographic Location	Number of Loans	Amortized Cost		Percentage of Value	Number of Loans	Amortized Cost		Percentage of Value
South	7	$	208,046	35 %	8	$	222,477	36 %
West	8		170,369	29 %	9		185,294	30 %
Midwest	4		128,970	22 %	4		128,876	20 %
East	2		81,250	14 %	3		89,815	14 %
	21	$	588,635	100 %	24	$	626,462	100 %

SEVEN HILLS REALTY TRUST
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Credit Quality Information and Allowance for Credit Losses

We evaluate the credit quality of each of our loans at least quarterly by assessing a variety of risk factors in relation to each loan and assigning a risk rating to each loan based on those factors. The higher the number, the greater the risk level. See our 2023 Annual Report for more information regarding our loan risk ratings.

As of March 31, 2024 June 30, 2024 and December 31, 2023, the amortized cost of our loan portfolio within each internal risk rating by year of origination was as follows:

		March 31, 2024									June 30, 2024							
Risk Rating	Risk Rating	Number of Loans	Percentage of Portfolio	2024	2023	2022	2021	Prior	Total	Risk Rating	Number of Loans	Percentage of Portfolio	2024	2023	2022	2021	2020	Total
1																		
2																		
3																		
4																		
5																		
	21																	
	22																	

SEVEN HILLS REALTY TRUST
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

		December 31, 2023															
		December 31, 2023															
		December 31, 2023															
Risk Rating	Risk Rating	Number of Loans	Percentage of Portfolio	2023	2022	2021	2020	Prior	Total	Risk Rating	Number of Loans	Percentage of Portfolio	2023	2022	2021	2020	Total
1																	
2																	
3																	
4																	
5																	
	24																

Allowance for credit losses

We measure our allowance for credit losses using the current expected credit loss, or CECL, model, which is based upon historical experience, current conditions, and reasonable and supportable forecasts incorporating forward-looking information that affect the collectability of the reported amount.

The allowance for credit losses is a valuation account that is deducted from the related loans' amortized cost basis in our condensed consolidated balance sheets. Our loans typically include commitments to fund incremental proceeds to borrowers over the life of the loan; these future funding commitments are also subject to the CECL model. The allowance for credit losses related to unfunded loan commitments is included in accounts payable, accrued liabilities and other liabilities in our condensed consolidated balance sheets.

Given the lack of historical loss data related to our loan portfolio, we estimate our expected losses using an analytical model that considers the likelihood of default and loss given default for each individual loan. This analytical model incorporates data from a third party database with historical loan loss information for commercial mortgage-backed securities, or CMBS, and CRE loans since 1998. Significant inputs to the model include certain loan specific data, such as loan to value, or LTV, property type, geographic location, occupancy, vintage year, remaining loan term, net operating income, expected timing and amounts of future loan fundings, and macroeconomic forecast assumptions, including the performance of CRE assets, unemployment rates, interest rates and other factors. We utilize the model to estimate credit losses over a reasonable and supportable economic forecast period of 12 months, followed by a straight-line reversion period of six months to average historical losses. Average historical losses are established using a population of third party historical loss data that approximates our portfolio as of the measurement date. We evaluate the estimated allowance for each of our loans individually and we consider our internal loan risk rating as the primary credit quality indicator underlying our assessment.

SEVEN HILLS REALTY TRUST
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

(dollars in thousands, except per share data)

We have elected to exclude accrued interest receivable from amortized cost and not to measure an allowance for credit losses on accrued interest receivable. Accrued interest receivables are generally written off when payments are 120 days past due. Such amounts are reversed against interest income and no further interest will be recorded until it is collected.

If a loan is determined to be collateral dependent (because the repayment of the loan is expected to be provided substantially through the operation or sale of the underlying collateral property) and the borrower is experiencing financial difficulties, but foreclosure is not probable, we may elect to apply a practical expedient to determine the loan's allowance for credit losses by comparing the collateral's fair value, less costs to sell, if applicable, to the amortized cost basis of the loan. For collateral-dependent loans for which foreclosure is probable, the related allowance for credit losses is determined using the fair value, less costs to sell, if applicable, of the collateral compared to the loan's amortized cost.

See Note 2 to our Consolidated Financial Statements included in Part IV, Item 15 of our 2023 Annual Report for further information regarding our measurement of our allowance for credit losses.

The tables below represent the changes to the allowance for credit losses during the three months ended June 30, 2024 and 2023.

	Loans Held for Investment, net	Unfunded Loan Commitments	Total
Balance at March 31, 2024	$ 5,149	$ 1,376	$ 6,525
Provision for credit losses	574	741	1,315
Balance at June 30, 2024	$ 5,723	$ 2,117	$ 7,840

	Loans Held for Investment, net	Unfunded Loan Commitments	Total
Balance at March 31, 2023	$ 4,135	$ 1,473	$ 5,608
Provision for credit losses	774	252	1,026
Write offs	(708)	—	(708)
Balance at June 30, 2023	$ 4,201	$ 1,725	$ 5,926

The tables below represent the changes to the allowance for credit losses during the six months ended June 30, 2024 and 2023:

	Loans Held for Investment, net	Unfunded Loan Commitments	Total
Balance at December 31, 2023	$ 4,376	$ 1,452	$ 5,828
Provision for credit losses	1,347	665	2,012
Balance at June 30, 2024	$ 5,723	$ 2,117	$ 7,840

	Loans Held for Investment, net	Unfunded Loan Commitments	Total
Balance at December 31, 2022	$ —	$ —	$ —
Cumulative effect adjustment upon adoption of the CECL model	4,893	1,702	6,595
Provision for credit losses	16	23	39
Write offs	(708)	—	(708)
Balance at June 30, 2023	$ 4,201	$ 1,725	$ 5,926

The tables below represent the changes to increase in the allowance for credit losses during the three and six months ended March 31, 2024 June 30, 2024 is primarily attributable to declining values for CRE and 2023:

	Loans Held for Investment, net	Unfunded Loan Commitments	Total
Balance at December 31, 2023	$ 4,376	$ 1,452	$ 5,828
Provision for (reversal of) credit losses	773	(76)	697
Balance at March 31, 2024	$ 5,149	$ 1,376	$ 6,525

(dollars in thousands, except per share data)

	Loans Held for Investment, net	Unfunded Loan Commitments	Total
Balance at December 31, 2022	$ —	$ —	$ —
Cumulative-effect adjustment upon adoption of the CECL model	4,893	1,702	6,595
Reversal of credit losses	(758)	(229)	(987)
Balance At March 31, 2023	$ 4,135	$ 1,473	$ 5,608

unfavorable CRE pricing forecasts used in our CECL model and increased provisions for certain of our office loans. The increase in the allowance for credit losses during the three months ended March 31, 2024 June 30, 2023 is primarily attributable to a negative unfavorable changes in the macroeconomic outlook, most notably in CRE pricing forecasts. forecasts, partially offset by a write off related to the loan transferred to real estate owned in June 2023. The decrease in the allowance for credit losses during the three six months ended March 31, 2023 June 30, 2023, compared to the January 1, 2023 cumulative-effect adjustment upon adoption of the CECL model, was is primarily attributable to a favorable macroeconomic outlook as of March 31, 2023, most notably write off related to the loan transferred to real estate owned in near-term June 2023 and loan repayments, partially offset by the unfavorable changes in CRE pricing and loan repayments. forecasts.

We may enter into loan modifications that include, among other changes, extensions of maturity dates, repurposing or required replenishment of reserves, increases or decreases in loan commitments and required pay downs of principal amounts outstanding. Loan modifications are evaluated to determine whether a modification results in a new loan or a continuation of an existing loan under ASC 310. There were no modifications to our loan portfolio for borrowers experiencing financial difficulties during the three six months ended March 31, 2024 June 30, 2024.

We did not have any outstanding past due loans or nonaccrual loans as of March 31, 2024 June 30, 2024 or December 31, 2023. As of March 31, 2024 June 30, 2024 and April 25, 2024 July 25, 2024, all of our borrowers had paid their debt service obligations owed and due to us. See our 2023 Annual Report for more information regarding our nonaccrual policy.

Note 4. Real Estate Owned

Real estate owned is property acquired in full or partial settlement of loan obligations generally through foreclosure or by deed in lieu of foreclosure. Upon acquisition, we allocate the fair value of the real estate owned in accordance with ASC 805, *Business Combinations.* Subsequent to acquisition, costs incurred related to improvements to the property are capitalized and depreciated over their estimated useful lives and costs related to the operation of the property are expensed as incurred.

In June 2023, we assumed legal title to an office property located in Yardley, PA through a deed in lieu of foreclosure. The table below presents the assets and liabilities of real estate owned in our condensed consolidated balance sheets:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Land, building and improvements		
Accumulated depreciation		
Real estate owned, net		
Acquired real estate leases, net (1)		
Prepaid expenses and other assets, net (2)		
Total assets		
Accounts payable, accrued liabilities and other liabilities		
Accounts payable, accrued liabilities and other liabilities		
Accounts payable, accrued liabilities and other liabilities		
Total liabilities		

(1) As of March 31, 2024 June 30, 2024, the weighted average amortization period of acquired real estate leases was 7.2 7.1 years.

