

**ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
SUPPLEMENT NO. 6 DATED AUGUST 15, 2022
TO THE PROSPECTUS DATED FEBRUARY 11, 2022**

This prospectus supplement (“Supplement”) is part of and should be read in conjunction with the prospectus of Ares Industrial Real Estate Income Trust Inc. (the “Company”), dated February 11, 2022, as supplemented by Supplement No. 1, dated April 14, 2022, Supplement No. 2, dated May 5, 2022, Supplement No. 3, dated May 13, 2022, Supplement No. 4, dated June 15, 2022, and Supplement No. 5, dated July 15, 2022 (the “Prospectus”). Unless otherwise defined herein, capitalized terms used in this Supplement shall have the same meanings as in the Prospectus.

The purpose of this Supplement is to disclose:

- the transaction price and offering price for each class of our common stock for subscriptions to be accepted as of September 1, 2022;
- the calculation of our July 31, 2022 net asset value (“NAV”) per share, as determined in accordance with our valuation procedures, for each of our share classes;
- the status of this offering;
- updated Suitability Standards information;
- updated information with respect to our real properties;
- updated information regarding distributions;
- updated information regarding redemptions;
- updated selected information regarding our operations;
- an update on our assets and performance;
- an update on fees and expenses payable to the Advisor, the dealer manager and affiliates;
- updated historical NAV information for 2022;
- updated experts information; and
- our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022.

• **SEPTEMBER 1, 2022 TRANSACTION PRICE**

The transaction price for each share class of our common stock for subscriptions to be accepted as of September 1, 2022 (and distribution reinvestment plan issuances following the close of business on August 31, 2022 and share redemptions as of August 31, 2022) is as follows:

Share Class	Transaction Price (per share)	Offering Price (per share)
Class T	\$ 15.3182	\$ 16.0400
Class D	\$ 15.3182	\$ 15.3182
Class I	\$ 15.3182	\$ 15.3182

The transaction price for each of our share classes is equal to such class’s NAV per share as of July 31, 2022. A calculation of the NAV per share is set forth in the section of this Supplement titled “July 31, 2022 NAV Per Share.” The offering price of our common stock for each share class equals the transaction price of such class, plus applicable upfront selling commissions and dealer manager fees.

• **JULY 31, 2022 NAV PER SHARE**

Our board of directors, including a majority of our independent directors, has adopted valuation procedures, as amended from time to time, that contain a comprehensive set of methodologies to be used in connection with the calculation of our NAV. Our most recent NAV per share for each share class, which is updated as of the last calendar day of each month, is posted on our website at www.areswmsresources.com/investment-solutions/AIREIT and is also available on our toll-free, automated telephone line at (888) 310-9352. With the approval of our board of directors, including a majority of our independent directors, we have engaged Altus Group U.S. Inc., a third-party valuation firm, to serve as our independent valuation advisor (“Altus Group” or the “Independent Valuation Advisor”) with respect to helping us administer the valuation and review process of the real properties in our portfolio, providing monthly real property appraisals, reviewing annual third-party real property appraisals, providing monthly valuations of our debt-related assets (excluding DST Program Loans), reviewing the internal valuations of DST Program Loans and debt-related liabilities performed by Ares Commercial Real Estate Management LLC (our “Advisor”), providing quarterly valuations of our properties subject to master lease obligations associated with the DST Program, and assisting in the development and review of our valuation procedures.

As used below, “Fund Interests” means our outstanding shares of common stock, along with the partnership units in our operating partnership (“OP Units”), which may be or were held directly or indirectly by the Advisor, our former sponsor, members or affiliates of our former sponsor, and third parties, and “Aggregate Fund NAV” means the NAV of all the Fund Interests.

The following table sets forth the components of Aggregate Fund NAV as of July 31, 2022 and June 30, 2022:

(in thousands)	As of	
	July 31, 2022	June 30, 2022
Investments in industrial properties	\$ 8,690,650	\$ 8,530,050
Investment in unconsolidated joint venture partnership	21,191	21,194
DST Program Loans	116,539	101,422
Cash and cash equivalents	60,365	113,665
Other assets	65,574	59,444
Line of credit, term loans and mortgage notes	(2,984,486)	(3,066,673)
Financing obligations associated with our DST Program	(1,013,752)	(941,968)
Other liabilities	(130,527)	(122,149)
Accrued performance participation allocation	(127,666)	(122,446)
Accrued fixed component of advisory fee	(5,907)	(5,699)
Aggregate Fund NAV	\$ 4,691,981	\$ 4,566,840
Total Fund Interests outstanding	306,301	299,200

The following table sets forth the NAV per Fund Interest as of July 31, 2022 and June 30, 2022:

(in thousands, except per Fund Interest data)	Total	Class T Shares	Class D Shares	Class I Shares	OP Units
As of July 31, 2022					
Monthly NAV	\$ 4,691,981	\$ 3,471,348	\$ 281,276	\$ 869,923	\$ 69,434
Fund Interests outstanding	306,301	226,616	18,362	56,790	4,533
NAV Per Fund Interest	\$ 15.3182	\$ 15.3182	\$ 15.3182	\$ 15.3182	\$ 15.3182
As of June 30, 2022					
Monthly NAV	\$ 4,566,840	\$ 3,414,964	\$ 268,370	\$ 814,320	\$ 69,186
Fund Interests outstanding	299,200	223,734	17,582	53,351	4,533
NAV Per Fund Interest	\$ 15.2635	\$ 15.2635	\$ 15.2635	\$ 15.2635	\$ 15.2635

Under GAAP, we record liabilities for ongoing distribution fees that (i) we currently owe the Dealer Manager under the terms of the dealer manager agreement and (ii) we estimate we may pay to the Dealer Manager in future periods for the Fund Interests. As of July 31, 2022, we estimated approximately \$94.9 million of ongoing distribution fees were potentially payable to the Dealer Manager. We do not deduct the liability for estimated future distribution fees in our calculation of NAV since we intend for our NAV to reflect our estimated value on the date that we determine our NAV. Accordingly, our estimated NAV at any given time does not include consideration of any estimated future distribution fees that may become payable after such date.

We include no discounts to our NAV for the illiquid nature of our shares, including the limitations on our stockholders’ ability to redeem shares under our share redemption program and our ability to suspend our share redemption program at any time. Our NAV generally does not reflect the potential impact of exit costs (e.g. selling costs and commissions related to the sale of a property) that would likely be incurred if our assets and liabilities were liquidated or sold today. While we may use market pricing concepts to value individual components of our NAV, our per share NAV is not derived from the market pricing information of open-end real estate funds listed on stock exchanges.

Our NAV is not a representation, warranty or guarantee that: (i) we would fully realize our NAV upon a sale of our assets; (ii) shares of our common stock would trade at our per share NAV on a national securities exchange; and (iii) a stockholder would be able to realize the per share NAV if such stockholder attempted to sell his or her shares to a third party.

The valuations of our real properties as of July 31, 2022, excluding certain newly acquired properties that are currently held at cost which we believe reflects the fair value of such properties, were provided by the Independent Valuation Advisor in accordance with our valuation procedures. Certain key assumptions that were used by the Independent Valuation Advisor in the discounted cash flow analysis are set forth in the following table:

	Weighted-Average Basis
Exit capitalization rate	4.8 %
Discount rate / internal rate of return	5.9 %
Average holding period (years)	10.3

A change in the exit capitalization and discount rates used would impact the calculation of the value of our real property. For example, assuming all other factors remain constant, the changes listed below would result in the following effects on the value of our real properties, excluding certain newly acquired properties that are currently held at cost which we believe reflects the fair value of such properties:

Input	Hypothetical Change	Increase (Decrease) to the NAV of Real Properties
Exit capitalization rate (weighted-average)	0.25 % decrease	3.9 %
	0.25 % increase	(3.5)%
Discount rate (weighted-average)	0.25 % decrease	2.2 %
	0.25 % increase	(2.1)%

From November 1, 2017 through January 31, 2020, we valued our debt-related investments and real estate-related liabilities generally in accordance with fair value standards under GAAP. Beginning with our valuation for February 29, 2020, our property-level mortgages and corporate-level credit facilities that are intended to be held to maturity (which for fixed rate debt not subject to interest rate hedges may be the date near maturity at which time the debt will be eligible for prepayment at par for purposes herein), including those subject to interest rate hedges, were valued at par (i.e. at their respective outstanding balances). In addition, because we utilize interest rate hedges to stabilize interest payments (i.e. to fix all-in interest rates through interest rate swaps or to limit interest rate exposure through interest rate caps) on individual loans, each loan and associated interest rate hedge is treated as one financial instrument which is valued at par if intended to be held to maturity. This policy of valuing at par applies regardless of whether any given interest rate hedge is considered as an asset or liability for GAAP purposes. Notwithstanding, if we acquire an investment and assume associated in-place debt from the seller that is above or below market, then consistent with how we recognize assumed debt for GAAP purposes when acquiring an asset with pre-existing debt in place, the liabilities used in the determination of our NAV will include the market value of such debt based on market value as of the closing date. The associated premium or discount on such debt as of closing that is reflected in our liabilities will then be amortized through loan maturity. Per our valuation policy, the corresponding investment is valued on an unlevered basis for purposes of determining NAV. Accordingly, all else equal, we would not recognize an immediate gain or loss to our NAV upon acquisition of an investment whereby we assume associated pre-existing debt that is above or below market. As of July 31, 2022, we classified all of our debt as intended to be held to maturity, and our liabilities included mark-to-market adjustments for pre-existing debt that we assumed upon acquisition.

- **STATUS OF THIS OFFERING**

As of July 31, 2022, we had raised gross proceeds of approximately \$1.1 billion from the sale of approximately 83.1 million shares in this offering, including proceeds from our distribution reinvestment plan of approximately \$64.5 million. As of July 31, 2022, approximately \$3.9 billion in shares remained available for sale pursuant to this offering, including approximately \$1.2 billion in shares available for sale through our distribution reinvestment plan. We may reallocate amounts between the primary offering and our distribution reinvestment plan.