(2) Includes $925 $1,032 and $647 and of straight line rent receivables as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

Revenue from real estate owned represents rental income from operating leases with tenants and is recognized on a straight line basis over the lease term. We increased revenue from real estate owned to record revenue on a straight line basis by $278 $107 and $385 for the three and six months ended March 31, 2024 June 30, 2024. Expenses from real estate owned represents costs related to the acquisition of the property, costs to operate the property and depreciation and amortization expense.

We regularly evaluate real estate owned for indicators of impairment. Impairment indicators may include declining tenant occupancy, lack of progress leasing vacant space, tenant bankruptcies, low long term prospects for improvement in property performance, weak or declining tenant profitability, cash flow or liquidity, our decision to dispose of an asset before the end of its estimated useful life and legislative, market or industry changes that could permanently reduce the value of a property. If there is an indication that the carrying value of an asset is not recoverable, we estimate the projected undiscounted cash flows to determine if an impairment loss should be recognized. The future net undiscounted cash flows are subjective and are based in part on assumptions regarding hold periods, market rents and terminal capitalization rates. We determine the amount of any impairment loss by comparing the carrying value to estimated fair value. We estimate fair value through an evaluation of recent financial performance and projected discounted cash flows using standard industry valuation methods.

(dollars in thousands, except per share data)

Note 5. Secured Financing Agreements

Our secured financing agreements at March 31, 2024 June 30, 2024 consisted of agreements that govern: our master repurchase facility with Wells Fargo, National Association, or Wells Fargo, or the Wells Fargo Master Repurchase Facility; our master repurchase facility with Citibank, N.A., or Citibank, or the Citibank Master Repurchase Facility; our master repurchase facility with UBS AG, or UBS, or the UBS Master Repurchase Facility, and our facility loan program with BMO Harris Bank N.A., or BMO, or the BMO Facility. We refer to the Wells Fargo Master Repurchase Facility, Citibank Master Repurchase Facility and UBS Master Repurchase Facility, collectively, as our Master Repurchase Facilities. We refer to the Master Repurchase Facilities and the BMO Facility, collectively, as our Secured Financing Facilities. See our 2023 Annual Report for more information regarding our Secured Financing Facilities.

The table below summarizes our Secured Financing Facilities as of March 31, 2024 June 30, 2024 and December 31, 2023:

		Debt Obligation					
		Debt Obligation					
		Debt Obligation					
				Weighted Average			
				Weighted Average			
				Weighted Average		Collateral	Collateral
	Maximum Facility Size						
March 31, 2024:							
March 31, 2024:							
March 31, 2024:							
June 30, 2024:							
June 30, 2024:							
June 30, 2024:							
Citibank Master Repurchase Facility							
Citibank Master Repurchase Facility							
Citibank Master Repurchase Facility							
UBS Master Repurchase Facility							
UBS Master Repurchase Facility							
UBS Master Repurchase Facility							
BMO Facility							
BMO Facility							
BMO Facility							
Wells Fargo Master Repurchase Facility							
Wells Fargo Master Repurchase Facility							
Wells Fargo Master Repurchase Facility							
Total/weighted average							
Total/weighted average							
Total/weighted average							
December 31, 2023:							
Citibank Master Repurchase Facility	$ 215,000	$ 91,115	$ 90,811	7.47 %	0.7	3/15/2025	$ 142,465
UBS Master Repurchase Facility	205,000	181,381	181,162	7.72 %	0.8	2/18/2025	241,887
BMO Facility	150,000	87,767	87,451	7.29 %	1.3	Various	118,471
Wells Fargo Master Repurchase Facility	125,000	95,551	94,998	7.44 %	1.1	3/11/2025	127,069
Total/weighted average	$ 695,000	$ 455,814	$ 454,422	7.53 %	0.9		$ 629,892

(1) The weighted average coupon rate is determined using the Secured Overnight Financing Rate, or SOFR, plus a spread ranging from 1.83% to 2.90%, as applicable, for the respective borrowings under our Secured Financing Facilities as of the applicable date.

(2) The weighted average remaining maturity of our Master Repurchase Facilities is determined using the earlier of the underlying loan investment maturity date and the respective repurchase agreement maturity date. The weighted average remaining maturity of the BMO Facility is determined using the underlying loan investment maturity date.

As of March 31, 2024 June 30, 2024, we were in compliance with the covenants and other terms of the agreements that govern our Secured Financing Facilities.

As of March 31, 2024 June 30, 2024, our outstanding borrowings under our Secured Financing Facilities had the following remaining maturities:

Year	Year	Principal Payments on Secured Financing Facilities	Year	Principal Payments on Secured Financing Facilities
2024				
2025				
2026 and thereafter				
	$			

Based upon the performance and payment history of our commercial mortgage loans, along with our ability to obtain financing under repurchase agreements and success in extending certain of our existing Master Repurchase Agreements, we believe it is probable that we will extend our Master Repurchase Facilities prior to their maturities.

Note 6. Fair Value Measurements

The carrying values of cash and cash equivalents and accounts payable approximate their fair values due to the short term nature of these financial instruments.

We estimate the fair values of our loans held for investment and outstanding principal balances under our Secured Financing Facilities by using Level III inputs, including discounted cash flow analyses and currently prevailing market terms as of the measurement date. See our 2023 Annual Report for further information regarding the fair value of financial instruments.

SEVEN HILLS REALTY TRUST
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

The table below provides information regarding financial assets and liabilities not carried at fair value in our condensed consolidated balance sheets:

		March 31, 2024		December 31, 2023					
		June 30, 2024		December 31, 2023					
	Carrying Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets									
Loans held for investment									
Loans held for investment									
Loans held for investment									
Financial liabilities									
Secured Financing Facilities									
Secured Financing Facilities									
Secured Financing Facilities									

There were no transfers of financial assets or liabilities within the fair value hierarchy during the three six months ended March 31, 2024 June 30, 2024.

Note 7. Shareholders' Equity

Common Share Awards

On May 30, 2024, in accordance with our Trustee compensation arrangements, we awarded to each of our six Trustees 4,735 of our common shares, valued at the closing price of our common shares on The Nasdaq Stock Market LLC, or Nasdaq on that day. The aggregate value of common shares awarded was $360.

Common Share Purchases

During the three six months ended March 31, 2024 June 30, 2024, we purchased 5,916 6,838 of our common shares from certain current and former officers of The RMR Group LLC, or RMR in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of our common shares, valued at the closing price of our common shares on The Nasdaq Stock Market LLC, or Nasdaq on the applicable purchase date. The aggregate value of common shares purchased was $75. $88.

Distributions

For the three six months ended March 31, 2024 June 30, 2024, we declared and paid regular quarterly distributions to common shareholders, using cash on hand, as follows:

Record Date	Record Date	Payment Date	Distribution per Share	Total Distribution	Record Date	Payment Date	Distribution per Share	Total Distribution
January 22, 2024								
April 22, 2024								
		$						

On April 11, 2024 July 11, 2024, we declared a quarterly distribution of $0.35 per common share, or $5,182, $5,190, to shareholders of record on April 22, 2024 July 22, 2024. We expect to pay this distribution on or about May 16, 2024 August 15, 2024, using cash on hand.

Note 8. Management Agreement with Tremont

We have no employees. The personnel and various services we require to operate our business are provided to us, pursuant to a management agreement with Tremont Realty Capital LLC, or Tremont, which provides for the day to day management of our operations by Tremont, subject to the oversight and direction of our Board of Trustees.

We pay Tremont an annual base management fee payable quarterly (0.375% per quarter) in arrears equal to 1.5% of our "Equity," as defined under our management agreement. We include these amounts in base management fees in our condensed consolidated statements of operations. Pursuant to the terms of our management agreement, we also pay Tremont management incentive fees, subject to Tremont earning those fees in accordance with the management agreement. We include these amounts in incentive fees in our condensed consolidated statements of operations.

SEVEN HILLS REALTY TRUST
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

Tremont, and not us, is responsible for the costs of its employees who provide services to us, unless any such payment or reimbursement is specifically approved by a majority of our Independent Trustees, is a shared services cost or relates to awards made under any equity compensation plan adopted by us. We are required to pay or to reimburse Tremont and its affiliates for all other costs and expenses of our operations. Some of these overhead, professional and other services are provided by RMR, pursuant to a shared services agreement between Tremont and RMR. These reimbursements include an allocation of the cost of personnel employed by RMR. These shared services costs are subject to approval by a majority of our Independent Trustees at least annually. We include these amounts in reimbursement of shared services expenses in our condensed consolidated statements of operations. See our 2023 Annual Report for further information regarding our management agreement with Tremont.