- **SUITABILITY STANDARDS**

The following supersedes and replaces the first paragraph of the section titled “Suitability Standards—Regulation Best Interest” on page vi of the Prospectus:

On June 5, 2019, the SEC adopted Regulation Best Interest, which establishes a standard of conduct for broker dealers and natural persons who are associated persons of a broker dealer under the Securities Exchange Act of 1934, as amended, that may be interpreted as a higher standard than suitability. Broker dealers must comply with Regulation Best Interest. Regulation Best Interest includes the general obligation that broker dealers shall act in the “best interest” of retail customers in making any recommendation of any securities transaction or investment strategy, without putting the financial or other interests of the broker dealer ahead of the retail customer. A retail customer is any natural person, or the legal representative of such person, who receives a recommendation of any securities transaction or investment strategy involving securities from a broker dealer and uses the recommendation primarily for personal, family, or household purposes. The general obligation can be satisfied by the broker dealer’s compliance with four specified component obligations: (i) provide certain required disclosure before or at the time of the recommendation, about the recommendation and the relationship between the broker dealer and the retail customer; (ii) exercise reasonable diligence, care, and skill in making the recommendation; (iii) establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest; and (iv) establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest. Like existing suitability obligations, the component obligations of Regulation Best Interest contain a quantitative standard. Such quantitative standard may be more or less restrictive pursuant to Regulation Best Interest than under the suitability standard. In addition to Regulation Best Interest, broker dealers are required to provide retail investors a brief customer relationship summary, or Form CRS, that summarizes for the investor key information about the broker dealer. Form CRS is different from this prospectus, which contains information regarding this offering and our company. The impact of Regulation Best Interest cannot be determined at this time, as Regulation Best Interest became effective June 30, 2020 and little administrative or case law exists under Regulation Best Interest as of the date of this prospectus. The full scope of its applicability is uncertain.

- **REAL PROPERTIES**

The following information supplements, and should be read in conjunction with the disclosure contained in the section titled “Investments in Real Properties, Real Estate Securities and Debt Related Investments” beginning on page 122 of the Prospectus:

Real Estate Portfolio Overview

As of June 30, 2022, we directly owned and managed a real estate portfolio that included 240 industrial buildings totaling approximately 49.1 million square feet located in 29 markets throughout the U.S., with 416 customers, and was 97.1% occupied (98.4% leased) with a weighted-average remaining lease term (based on square feet) of approximately 4.4 years. The occupied rate reflects the square footage with a paying customer in place. The leased rate includes the occupied square footage and additional square footage with leases in place that have not yet commenced. As of June 30, 2022 our real estate portfolio included:

- 232 industrial buildings totaling approximately 47.3 million square feet comprised our operating portfolio, which includes stabilized properties, and was 98.4% occupied (99.5% leased) with a weighted-average remaining lease term (based on square feet) of approximately 4.3 years; and
- 8 industrial buildings totaling approximately 1.8 million square feet comprised our value-add portfolio, which includes buildings acquired with the intention to reposition or redevelop, or buildings recently completed which have not yet reached stabilization. We generally consider a building to be stabilized on the earlier to occur of the first anniversary of a building’s shell completion or a building achieving 90% occupancy.

Additionally, as of June 30, 2022, we owned and managed 10 buildings either under construction or in the pre-construction phase totaling approximately 2.9 million square feet. Unless otherwise noted, these buildings are excluded from the presentation of our portfolio data herein.

Concurrently with the BTC II Partnership Transaction (as described in “Note 4 to the Condensed Consolidated Financial Statements” in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 included at the end of this supplement) on February 15, 2022, we and our joint venture partners formed a new joint venture partnership (the “BTC II B Partnership”), through which we co-own five properties that were part of the original BTC II Portfolio and were not part of the BTC II Partnership Transaction. As of June 30, 2022, we owned and managed five buildings that were either under construction or in the pre-construction phase totaling approximately 1.8 million square feet, through our 8.0% minority ownership interest in the BTC II B Partnership. Unless otherwise noted, these buildings are excluded from the presentation of our portfolio data herein.

The purchase price capitalization rate is based on the property’s projected cash net operating income from in-place leases for the 12 months after the date of purchase, including any contractual rent increases contained in such leases for those 12 months, divided by the purchase price for the property, exclusive of transfer taxes, due diligence expenses and other closing costs including acquisition costs.

Building Types. Our industrial buildings consist primarily of warehouse distribution facilities suitable for single or multiple customers. The following table summarizes our portfolio by building type as of June 30, 2022:

		Percent of Rentable Square Feet
Bulk distribution	Building size of 150,000 to over 1 million square feet, single or multi-customer	78.4 %
Light industrial	Building size of less than 150,000 square feet, single or multi-customer	21.5
Flex Industrial	Includes assembly or research and development, primarily multi-customer	0.1
		100.0 %

Portfolio Overview and Market Diversification. As of June 30, 2022, the average effective annual rent of our total real estate portfolio (calculated by dividing total annualized base rent, which includes the impact of any contractual tenant concessions (cash basis), by total occupied square footage) was approximately \$5.98 per square foot. The following table summarizes certain operating metrics of our portfolio by market as of June 30, 2022:

(\$ and square feet in thousands)	Number of Buildings	Rentable Square Feet	Occupied Rate (1)	Leased Rate (1)	Annualized Base Rent (2)	
Operating Properties:						
Atlanta	17	3,938	98.2 %	100.0 %	\$ 18,839	6.6 %
Austin	6	562	95.9	95.9	4,322	1.5
Bay Area	3	845	100.0	100.0	9,530	3.4
Boston	3	415	100.0	100.0	3,070	1.1
Central Florida	8	1,517	100.0	100.0	8,476	3.0
Central Valley	9	2,280	92.5	92.5	12,605	4.4
Charlotte	1	210	100.0	100.0	1,067	0.4
Chicago	25	4,621	100.0	100.0	23,764	8.3
Cincinnati	7	1,661	100.0	100.0	7,956	2.8
Dallas	14	3,488	100.0	100.0	16,415	5.8
D.C. / Baltimore	9	1,037	95.5	100.0	8,048	2.8
Denver	2	252	100.0	100.0	1,227	0.4
Houston	8	1,502	100.0	100.0	7,934	2.8
Indianapolis	2	818	100.0	100.0	3,113	1.1
Las Vegas	7	1,118	100.0	100.0	8,682	3.1
Louisville	6	1,903	100.0	100.0	7,771	2.7
Memphis	10	3,598	100.0	100.0	12,600	4.4
Nashville	2	817	100.0	100.0	3,758	1.3
New Jersey	16	3,426	97.7	100.0	29,449	10.3
Pennsylvania	17	3,103	100.0	100.0	19,354	6.8
Phoenix	3	417	100.0	100.0	3,223	1.1
Portland	2	605	100.0	100.0	3,522	1.2
Reno	6	1,422	100.0	100.0	7,270	2.6
Salt Lake City	5	1,003	100.0	100.0	5,387	1.9
San Antonio	1	96	100.0	100.0	538	0.2
San Diego	7	762	100.0	100.0	7,089	2.5
Seattle	12	2,224	98.9	99.7	17,484	6.1
South Florida	6	710	100.0	100.0	5,368	1.9
Southern California	18	2,907	88.2	99.5	20,110	7.1
Total operating	232	47,257	98.4	99.5	277,971	97.6
Value-Add Properties:						
Atlanta	4	531	76.1	76.1	3,049	1.1
Dallas	1	316	79.1	100.0	1,374	0.5
Indianapolis	1	796	51.9	51.9	1,498	0.5
Seattle	2	170	55.2	55.2	881	0.3
Total value-add properties	8	1,813	64.1	67.7	6,802	2.4
Total portfolio	240	49,070	97.1 %	98.4 %	\$ 284,773	100.0 %

- (1) The occupied rate reflects the square footage with a paying customer in place. The leased rate includes the occupied square footage and additional square footage with leases in place that have not yet commenced.
- (2) Annualized base rent is calculated as monthly base rent, including the impact of any contractual tenant concessions (cash basis) per the terms of the lease as of June 30, 2022, multiplied by 12.

Lease Terms. Our industrial properties are typically subject to leases on a “triple net basis,” in which customers pay their proportionate share of real estate taxes, insurance, common area maintenance, and certain other operating costs. In addition, most of our leases include fixed rental increases or Consumer Price Index-based rental increases. Lease terms typically range from one to 10 years, and often include renewal options.

Lease Expirations. As of June 30, 2022, the weighted-average remaining lease term (based on square feet) of our total occupied portfolio was approximately 4.4 years, excluding renewal options. The following table summarizes the lease expirations of our occupied portfolio for leases in place as of June 30, 2022, without giving effect to the exercise of renewal options or termination rights, if any:

(\$ and square feet in thousands)	Number of Leases	Occupied Square Feet		Annualized Base Rent (1)	
2022	19	1,449	3.0 %	\$ 6,517	2.3 %
2023	69	5,444	11.4	29,165	10.3
2024	72	7,344	15.4	39,690	14.0
2025	70	6,829	14.3	40,801	14.4
2026	78	8,698	18.3	49,365	17.4
2027	60	5,052	10.6	35,678	12.6
2028	27	3,575	7.5	22,279	7.8
2029	19	2,423	5.1	15,150	5.3
2030	8	785	1.6	4,511	1.6
Thereafter	31	6,009	12.8	41,086	14.3
Total occupied	453	47,608	100.0 %	\$ 284,242	100.0 %

(1) Annualized base rent is calculated as monthly base rent including, the impact of any contractual tenant concessions (cash basis) per the terms of the lease as of June 30, 2022, multiplied by 12.

Customer Diversification. As of June 30, 2022, there were no customers that individually represented more than 5.0% of total occupied square feet of our portfolio and one customer that individually represented more than 5.0% of total annualized base rent of our portfolio. The following table reflects the 10 largest customers of our portfolio, based on annualized base rent, which occupied a combined 8.8 million square feet as of June 30, 2022:

Customer	% of Total Occupied Square Feet (1)	% of Total Annualized Base Rent (1)
Amazon.com Services LLC	5.0 %	7.2 %
Radial, Inc.	4.5	3.1
Steelcase Inc.	2.6	2.6
US Elogistics Service Corp.	1.0	1.4
Boyd Flotation, Inc.	0.7	1.2
SBS Transportation, Inc.	0.9	1.2
General Services Administration	0.6	1.1
Niagara Bottling, LLC	1.1	1.0
The Kroger Company	1.0	1.0
Clutter, Inc.	1.0	0.9
Total	18.4 %	20.7 %

The majority of our customers do not have a public corporate credit rating. We evaluate creditworthiness and financial strength of prospective customers based on financial, operating and business plan information that is provided to us by such prospective customers, as well as other market, industry, and economic information that is generally publicly available.