SEVEN HILLS REALTY TRUST
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

Note 9. Related Person Transactions

We have relationships and historical and continuing transactions with Tremont, RMR, The RMR Group Inc., or RMR Inc., and others related to them, including other companies to which RMR or its subsidiaries provide management services and some of which have trustees or officers who are also our Trustees or officers. Tremont is a subsidiary of RMR, which is a majority owned subsidiary of RMR Inc., and RMR Inc. is the managing member of RMR. RMR provides certain shared services to Tremont that are applicable to us, and we reimburse Tremont or pay RMR for the amounts Tremont or RMR pays for those services. One of our Managing Trustees and Chair of our Board of Trustees, Adam D. Portnoy, is the sole trustee, an officer and the controlling shareholder of ABP Trust, which is the controlling shareholder of RMR Inc., and he is also a director of Tremont, the chair of the board of directors, a managing director and the president and chief executive officer of RMR Inc., and an officer and employee of RMR. Matthew P. Jordan, our other Managing Trustee, is a director and the president and chief executive officer of Tremont. Mr. Jordan is also an officer of RMR Inc. and an officer and employee of RMR, and our other officers are officers and employees of Tremont and/or RMR.

Our Independent Trustees also serve as independent trustees of other public companies to which RMR or its subsidiaries provide management services. Adam D. Portnoy serves as the chair of the board and as a managing trustee of those companies and other officers of RMR, including Mr. Jordan and certain of our other officers and officers of Tremont serve as managing trustees or officers of certain of these companies.

Our Manager, Tremont Realty Capital LLC. Tremont provides management services to us pursuant to our management agreement. See Note 8 for further information regarding our management agreement. As of March 31, 2024 June 30, 2024, Tremont owned 1,708,058 of our common shares, and Mr. Portnoy beneficially owned (including through Tremont and ABP Trust) 13.5% of our outstanding common shares.

Property Management Agreement with RMR. We entered into a property management agreement with RMR in July 2023 with respect to real estate owned in Yardley, PA. Pursuant to this agreement, RMR provides property management services and we pay management fees equal to 3.0% of gross collected rents. Also under the terms of this property management agreement, we pay RMR additional fees for construction supervision services equal to 5.0% of the cost of such construction. Either we or RMR may terminate this agreement upon 30 days' prior notice. No termination fee would be payable as a result of terminating the agreement. We recognized property management and construction supervision fees of $9 $22 and $31 for the three and six months ended March 31, 2024 June 30, 2024, respectively, related to real estate owned.

For further information about these and other such relationships and certain other related person transactions, refer to our 2023 Annual Report.

Note 10. Income Taxes

We have elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the IRC. Accordingly, we generally are not, and will not be, subject to U.S. federal income tax, provided that we meet certain distribution and other requirements. We are subject to certain state and local taxes, certain of which amounts are or will be reported as income taxes in our condensed consolidated statements of operations.

Note 11. Weighted Average Common Shares

We calculate net income per common share - basic using the two class method. We calculate net income per common share - diluted using the more dilutive of the two class or treasury stock method. Unvested share awards are considered participating securities and the related impact on earnings are considered when calculating net income per common share - basic and net income per common share - diluted.

The calculation of net income per common share - basic and diluted is as follows (amounts in thousands, except per share data):

		Three Months Ended March 31,					
		Three Months Ended June 30,	Six Months Ended June 30,				
	2024	2024	2023	2024	2023	2024	2023
Numerators:							
Net income							
Net income							
Net income							
Net income attributable to unvested share awards							
Net income used in calculating net income per common share - basic and diluted							
Denominators:							
Denominators:							
Denominators:							
Weighted average common shares outstanding - basic and diluted							
Weighted average common shares outstanding - basic and diluted							
Weighted average common shares outstanding - basic and diluted							
Net income per common share - basic and diluted							
Net income per common share - basic and diluted							
Net income per common share - basic and diluted							

Note 12. Commitments and Contingencies

As of March 31, 2024 June 30, 2024, we had unfunded loan commitments of $38,259 $41,988 related to our loans held for investment that are not reflected in our condensed consolidated balance sheets. These unfunded loan commitments had a weighted average initial maturity of 1.0 0.9 years as of March 31, 2024 June 30, 2024. See Note 3 for further information related to our loans held for investment.

As of March 31, 2024, we had estimated unspent lease related costs of $361.

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

The following discussion should be read in conjunction with our condensed consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q and in our 2023 Annual Report.

OVERVIEW (dollars in thousands, except share data)

We are a Maryland REIT. Our business strategy is focused on originating and investing in floating rate first mortgage loans in the $15,000 to $75,000 range, secured by middle market and transitional CRE properties that have values up to $100,000. We define transitional CRE as commercial properties subject to redevelopment or repositioning activities that are expected to increase the value of the properties. Our mortgage loans are classified as loans held for investment in our condensed consolidated balance sheets.

Tremont is registered with the Securities and Exchange Commission, or SEC, as an investment adviser under the Investment Advisers Act of 1940, as amended. We believe that Tremont provides us with significant experience and expertise in investing in middle market and transitional CRE.

We operate our business in a manner that is consistent with our qualification for taxation as a REIT under the IRC. As such, we generally are not subject to U.S. federal income tax, provided that we meet certain distribution and other requirements. We also operate our business in a manner that permits us to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or the 1940 Act.

Factors Affecting Operating Results

Our results of operations are impacted by a number of factors and primarily depend on the interest income from our investments and the financing and other costs associated with our business. Our operating results are also impacted by general CRE market conditions and unanticipated defaults by our borrowers. For further information regarding the risks associated with our loan portfolio, see Note 3 to the Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 and elsewhere in this Management Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report on Form 10-Q and Part I, Item 1A, "Risk Factors" of our 2023 Annual Report.

Credit Risk. We are subject to the credit risk of our borrowers in connection with our investments. We seek to mitigate this risk by utilizing a comprehensive underwriting, diligence and investment selection process and by ongoing monitoring of our investments. Nevertheless, unanticipated credit losses could occur that may adversely impact our operating results.

Changes in Fair Value of our Assets. We generally intend to hold our investments for their contractual terms, unless repaid earlier by the borrowers. We evaluate the credit quality of each of our loans at least quarterly. If a loan is determined to be collateral dependent (because the repayment of the loan is expected to be provided substantially through the operation or sale of the underlying collateral property) and the borrower is experiencing financial difficulties, but foreclosure is not probable, we will record an allowance for credit losses by comparing the collateral's fair value to the amortized cost basis of the loan. For collateral-dependent loans for which foreclosure is probable, the related allowance for credit losses is determined using the fair value of the collateral compared to the loan's amortized cost.

Availability of Leverage and Equity. We use leverage to make additional investments that may increase our returns. We may not be able to obtain the expected amount of leverage we desire or its cost may exceed our expectation and, consequently, the returns generated from our investments may be reduced. Our ability to further grow our loan portfolio over time will depend, to a significant degree, upon our ability to obtain additional capital. However, our access to additional capital depends on many factors including the price at which our common shares trade relative to their book value and market lending conditions. See "—Market Conditions" below.

Market Conditions. During 2023, the CRE industry continued Heading in to experience extreme volatility. In response to inflationary pressures, the Federal Open Market Committee of the U.S. Federal Reserve, or the FOMC, increased the federal funds rate by 525 basis points over a 16-month period beginning in March 2022. The pace of the interest rate increases in 2022 and 2023 coupled with macroeconomic and geopolitical uncertainty negatively impacted CRE acquisition and financing transaction activity. By the end of the year, 2024, CRE investors seemed cautiously optimistic that inflation had peaked, that the U.S. economy was likely headed for a “soft-landing” and that the Federal Open Market Committee of the U.S. Federal Reserve, or the FOMC, would be poised to reduce the federal funds rate by 125 to 150 basis points as a result of five or six rate cuts in 2024.

Despite this cautious optimism heading into 2024, overall CRE investment and transaction volume continued to decline over With the first quarter anticipation of 2024 as lower interest rates in the future, investors chose to delay sale or refinancing decisions with and overall CRE investment and transaction volume remained tepid well into the anticipation second quarter of 2024.

However, despite recent economic data indicating slowing U.S. economic growth, including lower interest rates retail sales, consumer spending and a slight increase in the future.

Since that time, the narrative on declining interest rates has shifted. The U.S. economy continues to be strong and recent employment reports, coupled with stronger than expected inflationary measures, suggest that unemployment rate, the FOMC will likely consider fewer has made it clear that inflation remains elevated and that it intends to keep the federal funds rate cuts in 2024 than originally anticipated, if any. As such, steady at 5.25% to 5.50% until it is becoming apparent confident that inflation is on pace to reach its longer-term objective of 2%. With no clear sight on the timing or magnitude of a future interest rate cut, CRE investors will likely have continue to adapt adjust to a “higher for longer” interest rate environment. This could negatively impact property values and put further strain CRE owners that were counting on borrowers seeking to refinance debt that was originated in a much lower interest rate environment. With lower prospects for near term interest rate reductions property fundamentals but are not well capitalized to invest additional capital to deleverage and durability of cash flows will be in greater focus and will have a greater impact on refinancing activity going forward. Those CRE owners that are more reliant on rate reductions to qualify for a refinance, are more likely to be forced to sell properties while to repay debt, likely at distressed prices. Recent increases in CMBS and CRE collateralized loan obligation delinquency rates signal that the prolonged period of elevated interest rates is starting to impact these borrowers and their ability to refinance lower cost debt at current interest rates. For borrowers capable of investing additional equity into their properties, or for borrowers with well performing, lower leveraged cash flowing assets, will have greater optionality with regards there appear to be numerous financing options. options at their disposal.