Industry Diversification. The table below illustrates the diversification of our portfolio by industry classifications of our customers as of June 30, 2022:

(\$ and square feet in thousands)	Number of Leases	Annualized Base Rent (1)		Occupied Square Feet	
Transportation / Logistics	52	\$ 46,207	16.2 %	\$ 7,676	16.1 %
eCommerce / Fulfillment	26	38,633	13.6	6,576	13.8
Food & Beverage	32	22,995	8.1	3,396	7.1
Manufacturing	46	18,624	6.5	2,885	6.1
Auto	27	16,998	6.0	3,377	7.1
Home Furnishings	16	16,383	5.8	2,440	5.1
Storage / Warehousing	26	15,676	5.5	2,955	6.2
Home Improvement	23	8,024	2.8	1,316	2.8
Packaging	15	7,531	2.6	1,501	3.1
Electrical / Wire	10	7,478	2.6	1,678	3.5
Other	184	86,224	30.3	13,858	29.1
Total	457	\$ 284,773	100.0 %	\$ 47,658	100.0 %

(1) Annualized base rent is calculated as monthly base rent, including the impact of any contractual tenant concessions (cash basis) per the terms of the lease as of June 30, 2022, multiplied by 12.

Completed Real Property Acquisitions

The following is inserted at the end of the table in the subsection of the Prospectus titled, “Investments in Real Properties, Real Estate Securities and Debt Related Investments—Completed Real Property Acquisitions” on page 127 of the Prospectus in order to describe additional individually insignificant real property acquisitions completed as of the date of this Supplement:

(\$ in thousands)	Acquisition / Shell Complete Date	Ownership Percentage	Purchase Price (1)	Purchase Price Capitalization Rate	Rentable Square Feet	Leased Rate
Bluff Road Logistics Center	7/6/2022	100.0 %	\$ 102,500	3.5 %	753,000	100.0

(1) Reflects contractual purchase price amount exclusive of transfer taxes, due diligence expenses, and other closing costs.

Probable Real Property Acquisitions

The following table summarizes our probable real property acquisitions as of the date of this filing:

(\$ in thousands)	Estimated Closing Quarter (1)	Ownership Percentage	Expected Purchase Price (2)	Rentable Square Feet	Leased Rate
Bayport 146 Distribution Center	Q4-22	100.0 %	\$ 49,500	455,000	— %
Brittmoore Road	Q1-23	100.0	22,000	192,000	—
Connection Park	Q1-23	100.0	48,518	490,000	—
Runway Distribution Center	Q2-23	100.0	63,150	200,000	—

(1) The consummation of each of these acquisitions is subject to our completion of due diligence and various closing conditions to be met by the parties to each acquisition. There can be no assurance these acquisitions will be completed.

(2) Reflects the contract purchase price exclusive of transfer taxes, due diligence expenses, and other closing costs.

DST Program and DST Program Loans. During the six months ended June 30, 2022, we incurred rent obligations of approximately \$16.1 million under our master lease agreements in the DST Program. In order to facilitate additional capital raise through the DST Program, we may offer loans (“DST Program Loans”) to finance a portion of the sale of beneficial interests in the trusts holding DST Properties to potential investors. As of June 30, 2022, we had 75 DST Program Loans with a combined carrying value of \$102.4 million, and a weighted average interest rate and weighted average maturity of 4.17% and 9.5 years, respectively, related to the DST Program.

The following information supplements, and should be read in conjunction with, the disclosure contained in the subsection titled “Debt Obligations” on page 131 of the Prospectus.

Debt Obligations. Our consolidated indebtedness is currently comprised of borrowings under our line of credit, term loans, and mortgage notes. As of June 30, 2022, we had approximately \$3.1 billion of consolidated indebtedness with a weighted-average interest

rate of 3.13%, which includes the effect of interest rate swap agreements. Our consolidated fixed interest rate debt consists of \$550.0 million under our \$550.0 million term loans and \$525.0 million of commitments under our \$600.0 million term loan, which were effectively fixed through the use of interest rate swap agreements, and \$628.9 million of principal borrowings under four of our mortgage notes. Our consolidated variable interest rate debt consists of \$75.0 million under our \$600.0 million term loan, \$617.3 million under two of our mortgage notes, and \$670.0 million under our line of credit. The total gross book value of properties encumbered by our total consolidated debt is \$2.4 billion. See “Note 5 to the Condensed Consolidated Financial Statements” in the section of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (included at the end of this Supplement) titled “Condensed Consolidated Financial Statements (unaudited)” for additional information.

In July 2017, the Financial Conduct Authority (“FCA”) that regulates LIBOR announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee (“ARRC”), which identified the Secured Overnight Financing Rate (“SOFR”) as its preferred alternative rate for LIBOR in derivatives and other financial contracts. Any changes adopted by the FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in the current form.

LIBOR is expected to be phased out or modified by June 2023. As of June 30, 2022, our \$209.3 million mortgage note is the only indebtedness with a maturity date beyond 2023 that has exposure to LIBOR. As of June 30, 2022, we have one interest rate cap in place on \$170.0 million of borrowings under our \$209.3 million mortgage note. We intend to monitor the developments with respect to the phasing out of LIBOR after 2023 and work with our lenders to seek to ensure any transition away from LIBOR will have minimal impact on our financial condition, but can provide no assurances regarding the impact of the discontinuation of LIBOR.

• DISTRIBUTIONS

We have declared monthly distributions for each class of our common stock. To date, each class of our common stock has received the same gross distribution per share. Monthly gross distributions were \$0.0454 per share for each share class for the month of July 2022 and were paid to all stockholders of record as of the close of business on July 29, 2022. The net distribution per share is calculated as the gross distribution per share less any distribution fees that are payable monthly with respect to Class T shares and Class D shares. Since distribution fees are not paid with respect to Class I shares, the net distributions payable with respect to Class I shares are equal to the gross distributions payable with respect to Class I shares. The table below details the net distributions for each class of our common stock for the period presented:

Month	Pay Date	Net Distributions per Share		
		Class T Share	Class D Share	Class I Share
July 2022	8/1/2022	\$ 0.035	\$ 0.042	\$ 0.045

The following information should be read in conjunction with the sections titled “Prospectus Summary—Distribution Policy,” “Risk Factors—Risks Related to Investing in this Offering—We may have difficulty completely funding our distributions with funds provided by cash flows from operating activities...” and “Description of Capital Stock—Distributions” beginning on pages 28, 58, and 205, respectively, of the Prospectus:

We intend to continue to accrue and make distributions on a regular basis. For the six months ended June 30, 2022, approximately 52.2% of our total gross distributions were paid from cash flows from operating activities, as determined on a GAAP basis, and 47.8% of our total gross distributions were funded from sources other than cash flows from operating activities, as determined on a GAAP basis; specifically, 47.8% of our total gross distributions were funded with proceeds from shares issued pursuant to our distribution reinvestment plan. Some or all of our future distributions may be paid from sources other than cash flows from operating activities, such as cash flows from financing activities, which include borrowings (including borrowings secured by our assets), proceeds from the issuance of shares pursuant to our distribution reinvestment plan, proceeds from sales of assets, interest income from our cash balances, and the net proceeds from primary shares sold in our public offerings. We have not established a cap on the amount of our distributions that may be paid from any of these sources. The amount of any distributions will be determined by our board of directors, and will depend on, among other things, current and projected cash requirements, tax considerations and other factors deemed relevant by our board.

For the third quarter of 2022, our board of directors authorized monthly distributions to all common stockholders of record as of the close of business on the last business day of each month for the third quarter of 2022, or July 29, 2022, August 31, 2022 and September 30, 2022 (each a “Distribution Record Date”). The distributions were authorized at a quarterly rate of (i) \$0.13625 per Class I share of common stock and (ii) \$0.13625 per Class T share and per Class D share of common stock, less the respective annual distribution fees that are payable monthly with respect to such Class T shares and Class D shares. This quarterly rate is equal to a monthly rate of (i) \$0.04542 per Class I share of common stock and (ii) \$0.04542 per Class T share and per Class D share of common stock, less the respective annual distribution fees that are payable with respect to such Class T shares and Class D shares. Distributions for each month of the third quarter of 2022 have been or will be paid in cash or reinvested in shares of our common stock for those electing to participate in our distribution reinvestment plan following the close of business on the respective Distribution Record Date applicable to such monthly distributions.

There can be no assurances that the current distribution rate or amount per share will be maintained. In the near-term, we expect that we may need to continue to rely on sources other than cash flows from operations, as determined on a GAAP basis, to pay distributions, which if insufficient could negatively impact our ability to pay such distributions.

The following table outlines sources used, as determined on a GAAP basis, to pay total gross distributions (which are paid in cash or reinvested in shares of our common stock through our distribution reinvestment plan) for the quarters ended as of the dates indicated below:

(\$ in thousands)	For the Three Months Ended June 30, 2022		For the Three Months Ended June 30, 2021	
	Amount	Percentage	Amount	Percentage
Distributions				
Paid in cash (1)	\$ 21,158	52.8 %	\$ 12,104	49.6 %
Reinvested in shares	18,939	47.2	12,295	50.4
Total (2)	\$ 40,097	100.0 %	\$ 24,399	100.0 %
Sources of Distributions				
Cash flows from operating activities	21,158	52.8 %	10,544	43.2 %
Borrowings	—	—	1,560	6.4
DRIP (3)	18,939	47.2	12,295	50.4
Total (2)	\$ 40,097	100.0 %	\$ 24,399	100.0 %

(\$ in thousands)	For the Six Months Ended June 30, 2022		For the Six Months Ended June 30, 2021	
	Amount	Percentage	Amount	Percentage
Distributions				
Paid in cash (1)	\$ 40,496	52.2 %	\$ 22,244	49.6 %
Reinvested in shares	37,097	47.8	22,605	50.4
Total (2)	\$ 77,593	100.0 %	\$ 44,849	100.0 %
Sources of Distributions				
Cash flows from operating activities	40,496	52.2	19,977	44.5
Borrowings	—	—	2,267	5.1
DRIP (3)	37,097	47.8	22,605	50.4
Total (2)	\$ 77,593	100.0 %	\$ 44,849	100.0 %

- (1) Includes distribution fees relating to Class T shares and Class D shares issued in the primary portion of our public offerings. See “Note 10 to the Condensed Consolidated Financial Statements” for further detail regarding ongoing distribution fees.
- (2) Includes distributions paid to holders of OP Units, which we classify as redeemable noncontrolling interests.
- (3) Stockholders may elect to have their distributions reinvested in shares of our common stock through our distribution reinvestment plan.