Despite strong U.S. economic growth, certain segments CMBS activity increased through the first half of 2024. Strong demand from bond buyers has allowed borrowers to take advantage of tightening credit spreads for 10-year and 5-year loans, the CRE industry are beginning to encounter erosion in operating fundamentals. Despite strong employment figures, the U.S. office market continues to suffer from the post pandemic shift in work habits latter of which has become more popular for both bond investors and weak demand for office space in general. Retail assets, particularly needs based and grocery anchored retail, continue to benefit from a strong consumer and employment market. The apartment and industrial sectors remain the most coveted property types amongst lenders and investors, but have recently started to experience challenges due to excess supply. The lack of affordable housing in the United States and the rent versus buy dynamic favor the apartment sector. New industrial development has slowed considerably but continues to benefit from strong demand. Although new development absorption may take longer than originally expected, both sectors are expected to eventually reach equilibrium and rents will begin to increase again.

Despite current market conditions and headwinds facing the CRE industry, we believe the CRE lending market remains well positioned to handle these challenges given that there is ample liquidity available to borrowers with well performing properties. National banks have curtailed lending activity somewhat, but regional and local banks are continuing to evaluate transactions for borrowers with healthy balance sheets.

The CMBS market has started to see increased activity given recent spread tightening, while the larger, more established CRE collateralized loan obligation lenders are increasing new originations for eventual securitization. borrowers. Life insurance companies continue to expand their product offerings to borrowers, offering both low leverage, fixed rate term debt as well as floating rate transitional loans, which were once reserved for banks and alternative lenders, like us. This has resulted The banking sector continues to be impacted by legacy CRE exposure and increased capital charges imposed by regulators but have become more active by evaluating new loans for strategic, long-term clients. Agency lenders Fannie-Mae and Freddie-Mac are active but are also facing increased competition from CMBS/conduit providers, life-insurance companies and alternative lenders, like us. Oversupply issues in greater optionality certain multifamily markets have put downward pressure on rents, making it more difficult to qualify for borrowers and increased agency financing. Given that multifamily properties are generally coveted by most lenders, competition amongst lenders to finance quality properties provide financing on this sector has continued to increase.

Certain segments of the CRE industry are beginning to experience a deterioration in today's environment. operating fundamentals. The U.S. office market continues to suffer from the post pandemic shift in work habits and weak demand for office space. Retail assets, particularly needs based and grocery anchored retail, have benefited from a strong consumer and employment market, but recent reports of declining retail sales and weakening consumer demand may eventually have an impact on performance. The industrial sector remains a preferred asset class among lenders and investors, however oversupply in certain markets and more measured corporate demand have impacted the pace of rent growth. The lack of affordable housing in the United States and the rent versus own dynamic continue to favor the apartment sector. Oversupply in certain markets however, has caused a slowdown, and in some markets, a decline in rent growth. For most markets, it is expected that the imbalance between supply and demand will be short lived and once these markets reach equilibrium, rents will increase again.

Despite the current market conditions and headwinds facing the CRE industry, we believe the CRE lending market remains well positioned to handle these challenges given that there is ample liquidity available to borrowers with well performing properties.

Changes in Interest Rates. With respect to our business operations, increases in interest rates, in general, may cause: (a) the coupon rates on our variable rate investments to reset, perhaps on a delayed basis, to higher rates; (b) it to become more difficult and costly for our borrowers, which may negatively impact their ability to repay our investments; and (c) the interest expense associated with our variable rate borrowings to increase. See "—Market Conditions" above for a discussion of the current market including interest rates.

Conversely, decreases in interest rates, in general, may cause: (a) the coupon rates on our variable rate investments to reset, perhaps on a delayed basis, to lower rates; (b) it to become easier and more affordable for our borrowers to refinance, and as a result, repay our loans, but may negatively impact our future returns if any such repayment proceeds were to be reinvested in lower yielding investments; and (c) the interest expense associated with our variable rate borrowings to decrease.

The interest income on our loans and interest expense on our borrowings float with benchmark rates, such as SOFR. Because we generally intend to leverage approximately 75% of the amount of our investments, as benchmark rates increase above the floors of our loans, our income from investments, net of interest and related expenses, will increase. Decreases in benchmark rates are mitigated by interest rate floor provisions in all but one of our loan agreements with borrowers, ranging from 0.10% to 5.20%; therefore, changes to income from investments, net, may not move proportionately with the increase or decrease in benchmark rates. As of March 31, 2024 June 30, 2024, SOFR was 5.33% 5.34%, which exceeds the floors established by all of our loans, and as a result none of our loan investments currently had active interest rate floors.

Size of Portfolio. The size of our loan portfolio, as measured both by the aggregate principal balance and the number of our CRE loans and our other investments, is also an important factor in determining our operating results. Generally, if the size of our loan portfolio grows, the amount of interest income we receive would increase and we may achieve certain economies of scale and diversify risk within our loan portfolio. A larger portfolio, however, may result in increased expenses; for example, we may incur additional interest expense or other costs to finance our investments. Also, if the aggregate principal balance of our loan portfolio grows but the number of our loans or the number of our borrowers does not grow, we could face increased risk by reason of the concentration of our investments.

Prepayment Risk. We are subject to risk that our loan investments will be repaid at an earlier date than anticipated, which may reduce the returns realized on those loans as less interest income may be received over time. Additionally, we may not be able to reinvest the principal repaid at a similar or higher yield of the original loan investment. We seek to limit this risk by structuring our loan agreements with fees required to be paid to us upon prepayment of a loan within a specified period of time before the loan's maturity; however, unanticipated prepayments could negatively impact our operating results.

Non-GAAP Financial Measures

We present Distributable Earnings, Distributable Earnings per common share and Adjusted Book Value per common share, which are considered "non-GAAP financial measures" within the meaning of the applicable SEC rules. These non-GAAP financial measures do not represent net income, net income per common share or cash generated from operating activities and should not be considered as alternatives to net income or net income per common share determined in accordance with GAAP or as an indication of our cash flows from operations determined in accordance with GAAP, a measure of our liquidity or operating performance or an indication of funds available for our cash needs. In addition, our methodologies for calculating these non-GAAP financial measures may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures; therefore, our reported Distributable Earnings and Distributable Earnings per common share may not be comparable to distributable earnings and distributable earnings per common share as reported by other companies.

We believe that Adjusted Book Value per common share is a meaningful measure of our capital adequacy because it excludes the impact of certain non-cash estimates or adjustments, including the unaccreted purchase discount resulting from the excess of the fair value of the loans Tremont Mortgage Trust, or TRMT, then held for investment and that we acquired as a result of our merger with TRMT on September 30, 2021, or the Merger, over the consideration we paid in the Merger and our allowance for credit losses for our loan portfolio and unfunded loan commitments. Adjusted Book Value per common share does not represent book value per common share or alternative measures determined in accordance with GAAP. Our methodology for calculating Adjusted Book Value per common share may differ from the methodologies employed by other companies to calculate the same or similar supplemental capital adequacy measures; therefore, our Adjusted Book Value per common share may not be comparable to the adjusted book value per common share reported by other companies.

In order to maintain our qualification for taxation as a REIT, we are generally required to distribute substantially all of our taxable income, subject to certain adjustments, to our shareholders. We believe that one of the factors that investors consider important in deciding whether to buy or sell securities of a REIT is its distribution rate. Over time, Distributable Earnings and Distributable Earnings per common share may be useful indicators of distributions to our shareholders and are measures that are considered by our Board of Trustees when determining the amount of distributions. We believe that Distributable Earnings and Distributable Earnings per common share provide meaningful information to consider in addition to net income, net income per common share and cash flows from operating activities determined in accordance with GAAP. These measures help us to evaluate our performance excluding the effects of certain transactions the variability of any management incentive fees that may be paid or payable and GAAP adjustments that we believe are not necessarily indicative of our current loan portfolio and operations. In addition, Distributable Earnings, excluding incentive fees, is used in determining the amount of base management and management incentive fees payable by us to Tremont under our management agreement.

Distributable Earnings

We calculate Distributable Earnings and Distributable Earnings per common share as net income and net income per common share, respectively, computed in accordance with GAAP, including realized losses not otherwise included in net income determined in accordance with GAAP, and excluding: (a) depreciation and amortization of real estate owned and related intangible assets, if any; (b) non-cash equity compensation expense; (c) unrealized gains, losses and other similar non-cash items that are included in net income for the period of the calculation (regardless of whether such items are included in or deducted from net income or in other comprehensive income under GAAP), if any; and (d) one-time events pursuant to changes in GAAP and certain non-cash items, if any. Distributable Earnings are reduced for realized losses on loan investments when amounts are deemed uncollectable. This is generally at the time a loan is repaid, or in the case of foreclosure, when the underlying asset is sold, but may also be when, in our determination, it is nearly certain that all amounts due will not be collected. The realized loss amount reflected in Distributable Earnings will equal the difference between the cash received or expected to be received and the carrying value of the asset.