For the three months ended June 30, 2022 and 2021, our NAREIT FFO was \$(18.7) million and (\$0.4) million, respectively, compared to total gross distributions of \$40.0 million and \$24.4 million, respectively. For the six months ended June 30, 2022 and 2021, our NAREIT FFO was \$ (69.1) million and \$6.0 million, respectively, compared to total gross distributions of \$77.6 million and \$44.8 million, respectively. FFO is a non-GAAP operating metric and should not be used as a liquidity measure. However, management believes the relationship between FFO and distributions may be meaningful for investors to better understand the sustainability of our operating performance compared to distributions made. Refer to “Selected Information Regarding Our Operations” below for the definition of FFO, as well as a detailed reconciliation of our GAAP net income (loss) to FFO.

● REDEMPTIONS

For the six months ended June 30, 2022, we received eligible redemption requests for approximately 2.2 million shares of our common stock, all of which we redeemed using cash flows from financing activities, for an aggregate amount of approximately \$31.3 million, or an average price of \$14.12 per share. For the six months ended June 30, 2021, we received eligible redemption requests for 1.0 million shares of our common stock, all of which we redeemed using cash flows from financing activities, for an aggregate amount of approximately \$9.9 million, or an average price of \$10.18 per share.

- **SELECTED INFORMATION REGARDING OUR OPERATIONS**

Additional Performance Measures**Net Loss and Net Operating Income (“NOI”)**

We define NOI as GAAP rental revenues less GAAP rental expenses. We consider NOI to be an appropriate supplemental performance measure and believe NOI provides useful information to our investors regarding our results of operations because NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the properties, such as real estate-related depreciation and amortization, acquisition-related expenses, impairment charges, general and administrative expenses and interest expense. However, NOI should not be viewed as an alternative measure of our financial performance since it excludes such expenses, which expenses could materially impact our results of operations. Further, our NOI may not be comparable to that of other real estate companies as they may use different methodologies for calculating NOI. Therefore, we believe our net income (loss), as defined by GAAP, to be the most appropriate measure to evaluate our overall performance. Refer to the section of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (included at the end of this supplement) titled “Results of Operations” for a reconciliation of our GAAP net income (loss) to NOI for the three and six months ended June 30, 2022 and 2021.

Funds from Operations (“FFO”)

We believe that FFO, in addition to net income (loss) and cash flows from operating activities as defined by GAAP, are useful supplemental performance measures that our management uses to evaluate our consolidated operating performance. However, these supplemental, non-GAAP measures should not be considered as an alternative to net income (loss) or to cash flows from operating activities as an indication of our performance and are not intended to be used as a liquidity measure indicative of cash flow available to fund our cash needs, including our ability to make distributions to our stockholders. No single measure can provide users of financial information with sufficient information and only our disclosures read as a whole can be relied upon to adequately portray our financial position, liquidity, and results of operations. Fees deferred or waived by the Advisor and payments received from the Advisor and/or reimbursed to the Advisor pursuant to the expense support agreement are included in determining our net income (loss), which is used to determine FFO. If we had not received support from the Advisor and/or reimbursed the Advisor pursuant to the expense support agreement, our FFO would have been lower or higher. In addition, other REITs may define FFO and similar measures differently and choose to treat acquisition-related costs and potentially other accounting line items in a manner different from us due to specific differences in investment and operating strategy or for other reasons.

FFO. As defined by the National Association of Real Estate Investment Trusts (“NAREIT”), FFO is a non-GAAP measure that excludes certain items such as real estate-related depreciation and amortization. We believe FFO is a meaningful supplemental measure of our operating performance that is useful to investors because depreciation and amortization in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. We use FFO as an indication of our consolidated operating performance and as a guide to making decisions about future investments.

Although some REITs may present similar measures differently from us, we believe FFO generally facilitates a comparison to other REITs that have similar operating characteristics to us. We believe investors are best served if the information that is made available to them allows them to align their analyses and evaluation with the same performance metrics used by management in planning and executing our business strategy. However, this supplemental, non-GAAP measure is not necessarily indicative of future performance and should not be considered as an alternative to net loss or to cash flows from operating activities and is not intended to be used as a liquidity measure indicative of cash flow available to fund our cash needs. Neither the SEC, NAREIT, nor any regulatory body has passed judgment on the acceptability of the adjustments used to calculate FFO. In the future, the SEC, NAREIT, or a regulatory body may decide to standardize the allowable adjustments across the non-traded REIT industry at which point we may adjust our calculation and characterization of FFO.

The following unaudited table presents a reconciliation of GAAP net income (loss) to NAREIT FFO:

(in thousands, except per share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
GAAP net loss attributable to common stockholders	\$ (81,028)	\$ (20,028)	\$ (186,558)	\$ (28,781)
GAAP net loss per common share	(0.28)	(0.11)	(0.67)	(0.18)
Reconciliation of GAAP net loss to NAREIT FFO:				
GAAP net loss attributable to common stockholders	\$ (81,028)	\$ (20,028)	\$ (186,558)	\$ (28,781)
Add (deduct) NAREIT adjustments:				
Real estate-related depreciation and amortization	63,279	16,382	119,024	30,241
Our share of real estate-related depreciation and amortization of unconsolidated joint venture partnerships	—	3,360	371	7,127
Redeemable noncontrolling interests' share of real estate-related depreciation and amortization and real estate-related depreciation and amortization of unconsolidated joint venture partnerships	(975)	(145)	(1,899)	(299)
Our share of net gain on disposition of real estate properties of unconsolidated joint venture partnership	—	—	—	(2,284)
Redeemable noncontrolling interests' share of net gain on disposition of real estate properties of unconsolidated joint venture partnership	—	—	—	20
NAREIT FFO attributable to common stockholders	\$ (18,724)	\$ (431)	\$ (69,062)	\$ 6,024
NAREIT FFO per common share	(0.06)	(0.00)	(0.25)	0.04
Weighted-average shares outstanding	289,797	177,754	280,185	163,355

● UPDATE ON OUR ASSETS AND PERFORMANCE

As of July 31, 2022, our leverage ratio was approximately 33.6% (calculated as outstanding principal balance of our borrowings less cash and cash equivalents, divided by the fair value of our real property and our net investment in an unconsolidated joint venture partnership).

As of July 31, 2022, we directly owned and managed a real estate portfolio that included 241 industrial buildings totaling approximately 49.8 million square feet located in 29 markets throughout the U.S., with 423 customers, and was 98.1% occupied (98.6% leased) with a weighted-average remaining lease term (based on square feet) of 4.4 years. The occupied rate reflects the square footage with a paying customer in place. The leased rate includes the occupied square footage and additional square footage with leases in place that have not yet commenced.

The following table sets forth the total shareholder returns for the periods ended July 31, 2022:

	Trailing One-Month (1)	Year-to-Date (1)	One-Year (Trailing 12-Months)(1)	Since NAV Inception Annualized (1)(2)(3)
Class T Share Total Return (without sales charge) (3)	0.59 %	24.75 %	48.04 %	14.13 %
Class T Share Total Return (with sales charge) (3)	(3.94)%	19.13 %	41.38 %	13.03 %
Class D Share Total Return (3)	0.64 %	25.16 %	48.74 %	16.31 %
Class I Share Total Return (3)	0.66 %	25.34 %	49.25 %	15.20 %

- (1) Performance is measured by total return, which includes income and appreciation (i.e., distributions and changes in NAV) and reinvestment of all distributions ("Total Return") for the respective time period. Past performance is not a guarantee of future results. Performance data quoted above is historical. Current performance may be higher or lower than the performance data quoted. Actual individual stockholder returns will vary. The returns have been prepared using unaudited data and valuations of the underlying investments in our portfolio, which are estimates of fair value and form the basis for our NAV. Valuations based upon unaudited or estimated reports from the underlying investments may be subject to later adjustments or revisions, may not correspond to realized value and may not accurately reflect the price at which assets could be liquidated on any given day.
- (2) The inception date for Class I shares and Class T shares was November 1, 2017, which is when shares of our common stock were first issued to third-party investors in our initial public offering. The inception date for Class D shares (formerly designated as Class W shares) was July 2, 2018, which is when Class D shares of common stock were first issued to third-party investors.
- (3) The Total Returns presented are based on the actual NAVs at which stockholders transacted, calculated pursuant to our valuation procedures. With respect to the "Class T Share Total Return (with sales charge)," the Total Returns are calculated assuming the stockholder also paid the maximum upfront selling commission, dealer manager fee and ongoing distribution fees in effect during the time period indicated. With respect to "Class T Share Total Return (without sales change)," the Total Returns are calculated assuming the stockholder did not pay any upfront selling commission or dealer manager fee, but did pay the maximum ongoing distribution fees in effect during the time period indicated. From NAV inception to January 31, 2020, these NAVs reflected mark-to-market adjustments on our borrowing-related debt instruments and our borrowing-related interest rate hedge positions. See Item 5 in Part II of

our Annual Report on Form 10-K for the year ended December 31, 2021 for additional information on the impact of not continuing to mark these instruments to market on the calculation of our Total Returns

● **FEES AND EXPENSES PAYABLE TO THE ADVISOR, THE DEALER MANAGER AND THEIR AFFILIATES**

The following data supplements, and should be read in conjunction with the tables in the section of the Prospectus titled “Prospectus Summary—Compensation to the Advisor and its Affiliates” and “Management Compensation” on pages 22 to 23 and 169, respectively, of the Prospectus:

The following table summarizes fees and expenses incurred in connection with our offerings and operations for services provided by the Dealer Manager, the Advisor, and its affiliates and any related amounts payable. This table includes amounts incurred for the three and six months ended June 30, 2022 and 2021, as well as amounts payable as of June 30, 2022 and December 31, 2021.