Adjusted Book Value per Common Share

The table below calculates our book value per common share:

		March 31, 2024		**December 31, 2023**				
		June 30, 2024		**December 31, 2023**				
Shareholders' equity								
Total outstanding common shares	Total outstanding common shares	14,805	14,811	14,811	Total outstanding common shares	14,833	14,811	14,811
Book value per common share								
Unaccreted purchase discount per common share (1)								
Allowance for credit losses per common share (2)								
Adjusted Book Value per common share								

(1) Excludes the impact of the unaccreted purchase discount resulting from the excess of the fair value of the loans TRMT then held for investment and that we acquired as a result of the Merger over the consideration we paid in the Merger. The purchase discount of $36,443 was allocated to each acquired loan and is being accreted into income over the remaining term of the respective loan. As of March 31, 2024 June 30, 2024 and December 31, 2023, the unaccreted purchase discount was $1,202 $420 and $2,347, respectively.

(2) Excludes the impact of our allowance for credit losses. As of March 31, 2024 June 30, 2024 and December 31, 2023, our allowance for credit losses for our loan portfolio and unfunded loan commitments was $6,525 $7,840 and $5,828, respectively.

Our Loan Portfolio

The table below details overall statistics for our loan portfolio as of March 31, 2024 June 30, 2024 and December 31, 2023:

		As of March 31, 2024		**As of December 31, 2023**		
		As of June 30, 2024		**As of December 31, 2023**		
Number of loans	Number of loans	21	24	Number of loans	22	24
Total loan commitments	Total loan commitments	$ 628,891	$ 670,293	Total loan commitments	$ 652,198	$ 670,293
Unfunded loan commitments (1)	Unfunded loan commitments (1)	$ 38,259	$ 40,401	Unfunded loan commitments (1)	$ 41,988	$ 40,401
Principal balance	Principal balance	$ 590,632	$ 629,892	Principal balance	$ 610,210	$ 629,892
Carrying value						
Carrying value						
Carrying value		$ 583,486	$ 622,086		$ 603,527	$ 622,086
Weighted average coupon rate	Weighted average coupon rate	9.14 %	9.19 %	Weighted average coupon rate	9.11 %	9.19 %
Weighted average all in yield (2)	Weighted average all in yield (2)	9.58 %	9.64 %	Weighted average all in yield (2)	9.55 %	9.64 %
Weighted average floor	Weighted average floor	1.41 %	1.36 %	Weighted average floor	1.42 %	1.36 %

Weighted average maximum maturity (years) (3)	Weighted average maximum maturity (years) (3)	2.8		3.0	Weighted average maximum maturity (years) (3)	2.6		3.0
Weighted average risk rating	Weighted average risk rating		3.0	Weighted average risk rating			3.0	
Weighted average LTV (4)	Weighted average LTV (4)	68 %		68 %	Weighted average LTV (4)	68 %		68 %

(1) Unfunded loan commitments are primarily used to finance property improvements and leasing capital, and are generally funded over the term of the loan.

(2) All in yield represents the yield on a loan, including amortization of deferred fees over the initial term of the loan and excluding any purchase discount accretion.

(3) Maximum maturity assumes all borrower loan extension options have been exercised, which options are subject to the borrower meeting certain conditions.

(4) LTV represents the initial loan amount divided by the underwritten in-place value of the underlying collateral at closing.

Loan Portfolio Details

The table below details our loan portfolio as of March 31, 2024 June 30, 2024:

#	
#	
#	
	First mortgage loans
	First mortgage loans
	First mortgage loans
1	
1	
1	
2	
2	
2	
3	
3	
3	
4	
4	
4	
5	
5	
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18	
18	
19	
19	
19	
20	
20	
20	
21	
21	
21	
22	
22	
22	
	Total/weighted average
	Total/weighted average
	Total/weighted average

(1) All in yield represents the yield on a loan, including amortization of deferred fees over the initial term of the loan and excluding any purchase discount accretion.

(2) Maximum maturity assumes all borrower loan extension options have been exercised, which options are subject to the borrower meeting certain conditions.

(3) LTV represents the initial loan amount divided by the underwritten in-place value of the underlying collateral at closing.

As of March 31, 2024 June 30, 2024, we had $628,891 $652,198 in aggregate loan commitments, consisting of a diverse portfolio, geographically and by property type, of 21 22 first mortgage loans. As of March 31, 2024 June 30, 2024, we had three five loans representing approximately 15% 24% of the amortized cost of our loan portfolio with a loan risk rating of “4” or “higher risk”.

All of the loans in our portfolio are structured with risk mitigation mechanisms, such as cash flow sweeps or interest reserves, to help protect us against investment losses. In addition, we actively engage with our borrowers regarding their execution of the business plans for the underlying collateral, among other things.

As of March 31, 2024 June 30, 2024 and April 25, 2024 July 25, 2024, all of our borrowers had paid their debt service obligations owed and due to us.

We did not have any outstanding past due loans or nonaccrual loans as of March 31, 2024 June 30, 2024. However, our borrowers' businesses, operations and liquidity may be materially adversely impacted by current inflationary pressures, rising or sustained high interest rates, supply chain issues or a prolonged economic slowdown or recession could amplify those negative impacts. As a result, they may become unable to pay their debt service obligations owed and due to us, which may result in an increased allowance for credit losses and/or recognition of income on a nonaccrual basis. For further information regarding our loan portfolio and risk rating policy, see Note 3 to our Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, "—Factors Affecting our Operating Results" and "Warning Concerning Forward-Looking Statements" elsewhere in this Quarterly Report on Form 10-Q and the risk factors identified in Part I, Item 1A, “Risk Factors”, of our 2023 Annual Report.

Financing Activities

The table below is an overview of our Secured Financing Facilities as of March 31, 2024 June 30, 2024:

Facility
Facility
Facility
Citibank Master Repurchase Facility
Citibank Master Repurchase Facility
Citibank Master Repurchase Facility
UBS Master Repurchase Facility
UBS Master Repurchase Facility
UBS Master Repurchase Facility
BMO Facility
BMO Facility
BMO Facility
Wells Fargo Master Repurchase Facility
Wells Fargo Master Repurchase Facility
Wells Fargo Master Repurchase Facility
Total
Total
Total

The table below details our Secured Financing Facilities activities during the three months ended June 30, 2024:

		Carrying Value
Balance at March 31, 2024	$	421,171
Borrowings		10,197
Repayments		(13,800)
Deferred fees		(3)
Amortization of deferred fees		374
Balance at June 30, 2024	$	417,939

The table below details our Secured Financing Facilities activities during the six months ended June 30, 2024:

		Carrying Value
Balance at December 31, 2023	$	454,422
Borrowings		10,197
Repayments		(33,224) (47,024)
Deferred fees		(352) (355)
Amortization of deferred fees		325 699
Balance at March 31, 2024 June 30, 2024	$	421,171 417,939

As of March 31, 2024 June 30, 2024, outstanding advancements under our Secured Financing Facilities had a weighted average interest rate of 7.50% 7.48% per annum, excluding associated fees and expenses. As of March 31, 2024 June 30, 2024 and April 25, 2024 July 25, 2024, we had a $422,592 $418,989 and $397,747, respectively, aggregate outstanding principal balance under our Secured Financing Facilities.

As of March 31, 2024 June 30, 2024, we were in compliance with all covenants and other terms under our Secured Financing Facilities.

For further information regarding our Secured Financing Facilities, see Note 5 to our Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

<u>RESULTS OF OPERATIONS</u> (amounts in thousands, except per share data)

Three Months Ended March 31, 2024 June 30, 2024 Compared to Three Months Ended December 31, 2023 March 31, 2024:

	Three Months Ended Three Months Ended Three Months Ended
	March 31, 2024
	June 30, 2024
INCOME FROM INVESTMENTS:	
INCOME FROM INVESTMENTS:	
INCOME FROM INVESTMENTS:	
Interest and related income	
Interest and related income	
Interest and related income	
Purchase discount accretion	
Purchase discount accretion	
Purchase discount accretion	
Less: interest and related expenses	
Less: interest and related expenses	
Less: interest and related expenses	
Income from loan investments, net	
Income from loan investments, net	
Income from loan investments, net	
Revenue from real estate owned	
Revenue from real estate owned	
Revenue from real estate owned	
Total revenue	
Total revenue	
Total revenue	
OTHER EXPENSES:	
OTHER EXPENSES:	
OTHER EXPENSES:	
Base management fees	
Base management fees	
Base management fees	
Incentive fees	
Incentive fees	
Incentive fees	
General and administrative expenses	
General and administrative expenses	
General and administrative expenses	
Reimbursement of shared services expenses	
Reimbursement of shared services expenses	
Reimbursement of shared services expenses	
Provision for credit losses	

Provision for credit losses
Provision for credit losses
Expenses from real estate owned
Expenses from real estate owned
Expenses from real estate owned
Total other expenses
Total other expenses
Total other expenses
Income before income taxes
Income before income taxes
Income before income taxes
Income tax (expense) benefit
Income tax (expense) benefit
Income tax (expense) benefit
Income tax expense
Income tax expense
Income tax expense
Net income
Net income
Net income
Weighted average common shares outstanding - basic and diluted
Weighted average common shares outstanding - basic and diluted
Weighted average common shares outstanding - basic and diluted
Net income per common share - basic and diluted
Net income per common share - basic and diluted
Net income per common share - basic and diluted

Interest and related income. The decrease increase in interest and related income was primarily the result of lower outstanding principal balances under our loan investment portfolio a prepayment premium received during the three months ended March 31, 2024. June 30, 2024, partially offset by a lower average outstanding principal balance for our loan investment portfolio. The weighted average aggregate principal balance of our loan investments was approximately $601,000 for the three months ended June 30, 2024 as compared to approximately $613,000 for the three months ended March 31, 2024 as compared to approximately $646,000 for the three months ended December 31, 2023.

Purchase discount accretion. The increase decrease in purchase discount accretion was primarily due to accelerated accretion of related to a loan prepayment during the three months ended March 31, 2024 and lower amounts outstanding on loans acquired in the Merger during the three months ended June 30, 2024 as compared to the three months ended March 31, 2024.

Interest and related expenses. The decrease in interest and related expenses was primarily the result of lower outstanding principal balances under our Secured Financing Facilities during the three months ended March 31, 2024 June 30, 2024. The weighted average principal balance was approximately $422,000 for the three months ended June 30, 2024 as compared to approximately $439,000 for the three months ended March 31, 2024 as compared to approximately $448,000 for the three months ended December 31, 2023.

Revenue from real estate owned. Revenue from real estate owned represents revenue from the operations of an office property located in Yardley, PA that was transferred to real estate owned through a deed in lieu of foreclosure in June 2023.

Incentive fees. We recognize management incentive fees payable to Tremont in accordance with our management agreement. The decrease increase in management incentive fees was due to lower higher "core earnings," as defined in our management agreement, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended December 31, 2023 March 31, 2024.

General and administrative expenses. The increase in general and administrative expenses was primarily due to increases an increase in share based compensation partially offset by decreases in professional fees resulting from shares awarded to our Trustees during the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended December 31, 2023 March 31, 2024.

Reimbursement of shared services expenses. Reimbursement of shared services expenses represents reimbursement of the costs for the services that Tremont arranges on our behalf from RMR.

Provision for credit losses. The provision for credit losses represents the increase in the allowance for credit losses on our loan portfolio and unfunded commitments. The increase in the allowance for credit losses during the three months ended March 31, 2024 June 30, 2024 was primarily attributable to declining values for CRE and unfavorable CRE pricing forecasts used in our CECL model. model and increased provisions for certain of our office loans.

Expenses from real estate owned. Expenses from real estate owned represent expenses from the operations of an office property located in Yardley, PA that was transferred to real estate owned through a deed in lieu of foreclosure in June 2023. The increase decrease in expenses from real estate owned was primarily due to increases a decrease in depreciation and utility expense.

Income tax (expense) benefit. expense. Income tax (expense) benefit expense represents income taxes paid or payable by us in certain jurisdictions where we are subject to state income taxes.

Net income. The decrease in net income was due to the changes noted above.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023:

	Six Months Ended June 30,			
	2024	**2023**	**Change**	**% Change**
INCOME FROM INVESTMENTS:				
Interest and related income	$ 32,726	$ 31,677	$ 1,049	3.3 %
Purchase discount accretion	1,927	2,232	(305)	(13.7 %)
Less: interest and related expenses	(17,058)	(15,621)	(1,437)	9.2 %
Income from loan investments, net	17,595	18,288	(693)	(3.8 %)
Revenue from real estate owned	1,147	149	998	669.8 %
Total revenue	18,742	18,437	305	1.7 %
OTHER EXPENSES:				
Base management fees	2,162	2,146	16	0.7 %
Incentive fees	420	192	228	118.8 %
General and administrative expenses	2,044	2,077	(33)	(1.6 %)
Reimbursement of shared services expenses	1,382	1,271	111	8.7 %
Provision for credit losses	2,012	39	1,973	n/m
Expenses from real estate owned	1,244	218	1,026	470.6 %
Total other expenses	9,264	5,943	3,321	55.9 %
Income before income taxes	9,478	12,494	(3,016)	(24.1 %)
Income tax expense	(16)	(47)	31	(66.0 %)
Net income	$ 9,462	$ 12,447	$ (2,985)	(24.0 %)
Weighted average common shares outstanding - basic and diluted	14,683	14,594	89	0.6 %
Net income per common share - basic and diluted	$ 0.64	$ 0.85	$ (0.21)	(24.7 %)

Interest and related income. The increase in interest and related income was primarily the result of higher benchmark interest rates during the six months ended June 30, 2024, partially offset by lower outstanding principal balances under our loan investment portfolio. The weighted average benchmark interest rate was 5.38% as of June 30, 2024 as compared to 5.21% as of June 30, 2023. The weighted average principal balance was approximately $607,000 for the six months ended June 30, 2024 as compared to approximately $641,000 for the six months ended June 30, 2023.

Purchase discount accretion. The decrease in purchase discount accretion was primarily the result of lower amounts outstanding on loans acquired in the Merger during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

Interest and related expenses. The increase in interest and related expenses was primarily the result of higher benchmark interest rates, partially offset by lower outstanding principal balances under our Secured Financing Facilities during the six months ended June 30, 2024. The weighted average benchmark interest rate was 5.32% as of June 30, 2024 as compared to 5.15% as of June 30, 2023. The weighted average principal balance was approximately $431,000 for the six months ended June 30, 2024 as compared to approximately $440,000 for the six months ended June 30, 2023.

Revenue from real estate owned. Revenue from real estate owned represents revenue from the operations of an office property located in Yardley, PA that was transferred to real estate owned through a deed in lieu of foreclosure in June 2023.

Incentive fees. We recognize management incentive fees payable to Tremont in accordance with our management agreement. The increase in management incentive fees was due to higher "core earnings," as defined in our management agreement, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

General and administrative expenses. The decrease in general and administrative expenses was primarily due to decreases in professional fees, partially offset by an increase in share based compensation during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

Reimbursement of shared services expenses. Reimbursement of shared services expenses represents reimbursement of the costs for the services that Tremont arranges on our behalf from RMR. The increase in reimbursement of shared services expenses was primarily the result of higher usage of shared services from RMR.

Provision for credit losses. The provision for credit losses represents the increase in the allowance for credit losses on our loan portfolio and unfunded commitments. The increase in the allowance for credit losses during the six months ended June 30, 2024 was primarily attributable to declining values for CRE and unfavorable CRE pricing forecasts used in our CECL model and increased provisions for certain of our office loans.

Expenses from real estate owned. Expenses from real estate owned represent expenses from the operations of an office property located in Yardley, PA that was transferred to real estate owned through a deed in lieu of foreclosure in June 2023.

Income tax expense. Income tax expense represents income taxes paid or refunded or refundable to payable by us in certain jurisdictions where we are subject to state income taxes.

Net income. The decrease in net income was due to the changes noted above.

Reconciliation of Net Income to Distributable Earnings

The table below demonstrates how we calculate Distributable Earnings and Distributable Earnings per common share, which are non-GAAP measures, and provides a reconciliation of these non-GAAP measures to net income:

	Three Months Ended	**Three Months Ended**		**Three Months Ended**	**Six Months Ended**
	March 31, 2024	**December 31, 2023**			
	June 30, 2024	**March 31, 2024**	**June 30, 2024**	**June 30, 2023**	
Net income					
Non-cash equity compensation expense					
Non-cash accretion of purchase discount					
Provision for credit losses					
Depreciation and amortization of real estate owned					
Exit fees collected on loans acquired in Merger (1)					
Distributable Earnings					
Weighted average common shares outstanding - basic and diluted					
Weighted average common shares outstanding - basic and diluted					
Weighted average common shares outstanding - basic and diluted					
Net income per common share - basic and diluted					
Net income per common share - basic and diluted					
Net income per common share - basic and diluted					
Distributable Earnings per common share - basic and diluted					

(1) Exit fees collected on loans acquired in the Merger represent fees collected upon repayment of loans for which no income has previously been recognized in Distributable Earnings. In accordance with GAAP, exit fees payable with respect to loans acquired in the Merger were accreted as a component of the purchase discount and were excluded from Distributable Earnings as a non-cash item. Accordingly, these exit fees have been recognized in Distributable Earnings upon collection.