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,		Payable as of	
	2022	2021	2022	2021	June 30, 2022	December 31, 2021
Selling commissions and dealer manager fees—the Dealer Manager (1)	\$ 7,032	\$ 3,932	\$ 11,671	\$ 7,627	\$ —	\$ —
Ongoing distribution fees—the Dealer Manager (1)(2)	6,852	3,373	12,508	6,613	2,337	1,779
Advisory fee—fixed component—the Advisor	16,641	5,525	30,257	9,460	5,699	3,864
Performance participation allocation—the Advisor	39,146	11,842	122,446	16,022	122,446	81,185
Other expense reimbursements—the Advisor (3)(4)	3,504	3,092	6,724	6,265	3,138	707
Property accounting fee—the Advisor (5)	638	223	1,200	418	228	166
DST Program selling commissions, dealer manager fees and distribution fees—the Dealer Manager (1)	2,695	227	4,207	227	435	190
Other DST Program related costs—the Advisor (4)	3,383	908	5,399	908	133	61
Development fees—the Advisor (6)	1,568	324	2,383	714	574	78
Total	\$ 81,459	\$ 29,446	\$ 196,795	\$ 48,254	\$ 134,990	\$ 88,030

- (1) All or a portion of these amounts will be retained by, or reallocated (paid) to, participating broker-dealers and servicing broker-dealers.
- (2) The distribution fees are payable monthly in arrears. Additionally, the Company accrues for future estimated amounts payable related to ongoing distribution fees. The future estimated amounts payable were approximately \$89.6 million and \$85.4 million as of June 30, 2022 and December 31, 2021, respectively.
- (3) Other expense reimbursements include certain expenses incurred for organization and offering, acquisition and general administrative services provided to us under the Advisory Agreement, including, but not limited to, certain expenses described below after footnote 6, allocated rent paid to both third parties and affiliates of the Advisor, equipment, utilities, insurance, travel and entertainment.
- (4) Includes costs reimbursed to the Advisor related to the DST Program.
- (5) The cost of the property management fee, including the property accounting fee, is generally borne by the tenant or tenants at each real property, either via a direct reimbursement to the Company or, in the case of tenants subject to a gross lease, as part of the lease cost. In certain limited circumstances, the Company may pay for a portion of the property management fee, including the property accounting fee, without reimbursement from the tenant or tenants at a real property.
- (6) Development fees are included in the total development project costs of the respective properties and are capitalized in construction in progress, which is included in net investment in real estate properties on the Company’s condensed consolidated balance sheets. Amounts also include the Company’s proportionate share of development acquisition fees relating to the BTC Partnerships, which are included in investment in unconsolidated joint venture partnership(s) on the Company’s condensed consolidated balance sheets.

Certain of the expense reimbursements described in the table above include a portion of the compensation expenses of officers, including a portion of the compensation (whether paid in cash, stock, or other forms), benefits and other overhead costs of certain of the Company’s named executive officers, as well as employees of the Advisor or its affiliates related to activities for which the Advisor did not otherwise receive a separate fee. The Company incurred approximately \$3.3 million and \$2.6 million for the three months ended June 30, 2022 and 2021, respectively, and \$6.2 million and \$5.3 million for the six months ended June 30, 2022 and 2021, respectively, for such compensation expenses reimbursable to the Advisor.

- **CERTAIN HISTORICAL NAV INFORMATION**

The following table shows our NAV per share at the end of each quarter during 2022 and 2021:

<u>Date</u>	<u>Class T</u>	<u>Class D</u>	<u>Class I</u>	<u>OP Units</u>
June 30, 2022	\$ 15.2635	\$ 15.2635	\$ 15.2635	\$ 15.2635
March 31, 2022	14.4934	14.4934	14.4934	14.4934
December 31, 2021	12.5007	12.5007	12.5007	12.5007
September 30, 2021	11.5332	11.5332	11.5332	11.5332
June 30, 2021	10.5692	10.5692	10.5692	10.5692
March 31, 2021	10.2031	10.2031	10.2031	10.2031

- **EXPERTS**

The statements included in this Supplement under the section titled “July 31, 2022 NAV Per Share” relating to the role of Altus Group U.S. Inc. have been reviewed by Altus Group U.S. Inc., an independent valuation advisor, and are included in this Supplement given the authority of such advisor as experts in real estate valuations.

- **QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2022**

On August 11, 2022, we filed our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 with the SEC. The report (without exhibits) is attached to this Supplement.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022
or

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

For the transition period from _____ to
Commission file number: 000-56032

Ares Industrial Real Estate Income Trust Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

47-1592886
(I.R.S. Employer
Identification No.)

One Tabor Center
1200 Seventeenth Street, Suite 2900
Denver, CO
(Address of principal executive offices)
518 Seventeenth Street, 17th Floor
Denver, CO 80202

80202
(Zip code)

(Former name or address, if changed from last report)

Registrant's telephone number, including area code: (303) 228-2200

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

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>			Emerging growth company	<input type="checkbox"/>

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

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

As of August 5, 2022, there were 230,625,983 shares of the registrant's Class T common stock, 19,121,134 shares of the registrant's Class D common stock and 58,405,039 shares of the registrant's Class I common stock outstanding.

ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
TABLE OF CONTENTS

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements:	
Condensed Consolidated Balance Sheets as of June 30, 2022 (unaudited) and December 31, 2021	3
Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2022 and 2021 (unaudited)	4
Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended June 30, 2022 and 2021 (unaudited)	5
Condensed Consolidated Statements of Equity for the Three and Six Months Ended June 30, 2022 and 2021 (unaudited)	6
Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2022 and 2021 (unaudited)	8
Notes to Condensed Consolidated Financial Statements (unaudited)	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3. Quantitative and Qualitative Disclosures About Market Risk	44
Item 4. Controls and Procedures	44
PART II. OTHER INFORMATION	
Item 1A. Risk Factors	45
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	46
Item 6. Exhibits	49

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share data)	As of	
	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Net investment in real estate properties	\$ 6,542,911	\$ 4,820,892
Investment in unconsolidated joint venture partnership(s)	19,560	101,769
Cash and cash equivalents	113,665	216,848
Restricted cash	403	887
DST Program Loans	102,359	68,772
Other assets	109,833	39,941
Total assets	\$ 6,888,731	\$ 5,249,109
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued liabilities	\$ 92,612	\$ 42,211
Debt, net	3,043,341	2,245,673
Intangible lease liabilities, net	102,544	76,432
Financing obligations, net	897,258	483,964
Distribution fees payable to affiliates	89,571	85,419
Other liabilities	168,610	116,064
Total liabilities	4,393,936	3,049,763
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests	69,286	15,687
Equity		
Stockholders' equity:		
Preferred stock, \$0.01 par value - 200,000 shares authorized, none issued and outstanding	—	—
Class T common stock, \$0.01 par value per share - 1,200,000 shares authorized, 223,734 and 206,129 shares issued and outstanding, respectively	2,237	2,061
Class D common stock, \$0.01 par value per share - 75,000 shares authorized, 17,582 and 13,649 shares issued and outstanding, respectively	176	136
Class I common stock, \$0.01 par value per share - 225,000 shares authorized, 53,716 and 37,391 shares issued and outstanding, respectively	537	374
Additional paid-in capital	2,942,359	2,475,715
Accumulated deficit and distributions	(547,956)	(297,570)
Accumulated other comprehensive income	27,844	2,631
Total stockholders' equity	2,425,197	2,183,347
Noncontrolling interests	312	312
Total equity	2,425,509	2,183,659
Total liabilities and equity	\$ 6,888,731	\$ 5,249,109

See accompanying Notes to Condensed Consolidated Financial Statements.

ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Rental revenues	\$ 92,794	\$ 28,978	\$ 174,352	\$ 53,046
Total revenues	92,794	28,978	174,352	53,046
Operating expenses:				
Rental expenses	22,040	7,250	42,728	12,825
Real estate-related depreciation and amortization	63,279	16,382	119,024	30,241
General and administrative expenses	3,645	2,121	6,759	4,370
Advisory fees	16,641	5,525	30,257	9,460
Performance participation allocation	39,146	11,842	122,446	16,022
Acquisition costs and reimbursements	1,689	1,148	2,893	2,125
Total operating expenses	146,440	44,268	324,107	75,043
Other (income) expenses:				
Equity in loss (income) from unconsolidated joint venture partnership(s)	76	404	(35)	(1,165)
Interest expense	33,078	4,571	55,545	8,295
Gain on derivative instruments	(3,937)	—	(14,839)	—
Other income and expenses	(572)	(93)	(846)	(129)
Total expenses	175,085	49,150	363,932	82,044
Net loss	(82,291)	(20,172)	(189,580)	(28,998)
Net loss attributable to redeemable noncontrolling interests	1,273	148	3,041	225
Net income attributable to noncontrolling interests	(10)	(4)	(19)	(8)
Net loss attributable to common stockholders	<u>\$ (81,028)</u>	<u>\$ (20,028)</u>	<u>\$ (186,558)</u>	<u>\$ (28,781)</u>
Weighted-average shares outstanding	<u>289,797</u>	<u>177,754</u>	<u>280,185</u>	<u>163,355</u>
Net loss per common share - basic and diluted	<u>\$ (0.28)</u>	<u>\$ (0.11)</u>	<u>\$ (0.67)</u>	<u>\$ (0.18)</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	\$ (82,291)	\$ (20,172)	\$ (189,580)	\$ (28,998)
Change from cash flow hedging derivatives	6,448	836	25,632	3,198
Comprehensive loss	\$ (75,843)	\$ (19,336)	\$ (163,948)	\$ (25,800)
Comprehensive loss attributable to redeemable noncontrolling interests	1,170	142	2,622	198
Comprehensive loss attributable to common stockholders	\$ (74,673)	\$ (19,194)	\$ (161,326)	\$ (25,602)

See accompanying Notes to Condensed Consolidated Financial Statements.

ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(in thousands)	Stockholders' Equity						Total Equity
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	
	Shares	Amount					
FOR THE THREE MONTHS ENDED JUNE 30, 2021							
Balance as of March 31, 2021	152,295	\$ 1,523	\$ 1,431,279	\$ (154,559)	\$ (7,409)	\$ 126	\$ 1,270,960
Net loss (excludes \$148 attributable to redeemable noncontrolling interests)	—	—	—	(20,028)	—	4	(20,024)
Change from cash flow hedging activities (excludes \$6 attributable to redeemable noncontrolling interests)	—	—	—	—	830	—	830
Issuance of common stock	43,653	436	449,699	—	—	—	450,135
Share-based compensation	—	—	371	—	—	—	371
Upfront offering costs, including selling commissions, dealer manager fees, and offering costs	—	—	(5,659)	—	—	—	(5,659)
Trailing distribution fees	—	—	(19,277)	3,373	—	—	(15,904)
Redemptions of common stock	(709)	(7)	(7,259)	—	—	—	(7,266)
Preferred interest in Subsidiary REITs	—	—	—	—	—	61	61
Distributions to stockholders (excludes \$179 attributable to redeemable noncontrolling interests)	—	—	—	(24,220)	—	(4)	(24,224)
Redemption value allocation adjustment to redeemable noncontrolling interests	—	—	(546)	—	—	—	(546)
Balance as of June 30, 2021	<u>195,239</u>	<u>\$ 1,952</u>	<u>\$ 1,848,608</u>	<u>\$ (195,434)</u>	<u>\$ (6,579)</u>	<u>\$ 187</u>	<u>\$ 1,648,734</u>
FOR THE THREE MONTHS ENDED JUNE 30, 2022							
Balance as of March 31, 2022	276,634	\$ 2,766	\$ 2,699,713	\$ (434,301)	\$ 21,499	\$ 312	\$ 2,289,989
Net (loss) income (excludes \$1,273 attributable to redeemable noncontrolling interests)	—	—	—	(81,028)	—	10	(81,018)
Change from cash flow hedging activities (excludes \$103 attributable to redeemable noncontrolling interests)	—	—	—	—	6,345	—	6,345
Issuance of common stock	19,935	199	292,360	—	—	—	292,559
Share-based compensation, net of cancellations	(1)	—	450	—	—	—	450
Upfront offering costs, including selling commissions, dealer manager fees, and offering costs	—	—	(8,124)	—	—	—	(8,124)
Trailing distribution fees	—	—	(9,764)	6,852	—	—	(2,912)
Redemptions of common stock	(1,536)	(15)	(22,719)	—	—	—	(22,734)
Distributions to stockholders (excludes \$618 attributable to redeemable noncontrolling interests)	—	—	—	(39,479)	—	(10)	(39,489)
Redemption value allocation adjustment to redeemable noncontrolling interests	—	—	(9,557)	—	—	—	(9,557)
Balance as of June 30, 2022	<u>295,032</u>	<u>\$ 2,950</u>	<u>\$ 2,942,359</u>	<u>\$ (547,956)</u>	<u>\$ 27,844</u>	<u>\$ 312</u>	<u>\$ 2,425,509</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(in thousands)	Stockholders' Equity						Noncontrolling Interests	Total Equity
	Common Stock		Additional Paid-In Capital	Accumulated Deficit and Distributions	Accumulated Other Comprehensive Income (Loss)			
	Shares	Amount						
FOR THE SIX MONTHS ENDED JUNE 30, 2021								
Balance as of December 31, 2020	141,471	\$ 1,415	\$ 1,329,799	\$ (128,775)	\$ (9,750)	\$ 126	\$ 1,192,815	
Net (loss) income (excludes \$225 attributable to redeemable noncontrolling interests)	—	—	—	(28,781)	—	8	(28,773)	
Change from cash flow hedging activities (excludes \$27 attributable to redeemable noncontrolling interests)	—	—	—	—	3,171	—	3,171	
Issuance of common stock	54,740	547	563,788	—	—	—	564,335	
Share-based compensation	—	—	856	—	—	—	856	
Upfront offering costs, including selling commissions, dealer manager fees, and offering costs	—	—	(11,349)	—	—	—	(11,349)	
Trailing distribution fees	—	—	(23,731)	6,613	—	—	(17,118)	
Redemptions of common stock	(972)	(10)	(9,901)	—	—	—	(9,911)	
Preferred interest in Subsidiary REITs	—	—	—	—	—	61	61	
Distributions to stockholders (excludes \$358 attributable to redeemable noncontrolling interests)	—	—	—	(44,491)	—	(8)	(44,499)	
Redemption value allocation adjustment to redeemable noncontrolling interests	—	—	(854)	—	—	—	(854)	
Balance as of June 30, 2021	<u>195,239</u>	<u>\$ 1,952</u>	<u>\$ 1,848,608</u>	<u>\$ (195,434)</u>	<u>\$ (6,579)</u>	<u>\$ 187</u>	<u>\$ 1,648,734</u>	
FOR THE SIX MONTHS ENDED JUNE 30, 2022								
Balance as of December 31, 2021	257,169	\$ 2,571	\$ 2,475,715	\$ (297,570)	\$ 2,631	\$ 312	\$ 2,183,659	
Net (loss) income (excludes \$3,041 attributable to redeemable noncontrolling interests)	—	—	—	(186,558)	—	19	(186,539)	
Change from cash flow hedging activities (excludes \$419 attributable to redeemable noncontrolling interests)	—	—	—	—	25,213	—	25,213	
Issuance of common stock	40,116	401	544,954	—	—	—	545,355	
Share-based compensation, net of cancellations	(34)	—	699	—	—	—	699	
Upfront offering costs, including selling commissions, dealer manager fees, and offering costs	—	—	(13,841)	—	—	—	(13,841)	
Trailing distribution fees	—	—	(16,660)	12,508	—	—	(4,152)	
Redemptions of common stock	(2,219)	(22)	(31,300)	—	—	—	(31,322)	
Distributions to stockholders (excludes \$1,257 attributable to redeemable noncontrolling interests)	—	—	—	(76,336)	—	(19)	(76,355)	
Redemption value allocation adjustment to redeemable noncontrolling interests	—	—	(17,208)	—	—	—	(17,208)	
Balance as of June 30, 2022	<u>295,032</u>	<u>\$ 2,950</u>	<u>\$ 2,942,359</u>	<u>\$ (547,956)</u>	<u>\$ 27,844</u>	<u>\$ 312</u>	<u>\$ 2,425,509</u>	

See accompanying Notes to Condensed Consolidated Financial Statements.

ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	For the Six Months Ended June 30,	
	2022	2021
Operating activities:		
Net loss	\$ (189,580)	\$ (28,998)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Real estate-related depreciation and amortization	119,024	30,241
Amortization of debt and financing obligation costs	12,230	844
Equity in income from unconsolidated joint venture partnerships	(35)	(1,165)
Gain on changes in fair value of interest rate caps	(14,839)	—
Performance participation allocation	122,446	16,022
Straight-line rent and amortization of above- and below-market leases	(17,207)	(3,007)
Other	1,208	751
Changes in operating assets and liabilities	17,155	5,289
Net cash provided by operating activities	50,402	19,977
Investing activities:		
Real estate acquisitions	(1,323,118)	(229,520)
Incremental investment to acquire joint venture partnership portfolio	(259,526)	(580,559)
Deferred acquisition costs	(31,325)	(101,700)
Capital expenditures	(79,046)	(7,587)
Investment in unconsolidated joint venture partnerships	(8,782)	(3,700)
Distributions from joint venture partnerships	—	5,200
Net cash used in investing activities	(1,701,797)	(917,866)
Financing activities:		
Proceeds from line of credit	925,000	92,000
Repayments of line of credit	(255,000)	—
Proceeds from term loan	135,000	200,000
Debt issuance costs paid	(10,416)	(5,181)
Interest rate cap premium	(2,963)	—
Proceeds from issuance of common stock, net	497,266	535,359
Proceeds from financing obligations, net	372,978	57,007
Offering costs paid in connection with issuance of common stock and private placements	(2,574)	(22,420)
Distributions paid to common stockholders, redeemable noncontrolling interest holders and preferred shareholders	(27,376)	(14,480)
Distribution fees paid to affiliates	(11,950)	(6,541)
Redemptions of common stock	(31,322)	(9,911)
Redemptions of redeemable noncontrolling interests	(40,915)	—
Net cash provided by financing activities	1,547,728	825,833
Net decrease in cash, cash equivalents and restricted cash	(103,667)	(72,056)
Cash, cash equivalents and restricted cash, at beginning of period	217,735	232,899
Cash, cash equivalents and restricted cash, at end of period	\$ 114,068	\$ 160,843

See accompanying Notes to Condensed Consolidated Financial Statements.

ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

Ares Industrial Real Estate Income Trust Inc. (the “Company”) is a Maryland corporation formed on August 12, 2014. Unless the context otherwise requires, the “Company” and “AIREIT” refers to Ares Industrial Real Estate Income Trust Inc. and its consolidated subsidiaries, which includes AIREIT Operating Partnership LP (the “Operating Partnership”). The Company is externally managed by its advisor. On July 1, 2021, Ares Management Corporation (“Ares”) closed on the acquisition of the U.S. real estate investment advisory and distribution business of Black Creek Group, including the Company’s former advisor, BCI IV Advisors LLC (the “Former Advisor”). As a result of this transaction, Ares Commercial Real Estate Management LLC became the Company’s new advisor (the “New Advisor”). Ares did not acquire the Company’s former sponsor, BCI IV Advisors Group LLC (the “Former Sponsor”), and the Company now considers the Ares real estate group (“AREG”) to be its Sponsor. References to the “Advisor” throughout this report mean BCI IV Advisors LLC for periods prior to July 1, 2021 and Ares Commercial Real Estate Management LLC for periods thereafter. References to the “Sponsor” throughout this report mean BCI IV Advisors Group LLC for periods prior to July 1, 2021 and Ares real estate group for periods thereafter.

The accompanying unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, certain disclosures normally included in the annual audited financial statements prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) have been omitted. As such, the accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 9, 2022 (“2021 Form 10-K”).

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments and eliminations, consisting only of normal recurring adjustments necessary for a fair presentation in conformity with GAAP.

2. REAL ESTATE ACQUISITIONS

During the six months ended June 30, 2022, the Company acquired 100% of the following properties, which were determined to be asset acquisitions:

(\$ in thousands)	Acquisition Date	Number of Buildings	Total Purchase Price (1)
Build-to-Core Logistics Portfolio II (2)(3)	2/15/2022	9	\$ 359,202
Northlake Logistics Crossing	2/17/2022	—	21,569
Tampa Commerce Center	4/1/2022 & 5/25/22	—	6,270
Medley 104 Industrial Center	4/18/2022	1	53,670
IDI U.S. Logistics Portfolio	4/28/2022	6	317,092
Chicago Growth Portfolio	5/9/2022	14	182,135
4 Studebaker	5/12/2022	1	33,188
Southeast Orlando Portfolio	5/19/2022	5	138,803
I-465 East Logistics Center	5/26/2022	1	18,923
Industry Corporate Center	6/2/2022	1	52,086
Countyline Commerce Center	6/8/2022	—	62,080
Robbinsville Distribution Center	6/10/2022	—	364
Innovation I & II Corporate Center	6/17/2022	2	63,939
IDI 2022 National Portfolio	6/22/2022	6	246,773
I-80 Logistics Park I-II	6/29/2022	1	138,530
Commonwealth Logistics Center	6/30/2022	—	8,927
Total Acquisitions		47	\$ 1,703,551

- (1) Total purchase price is equal to the total consideration paid plus any debt assumed at fair value. There was no debt assumed in connection with the 2022 acquisitions.
- (2) Two land parcels included in the acquisition of the Build-to-Core Logistics Portfolio II.
- (3) Refer to “Note 4” for further detail regarding the acquisition of the Build-To-Core Logistics Portfolio II as a result of the BTC II Partnership Transaction (as defined below).