LIQUIDITY AND CAPITAL RESOURCES (dollars in thousands, except per share data)

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to fund our lending commitments, repay or meet margin calls resulting from our borrowings, if any, fund and maintain our assets and operations, make distributions to our shareholders and fund other business operating requirements. Our sources of cash flows include cash on hand, payments of principal, interest and fees we receive on our investments, other cash we may generate from our business and operations, any unused borrowing capacity, including under our Secured Financing Facilities or other repurchase agreements or financing arrangements we may obtain, which may also include bank loans or public or private issuances of debt or equity securities, and proceeds from any sale of real estate owned. We believe that these sources of funds will be sufficient to meet our operating and capital expenses, pay our debt service obligations owed and make any distributions to our shareholders for the next 12 months and for the foreseeable future. For further information regarding the risks associated with our loan portfolio, see Note 3 to our Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 and elsewhere in this Management Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report on Form 10-Q and Part I, Item 1A, "Risk Factors" of our 2023 Annual Report.

Pursuant to the terms of our Citibank Master Repurchase Facility, our UBS Master Repurchase Facility and Wells Fargo Master Repurchase Facility, we may sell to, and later repurchase from, UBS, Citibank and Wells Fargo, the purchased assets related to the applicable facility. The initial purchase price paid by UBS of each purchased asset is up to 80% of the lesser of the market value of the purchased asset or the unpaid principal balance of such purchased asset, subject to UBS's approval. The initial purchase price paid by Citibank of each purchased asset is up to 75% of the lesser of the market value of the purchased asset or the unpaid principal balance of such purchased asset, subject to Citibank's approval. The initial purchase price paid by Wells Fargo for each purchased asset is up to 75% or 80%, depending on the property type of the purchased asset’s real estate collateral, of the lesser of the market value of the purchased asset or the unpaid principal balance of such purchased asset, and subject to Wells Fargo’s approval. Upon the repurchase of a purchased asset, we are required to pay UBS, Citibank or Wells Fargo, as applicable, the outstanding purchase price of the purchased asset, accrued interest and all accrued and unpaid expenses of UBS, Citibank or Wells Fargo, as applicable, relating to such purchased asset.

The interest rates related to our Citibank, UBS and Wells Fargo purchased assets are calculated at SOFR plus a premium within a fixed range, determined by the debt yield and property type of the purchased asset's real estate collateral. Citibank has the discretion to make advancements at margins higher than 75%, and UBS and Wells Fargo each have discretion to make advancements higher than 80%.

Loans issued under the BMO Facility are coterminous with the corresponding pledged mortgage loan investments, are not subject to margin calls and allow for up to an 80% advance rate, subject to certain loan to cost and LTV limits. Interest on advancements under the BMO Facility are calculated at SOFR plus a premium. Loans issued under the BMO Facility are secured by a security interest and collateral assignment of the underlying loans to our borrowers which are secured by real property underlying such loans. We are required to pay an upfront fee equal to a percentage of the aggregate amount of the facility loan, such percentage to be determined at the time of approval of the separate facility loan agreements with BMO, or the BMO Facility Loan Agreements.

For further information regarding our Secured Financing Facilities, see Note 5 to our Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q.

The table below is a summary of our sources and uses of cash flows for the periods presented:

		Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2024	2023	2024	2023
Cash and cash equivalents at beginning of period					
Net cash provided by (used in):					
Operating activities					
Operating activities					
Operating activities					
Investing activities					
Financing activities					
Cash and cash equivalents at end of period					

The decrease in cash provided by operating activities for the 2024 period compared to the 2023 period was primarily the result of a lower average loan investment balance in the 2024 period, partially offset by higher benchmark interest rates. The decrease in cash provided by investing activities is was primarily due to decreased loan repayments in the 2024 period. The decrease in cash used in financing activities is was primarily due to decreased repayments on lower proceeds from our Secured Financing Facilities during in the 2024 period.

Distributions

During the three six months ended March 31, 2024 June 30, 2024, we declared and paid regular quarterly distributions to our common shareholders totaling $5,184, $10,366, or $0.35 per common share, using cash on hand.

On April 11, 2024July 11, 2024, we declared a regular quarterly distribution of $0.35 per common share, or $5,182,$5,190, to shareholders of record on April 22, 2024July 22, 2024. We expect to pay this distribution to our common shareholders on or about May 16, 2024August 15, 2024 using cash on hand.

For further information regarding distributions, see Note 7 to our Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Contractual Obligations and Commitments

Our contractual obligations and commitments as of March 31, 2024June 30, 2024 were as follows:

	Payment Due by Period										
	Total	**Total**	**Less than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 years**	**Total**	**Less than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 years**
Unfunded loan commitments (1)											
Principal payments on Secured Financing Facilities (2)											
Interest payments on Secured Financing Facilities (3)											
Lease related costs (4)											
	$										

(1) The allocation of our unfunded loan commitments is based on the current loan maturity date to which the individual commitments relate.

(2) The allocation of outstanding advancements under our Secured Financing Facilities is based on the earlier of the current maturity date of each loan investment with respect to which the individual borrowing relates or the maturity date of the respective Secured Financing Facilities.

(3) Projected interest payments are attributable only to our debt service obligations at existing rates as of March 31, 2024June 30, 2024 and are not intended to estimate future interest costs which may result from debt prepayments, additional borrowings, new debt issuances or changes in interest rates.

(4) Lease related costs include capital expenditures used to improve tenants' spaces pursuant to lease agreements or leasing related costs, such as brokerage commissions, related to the Yardley, PA property.

Debt Covenants

Our principal debt obligations as of March 31, 2024June 30, 2024 were the outstanding balances under our Secured Financing Facilities. The agreements governing our Master Repurchase Facilities, or our Master Repurchase Agreements, provide for acceleration of the date of repurchase of any then purchased assets and the liquidation of the purchased assets by UBS, Citibank or Wells Fargo, as applicable, upon the occurrence and continuation of certain events of default, including a change of control of us, which includes Tremont ceasing to act as our sole manager or to be a wholly owned subsidiary of RMR. Our Master Repurchase Agreements also provide that upon the repurchase of any then purchased asset, we are required to pay UBS, Citibank or Wells Fargo the outstanding purchase price of such purchased asset and accrued interest and any and all accrued and unpaid expenses of UBS, Citibank or Wells Fargo, as applicable, relating to such purchased asset.

In connection with our Master Repurchase Agreements, we entered into our guarantees, or the Master Repurchase Guarantees, which require us to guarantee 25% of the aggregate repurchase price and 100% of losses in the event of certain bad acts, as well as any costs and expenses of UBS, Citibank and Wells Fargo, as applicable, related to our Master Repurchase Agreements. The Master Repurchase Guarantees contain financial covenants, which require us to maintain a minimum tangible net worth, a minimum liquidity and a minimum interest coverage ratio and to satisfy a total indebtedness to stockholders' equity ratio.

In connection with our facility loan program agreement and the security agreement with BMO, or the BMO Loan Program Agreement, we have agreed to guarantee certain of the obligations under the BMO Loan Program Agreement and the BMO Facility Loan Agreements pursuant to a limited guaranty from us to and for the benefit of the administrative agent for itself and such other lenders, or the BMO Guaranty. Specifically, the BMO Guaranty requires us to guarantee 25% of the then current outstanding principal balance of the facility loans and 100% of losses or the entire indebtedness in the event of certain bad acts as well as any costs and expenses of the administrative agent or lenders related to the BMO Loan Program Agreement. In addition, the BMO Guaranty contains financial covenants that require us to maintain a minimum tangible net worth and a minimum liquidity and to satisfy a total indebtedness to stockholders' equity ratio. Our BMO Loan Program Agreement provides for acceleration of all payment obligations due under the BMO Facility Loan Agreements upon the occurrence and continuation of certain events of default, including a change of control of us, which includes Tremont ceasing to act as our sole manager or to be a wholly owned subsidiary of RMR.

As of March 31, 2024June 30, 2024, we had a $334,825$331,222 aggregate outstanding principal balance under our Master Repurchase Facilities. Our Master Repurchase Agreements are structured with risk mitigation mechanisms, including a cash flow sweep, which would allow UBS, Citibank and Wells Fargo, as applicable, to control interest payments from our borrowers under our loans that are financed under our respective Master Repurchase Facilities, and the ability to accelerate dates of repurchase and institute margin calls, which may require us to pay down balances associated with one or more of our loans that are financed under our Master Repurchase Facilities.

As of March 31, 2024June 30, 2024, we had a $87,767 aggregate outstanding principal balance under the BMO Facility.

As of March 31, 2024June 30, 2024, we were in compliance with all covenants and other terms under our Secured Financing Facilities.