During the six months ended June 30, 2022, the Company allocated the purchase price of its acquisitions to land, building and improvements, construction in progress, and intangible lease assets and liabilities as follows:

(in thousands)	For the Six Months Ended June 30, 2022
Land	\$ 403,694
Building and improvements	1,188,076
Intangible lease assets	110,877
Above-market lease assets	2,282
Construction in progress	33,371
Below-market lease liabilities	(34,749)
Total purchase price (1)	\$ 1,703,551

- (1) Total purchase price is equal to the total consideration paid plus any debt assumed at fair value. There was no debt assumed in connection with the 2022 acquisitions.

Intangible and above-market lease assets are amortized over the remaining lease term. Below-market lease liabilities are amortized over the remaining lease term, plus any below-market, fixed-rate renewal option periods. The weighted-average amortization period for the intangible lease assets and liabilities acquired in connection with the Company’s acquisitions during the six months ended June 30, 2022, as of the respective date of each acquisition, was 4.8 years.

3. INVESTMENT IN REAL ESTATE

As of June 30, 2022 and December 31, 2021, the Company's consolidated investment in real estate properties consisted of 240 and 193 industrial buildings, respectively.

(in thousands)	As of	
	June 30, 2022	December 31, 2021
Land	\$ 1,530,840	\$ 1,127,147
Building and improvements	4,715,986	3,510,401
Intangible lease assets	461,749	342,538
Construction in progress	140,534	27,075
Investment in real estate properties	6,849,109	5,007,161
Less accumulated depreciation and amortization	(306,198)	(186,269)
Net investment in real estate properties	\$ 6,542,911	\$ 4,820,892

Intangible Lease Assets and Liabilities

Intangible lease assets and liabilities as of June 30, 2022 and December 31, 2021 included the following:

(in thousands)	As of June 30, 2022			As of December 31, 2021		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible lease assets (1)	\$ 449,105	\$ (112,975)	\$ 336,130	\$ 332,176	\$ (74,001)	\$ 258,175
Above-market lease assets (1)	12,644	(2,743)	9,901	10,362	(1,838)	8,524
Below-market lease liabilities	(123,805)	21,261	(102,544)	(89,056)	12,624	(76,432)

(1) Included in net investment in real estate properties on the condensed consolidated balance sheets.

Rental Revenue Adjustments and Depreciation and Amortization Expense

The following table summarizes straight-line rent adjustments, amortization recognized as an increase (decrease) to rental revenues from above-and below-market lease assets and liabilities, and real estate-related depreciation and amortization expense:

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Increase (Decrease) to Rental Revenue:				
Straight-line rent adjustments	\$ 4,757	\$ 1,225	\$ 9,476	\$ 1,536
Above-market lease amortization	(500)	(207)	(905)	(391)
Below-market lease amortization	4,660	965	8,636	1,862
Real Estate-Related Depreciation and Amortization:				
Depreciation expense	\$ 42,581	\$ 10,132	\$ 80,050	\$ 18,290
Intangible lease asset amortization	20,698	6,250	38,974	11,951

4. INVESTMENT IN UNCONSOLIDATED JOINT VENTURE PARTNERSHIPS

On July 15, 2020, the Company acquired, from a subsidiary of Industrial Property Trust ("IPT"), interests in two joint venture partnerships, the Build-To-Core Industrial Partnership I LP (the "BTC I Partnership") and the Build-To-Core Industrial Partnership II LP (the "BTC II Partnership" and, together with the BTC I Partnership, the "BTC Partnerships"). The BTC Partnerships were formed with third party investors for purposes of investing in industrial properties located in certain major U.S. distribution markets.

On June 15, 2021, the Company, through two of its subsidiaries, entered into a transaction (the "BTC I Partnership Transaction") with its joint venture partners in the BTC I Partnership, QR Master Holdings USA II LP (the "QR Limited Partner") and Industrial Property Advisors Sub I LLC (the "BTC I SLP"). The BTC I SLP is indirectly owned by the Chairman of the Company's board of directors. Pursuant to the BTC I Partnership Transaction, the Company, the QR Limited Partner, and the BTC I SLP agreed to split the real property portfolio of the BTC I Partnership in an equitable manner, such that following the split, the Company and the QR Limited Partner (together with certain of its affiliates), each own a 100% interest in approximately half of the portfolio of the BTC I Partnership (excluding one property that was distributed to the BTC I SLP). As a result of this transaction, the Company has a 100% interest in 22 buildings that were previously part of the BTC I Partnership (the "Build-To-Core Logistics Portfolio"). The Company and the BTC I SLP have no further interest in the BTC I Partnership as a result of the BTC I Partnership Transaction. The total cost of these properties to the Company is \$876.7 million, which includes the cost of the Company's minority joint venture interest in the BTC I Partnership and the Company's incremental additional investment of approximately \$580 million, exclusive of transaction costs, to effect the split of the BTC I Portfolio.

Immediately prior to February 15, 2022, the Company, through a subsidiary, owned an 12.0% minority interest in the BTC II Partnership, as general partner and as a limited partner. In addition, the QR Limited Partner, owned a 78.5% limited partner interest. In addition, the BTC II SLP, an entity in which the Chairman of the board of directors holds an interest, owned a 7.8% special limited partner interest in the BTC II Partnership. An entity in which three of our affiliated directors and each of our executive officers own an interest (the “BCG Limited Partner”) owned a 1.7% interest in the BTC II Partnership. Similar to the BTC I Partnership Transaction, the BTC II Partnership Agreement (as defined below) provided procedures whereby the partners may split the real property portfolio in an equitable manner, such that certain partners will own a 100% interest in certain of the properties as a result of the split.

On February 15, 2022, in accordance with the terms of the Agreement of Limited Partnership of the BTC II Partnership (the “BTC II Partnership Agreement”), the Company, along with the other joint venture partners in the BTC II Partnership, entered into a transaction to split the majority of the properties in the BTC II Portfolio amongst the joint venture partners, other than the BCG Limited Partner, whose respective interest in such properties was redeemed for \$24.9 million (the “BTC II Partnership Transaction”). As a result of the BTC II Partnership Transaction, the Company owns a 100% interest in 11 properties and the BTC II SLP owns a 100% interest in seven properties that were previously part of the BTC II Portfolio and the QR Limited Partner owns a 100% interest in the remaining 14 properties that were part of the BTC II Partnership Transaction. The aggregate cost of these properties to the Company was \$359.2 million. The incremental additional cash investment to effect the split of the BTC II Portfolio was \$259.5 million as of June 30, 2022.

Concurrently with the BTC II Partnership Transaction, the Company and the joint venture partners formed a new joint venture partnership (the “BTC II B Partnership”), through which the Company co-owns five properties that were part of the original BTC II Portfolio and were not part of the BTC II Partnership Transaction. The partners own the same relative interests in the BTC II B Partnership as they did in the BTC II Partnership prior to the incentive fee distribution that was settled in the fourth quarter of 2021, such that the Company owns an 8.0% interest as general partner and as a limited partner, the BTC II SLP owns a special limited partner interest, the BCG Limited Partner owns a 2.0% limited partner interest and the QR Limited Partner owns a 90.0% limited partner interest.

The Company has elected the cost accumulation and allocation model to account for the BTC I Partnership Transaction and the BTC II Partnership Transaction, which allocates the cost of the acquisition at the carrying amount of the previously held interests, along with the incremental consideration paid and transaction costs incurred based on relative fair values.

The Company has reported its investments in the BTC Partnerships and the BTC II B Partnership under the equity method on its condensed consolidated balance sheets, because with respect to the BTC Partnerships, for the periods prior to the BTC I Partnership Transaction and the BTC II Partnership Transaction, the Company had the ability to exercise significant influence but did not have control over the partnerships. Similarly, with respect to the BTC II B Partnership, the Company has the ability to exercise significant influence but does not have control of the partnership.

As of June 30, 2022, the Company had an 8.0% interest in the BTC II B Partnership, which includes five properties, with a book value of the Company’s investment in the BTC II B Partnership of \$19.6 million, which includes \$5.3 million of outside basis difference. The outside basis difference originated from the difference between the contributions made by the Company for the minority ownership interest in the joint venture partnership, which was based on fair value, and the book value of the Company’s share of the underlying net assets and liabilities for the BTC II B Partnership.

5. DEBT

The Company's consolidated indebtedness is currently comprised of borrowings under its line of credit, term loans and mortgage notes. Borrowings under the non-recourse mortgage notes are secured by mortgages or deeds of trust and related assignments and security interests in collateralized and certain cross-collateralized properties, which are generally owned by single purpose entities. A summary of the Company's debt is as follows:

(\$ in thousands)	Weighted-Average Effective Interest Rate as of		Maturity Date	Balance as of	
	June 30, 2022	December 31, 2021		June 30, 2022	December 31, 2021
Line of credit (1)	3.08 %	1.40 %	March 2025	\$ 670,000	\$ —
Term loan (2)	2.87	2.23	March 2027	550,000	415,000
Term loan (3)	3.32	1.66	May 2026	600,000	600,000
Fixed-rate mortgage notes (4)	2.93	2.93	August 2024 - January 2029	628,890	628,890
Floating-rate mortgage notes (5)	3.41	1.74	January 2025 - July 2025	617,250	617,250
Total principal amount / weighted-average (6)	<u>3.13 %</u>	<u>2.14 %</u>		<u>\$ 3,066,140</u>	<u>\$ 2,261,140</u>
Less unamortized debt issuance costs				(23,332)	(16,106)
Add unamortized mark-to-market adjustment on assumed debt, net				533	639
Total debt, net				<u>\$ 3,043,341</u>	<u>\$ 2,245,673</u>
Gross book value of properties encumbered by debt				<u>\$ 2,381,583</u>	<u>\$ 1,835,561</u>