Related Person Transactions

We have relationships and historical and continuing transactions with Tremont, RMR, RMR Inc. and others related to them. For further information about these and other such relationships and related person transactions, see Notes 8 and 9 to the Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, our 2023 Annual Report, our definitive Proxy Statement for our 2024 Annual Meeting of Shareholders and our other filings with the SEC. In addition, see the section captioned "Risk Factors" of our 2023 Annual Report for a description of risks that may arise as a result of these and other related person transactions and relationships. We may engage in additional transactions with related persons, including businesses to which RMR, Tremont or their respective subsidiaries provide management services.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our Managing Trustees, our President and Chief Investment Officer and our Chief Financial Officer and Treasurer, of the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our Managing Trustees, our President and our Chief Financial Officer and Treasurer concluded that our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2024 June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Warning Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. These statements include words such as "believe", "could", "expect", "anticipate", "intend", "plan", "estimate", "will", "would", "should", "may" and negatives or derivatives of these or similar expressions. These forward-looking statements include, among others, statements about: the disposition of our real estate owned; economic, market and industry conditions; demand for CRE debt and opportunities that may exist for alternative lenders like us; the diversity of our loan investment portfolio; our future lending activity and opportunities; the ability of our borrowers to achieve their business plans; our leverage levels and possible future financings; our liquidity needs and sources; and the amount and timing of future distributions.

Forward-looking statements reflect our current expectations, are based on judgments and assumptions, are inherently uncertain and are subject to risks, uncertainties and other factors, which could cause our actual results, performance or achievements to differ materially from expected future results, performance or achievements expressed or implied in any forward-looking statements. Some of the risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, the following:

- Our borrowers' ability to successfully execute their business plans, including our borrowers' ability to manage and stabilize properties;
- Whether the diversity and other characteristics of our loan portfolio will benefit us to the extent we expect;
- Our ability to carry out our business strategy and take advantage of opportunities for our business that we believe exist;
- The impact of inflation, geopolitical instability, interest rates and economic recession or downturn on the CRE industry generally and specific CRE sectors applicable to our investments and lending markets, us and our borrowers;
- Fluctuations in interest rates and credit spreads may reduce the returns we may receive on our investments and increase our borrowing costs;
- Fluctuations in market demand for CRE debt and the volume of transactions and available opportunities in the CRE debt market, including the middle market;
- Dislocations and volatility in the capital markets;
- Our ability to utilize our Secured Financing Facilities and to obtain additional capital to enable us to attain our target leverage, to make additional investments and to increase our potential returns, and the cost of that capital;
- Our ability to pay distributions to our shareholders and sustain or increase the amount of such distributions;
- Our ability to successfully execute, achieve and benefit from our operating and investment targets, investment and financing strategies and leverage policies;
- The amount and timing of cash flows we receive from our investments;
- The ability of Tremont to make suitable investments for us, to monitor, service and administer our existing investments and to otherwise implement our investment strategy and successfully manage us;
- Our ability to maintain and improve a favorable net interest spread between the interest we earn on our investments and the interest we pay on our borrowings;
- The extent to which we earn and receive origination, extension, exit, prepayment or other fees we may earn from our investments;

- Yields that may be available to us from mortgages on middle market and transitional CRE;
- The duration and other terms of our loan agreements with borrowers and our ability to match our loan investments with our repurchase lending arrangements;
- The credit qualities of our borrowers;
- The ability and willingness of our borrowers to repay our investments in a timely manner or at all;
- The extent to which our borrowers' sponsors provide support to our borrowers or us regarding our loans;
- Our ability to maintain our exemption from registration under the 1940 Act;
- Events giving rise to increases in our credit loss reserves;
- Our ability to diversify our investment portfolio based on industry and market conditions;
- The ability of our manager to arrange for the successful management of real estate owned and our ability to sell those properties at prices that allow us to recover amounts we invested;
- Our ability to successfully compete;
- Market trends in our industry or with respect to interest rates, real estate values, the debt securities markets or the economy generally;
- Reduced demand for office or retail space;
- Regulatory requirements and the effect they may have on us or our competitors;
- Competition within the CRE lending industry;
- Changes in the availability, sourcing and structuring of CRE lending;
- Defaults by our borrowers;
- Compliance with, and changes to, federal, state or local laws or regulations, accounting rules, tax laws or similar matters;
- Limitations imposed on our business and our ability to satisfy complex rules in order for us to maintain our qualification for taxation as a REIT for U.S. federal income tax purposes;
- Actual and potential conflicts of interest with our related parties, including our Managing Trustees, Tremont, RMR, and others affiliated with them;
- Acts of God, earthquakes, hurricanes, outbreaks or continuation of pandemics, or other public health safety events or conditions, supply chain disruptions, climate change and other man-made or natural disasters or war, terrorism, social unrest or civil disturbances; and
- Other matters.

These risks, uncertainties and other factors are not exhaustive and should be read in conjunction with other cautionary statements that are included in our periodic filings. The information contained in our filings with the SEC, including under the caption “Risk Factors” in our periodic reports, or incorporated therein, identifies other important factors that could cause differences from our forward-looking statements in this Quarterly Report on Form 10-Q. Our filings with the SEC are available on the SEC’s website at www.sec.gov.

You should not place undue reliance upon our forward-looking statements.

Except as required by law, we do not intend to update or change any forward-looking statements as a result of new information, future events or otherwise.

Statement Concerning Limited Liability

The Declaration of Trust of Seven Hills Realty Trust, a copy of which, together with any amendments or supplements thereto, is duly filed with the State Department of Assessments and Taxation of Maryland, provide that the name Seven Hills Realty Trust refers to the trustees collectively as trustees, but not individually or personally. No trustee, officer, shareholder, employee or agent of Seven Hills Realty Trust shall be held to any personal liability, jointly or severally, for any obligation of, or claim against, Seven Hills Realty Trust. All persons or entities dealing with Seven Hills Realty Trust, in any way, shall look only to the assets of Seven Hills Realty Trust for the payment of any sum or the performance of any obligation.

Part II. Other Information

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our 2023 Annual Report.

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

Issuer purchases of equity securities. The table below provides information about our purchases of our equity securities during the quarter ended March 31, 2024 June 30, 2024.

Calendar Month	Calendar Month	Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs	Calendar Month	Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 2024										
March 2024										
May 2024										
Total/weighted average										

(1) These common share withholdings and purchases were made to satisfy the tax withholding and payment obligations of certain former officers of RMR in connection with the vesting of awards of our common shares. We withheld and purchased these shares at their fair market value based upon the trading price of our common shares at the close of trading on Nasdaq on the purchase date.

Item 6. Exhibits

Exhibit Number	Description
3.1	Declaration of Trust of the Company, dated December 21, 2021. (Incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed by the Company on December 22, 2021.)
3.2	Second Amended and Restated Bylaws of the Company, as of September 14, 2023 May 30, 2024. (Incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K filed by the Company on September 15, 2023 June 3, 2024.)
4.1	Form of Common Share Certificate. (Incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.)
31.1	Rule 13a-14(a) Certification. (Filed herewith.)
31.2	Rule 13a-14(a) Certification. (Filed herewith.)
31.3	Rule 13a-14(a) Certification. (Filed herewith.)
31.4	Rule 13a-14(a) Certification. (Filed herewith.)
32.1	Section 1350 Certification. (Furnished herewith.)
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. (Filed herewith.)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. (Filed herewith.)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. (Filed herewith.)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. (Filed herewith.)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. (Filed herewith.)
104	Cover Page Interactive Data File. (Formatted as Inline XBRL and contained in Exhibit 101.)

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.

SEVEN HILLS REALTY TRUST

By: /s/ Thomas J. Lorenzini

Thomas J. Lorenzini
President and Chief Investment Officer
Dated: April 29, 2024 July 29, 2024

By: /s/ Fernando Diaz

Fernando Diaz
Chief Financial Officer and Treasurer
(principal financial and accounting officer)
Dated: April 29, 2024 July 29, 2024

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Exhibit 31.1

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Thomas J. Lorenzini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Seven Hills Realty Trust;
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(s) 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 (the registrant’s fourth fiscal quarter in the case of an annual report) 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(s) 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: April 29, 2024 July 29, 2024

/s/ Thomas J. Lorenzini

Thomas J. Lorenzini
President and Chief Investment Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Fernando Diaz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Seven Hills Realty Trust;
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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: April 29, 2024 July 29, 2024

/s/ Fernando Diaz

Fernando Diaz
Chief Financial Officer and Treasurer

Exhibit 31.3

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Matthew P. Jordan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Seven Hills Realty Trust;
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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: April 29, 2024 July 29, 2024

/s/ Matthew P. Jordan

Matthew P. Jordan
Managing Trustee

Exhibit 31.4

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Adam D. Portnoy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Seven Hills Realty Trust;
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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: April 29, 2024 July 29, 2024

/s/ Adam D. Portnoy

Adam D. Portnoy
Managing Trustee

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Sec. 1350

In connection with the filing by Seven Hills Realty Trust (the "Company") of the Quarterly Report on Form 10-Q for the period ended March 31, 2024 June 30, 2024 (the "Report"), each of the undersigned hereby certifies, to the best of his knowledge:

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

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

/s/ Adam D. Portnoy	/s/ Thomas J. Lorenzini
Adam D. Portnoy Managing Trustee	Thomas J. Lorenzini President and Chief Investment Officer
/s/ Matthew P. Jordan	/s/ Fernando Diaz
Matthew P. Jordan Managing Trustee	Fernando Diaz Chief Financial Officer and Treasurer

Date: April 29, 2024 July 29, 2024

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