- The effective interest rate is calculated based on either (i) the Term Secured Overnight Financing Rate ("Term SOFR") plus a 10 basis point adjustment ("Adjusted Term SOFR") plus a margin ranging from 1.25% to 2.00%; or (ii) an alternative base rate plus a margin of 0.25% to 1.0%, depending on the Company's consolidated leverage ratio. Customary fall-back provisions apply if Term SOFR is unavailable. The line of credit is available for general corporate purposes including, but not limited to, the acquisition and operation of permitted investments by the Company. As of June 30, 2022, total commitments for the line of credit were \$1.0 billion and the unused and available portions under the line of credit were both \$330.0 million.
- The effective interest rate is calculated based on either (i) Adjusted Term SOFR plus a margin ranging from 1.20% to 1.90%; or (ii) an alternative base rate plus a margin of 0.20% to 0.90%, depending on the Company's consolidated leverage ratio. The weighted-average effective interest rate is the all-in interest rate, including the effects of interest rate swap agreements which fix Term SOFR for the term loan. As of June 30, 2022, total commitments for the term loan were \$550.0 million. This term loan is available for general corporate purposes including, but not limited to, the acquisition and operation of permitted investments by the Company.
- The effective interest rate is calculated based on Term SOFR plus a 11.448 basis point adjustment ("Term Loan Adjusted Term SOFR") plus a margin ranging from 1.35% to 2.20%; or (ii) an alternative base rate plus a margin ranging from 0.35% to 1.20%, depending on the Company's consolidated leverage ratio. The weighted-average effective interest rate is the all-in interest rate, including the effects of interest rate swap agreements which fix Term SOFR for the term loan. As of June 30, 2022, total commitments for the term loan were \$600.0 million. This term loan is available for general corporate purposes including, but not limited to, the acquisition and operation of permitted investments by the Company.
- Interest rates range from 2.85% to 3.75%. The assets and credit of each of the Company's consolidated properties pledged as collateral for the Company's mortgage notes are not available to satisfy the Company's other debt and obligations, unless the Company first satisfies the mortgage notes payable on the respective underlying properties.
- The effective interest rate of the \$209.3 million mortgage note is calculated based on LIBOR plus a margin of 1.50%. The effective interest rate of the \$408.0 million mortgage note is calculated based on Adjusted Term SOFR plus a margin of 1.65%.
- The weighted-average remaining term of the Company's consolidated debt was approximately 4.0 years as of June 30, 2022, excluding any extension options on the line of credit and the floating-rate mortgage notes.

As of June 30, 2022, the principal payments due on the Company’s consolidated debt during each of the next five years and thereafter were as follows:

(in thousands)	Line of Credit (1)	Term Loans	Mortgage Notes (2)	Total
Remainder of 2022	\$ —	\$ —	\$ —	\$ —
2023	—	—	—	—
2024	—	—	38,000	38,000
2025	670,000	—	617,250	1,287,250
2026	—	600,000	—	600,000
Thereafter	—	550,000	590,890	1,140,890
Total principal payments	\$ 670,000	\$ 1,150,000	\$ 1,246,140	\$ 3,066,140

- (1) The line of credit term may be extended pursuant to two one-year extension options, subject to certain conditions.
(2) The \$209.3 million mortgage note term may be extended pursuant to a one-year extension option, subject to certain conditions. The \$408.0 million mortgage note term may be extended pursuant to two one-year extension options, subject to certain conditions.

In July 2017, the Financial Conduct Authority (“FCA”) that regulates LIBOR announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the ARRC, which identified the SOFR as its preferred alternative rate for LIBOR in derivatives and other financial contracts. Any changes adopted by the FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in the current form.

LIBOR is expected to be phased out or modified by June 2023. As of June 30, 2022, the Company’s \$209.3 million mortgage note is the only indebtedness with initial or extended maturity dates beyond 2023 that has exposure to LIBOR. As of June 30, 2022, the Company has one interest rate cap in place on \$170.0 million of borrowings under our \$209.3 million mortgage note. The Company intends to monitor the developments with respect to the phasing out of LIBOR after 2023 and work with its lenders to seek to ensure any transition away from LIBOR will have minimal impact on its financial condition, but can provide no assurances regarding the impact of the discontinuation of LIBOR.

Debt Covenants

The Company’s line of credit, term loans and mortgage note agreements contain various property-level covenants, including customary affirmative and negative covenants. In addition, the line of credit and term loan agreements contain certain corporate level financial covenants, including leverage ratio, fixed charge coverage ratio, and tangible net worth thresholds. The Company was in compliance with all covenants as of June 30, 2022.

Derivative Instruments

To manage interest rate risk for certain of its variable-rate debt, the Company uses interest rate swaps as part of its risk management strategy. These derivatives are designed to mitigate the risk of future interest rate increases by providing a fixed interest rate for a limited, pre-determined period of time. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the interest rate swap agreements without exchange of the underlying notional amount. Interest rate caps involve the receipt of variable amounts from a counterparty at the end of each period in which the interest rate exceeds the agreed fixed price. Interest rate caps are not designated as hedges. Certain of the Company’s variable-rate borrowings are not hedged, and therefore, to an extent, the Company has on-going exposure to interest rate movements.

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss is recorded as a component of accumulated other comprehensive income (loss) (“AOCI”) on the condensed consolidated balance sheets and is reclassified into earnings as interest expense for the same period that the hedged transaction affects earnings, which is when the interest expense is recognized on the related debt. The gain or loss on the derivative instrument is presented in the same line item on the condensed consolidated statement of operations as the earnings effect of the hedged item. The interest rate cap derivative instruments are not designated as hedges and therefore, changes in fair value are recognized through income. As a result, in periods with high interest rate volatility, the Company may experience significant fluctuations in our net income (loss).

During the next 12 months, the Company estimates that approximately \$13.2 million will be reclassified as a decrease to interest expense related to active effective hedges of existing floating-rate debt.

The following table summarizes the location and fair value of the derivative instruments on the Company's condensed consolidated balance sheets as of June 30, 2022 and December 31, 2021.

(\$ in thousands)	Number of Contracts	Notional Amount	Balance Sheet Location	Fair Value
As of June 30, 2022				
Interest rate swaps	16	\$ 1,075,000	Other assets	\$ 28,280
Interest rate caps	2	578,000	Other assets	18,002
Total derivative instruments	18	\$ 1,653,000		\$ 46,282
As of December 31, 2021				
Interest rate swaps	10	\$ 575,000	Other assets	\$ 2,653
Interest rate caps	2	578,000	Other assets	3,164
Total derivative instruments	12	\$ 1,153,000		\$ 5,817

The following table presents the effect of the Company's derivative instruments on the Company's condensed consolidated financial statements.

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Derivative Instruments Designated as Cash Flow Hedges				
Gain (loss) recognized in AOCI	\$ 5,902	\$ (81)	\$ 23,940	\$ 1,394
Amount reclassified from AOCI into interest expense	546	917	1,692	1,804
Total interest expense presented in the condensed consolidated statements of operations in which the effects of the cash flow hedges are recorded	33,078	4,571	55,545	8,295
Derivative Instruments Not Designated as Cash Flow Hedges				
Gain recognized in income	\$ 3,937	\$ —	\$ 14,839	\$ —

6. DST PROGRAM

The Company has a program to raise capital through private placement offerings by selling beneficial interests (the "DST Interests") in specific Delaware statutory trusts holding real properties (the "DST Program").

In order to facilitate additional capital raise through the DST Program, the Company has made and may continue to offer loans ("DST Program Loans") to finance a portion of the sale of DST Interests in the trusts holding DST Properties to potential investors. As of June 30, 2022 and December 31, 2021, there were approximately \$102.4 million and \$68.8 million, respectively, of outstanding DST Program Loans that the Company has made to partially finance the sale of DST Interests. The Company does not have a significant credit concentration with any individual purchaser as a result of DST Program Loans.

The following table presents the Company's DST Program activity for the three and six months ended June 30, 2022 and 2021:

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
DST Interests sold	\$ 257,042	\$ 82,440	\$ 414,163	\$ 82,440
DST Interests financed by DST Program Loans (1)	20,917	24,561	33,587	24,561
Income earned from DST Program Loans (2)	968	36	1,756	36
Rent obligation incurred under master lease agreements (3)	9,318	128	16,097	128

(1) DST Program Loans are presented net of repayments.

(2) Included in other income and expenses on condensed consolidated statements of operations.

(3) Included in interest expense on condensed consolidated statements of operations.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair Value Measurements on a Recurring Basis

The following table presents the Company's financial instruments measured at fair value on a recurring basis as of June 30, 2022 and December 31, 2021:

(in thousands)	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2022				
Assets				
Interest rate swaps	\$ —	\$ 28,280	\$ —	\$ 28,280
Interest rate caps	—	18,002	—	18,002
Total assets measured at fair value	<u>\$ —</u>	<u>\$ 46,282</u>	<u>\$ —</u>	<u>\$ 46,282</u>
As of December 31, 2021				
Assets				
Interest rate swaps	\$ —	\$ 2,653	\$ —	\$ 2,653
Interest rate caps	—	3,164	—	3,164
Total assets measured at fair value	<u>\$ —</u>	<u>\$ 5,817</u>	<u>\$ —</u>	<u>\$ 5,817</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Derivative Instruments. The derivative instruments are interest rate swaps and an interest rate cap whose fair value is estimated using market-standard valuation models. Such models involve using market-based observable inputs, including interest rate curves. The Company incorporates credit valuation adjustments to appropriately reflect both its nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements, which the Company has concluded are not material to the valuation. Due to the derivative instruments being unique and not actively traded, the fair value is classified as Level 2. See "Note 5" above for further discussion of the Company's derivative instruments.

Nonrecurring Fair Value Measurements

As of June 30, 2022 and December 31, 2021, the fair values of cash and cash equivalents, restricted cash, tenant receivables, prepaid expenses, other assets, due from/to affiliates, accounts payable and accrued liabilities, and distributions payable approximate their carrying values due to the short-term nature of these instruments. The table below includes fair values for certain of the Company's financial instruments for which it is practicable to estimate fair value. The carrying values and fair values of these financial instruments were as follows:

(in thousands)	As of June 30, 2022		As of December 31, 2021	
	Carrying Value (1)	Fair Value	Carrying Value (1)	Fair Value
Assets:				
DST Program Loans	\$ 102,359	\$ 101,422	\$ 68,772	\$ 68,772
Liabilities:				
Line of credit	\$ 670,000	\$ 670,000	\$ —	\$ —
Term loans	1,150,000	1,150,000	1,015,000	1,015,000
Mortgage notes	1,246,140	1,176,043	1,246,140	1,247,307

(1) The carrying value reflects the principal amount outstanding.

8. EQUITY

Public Offering

The Company intends to conduct a continuous public offering that will not have a predetermined duration, subject to continued compliance with the rules and regulations of the SEC and applicable state laws. On August 4, 2021, the SEC declared the Company's registration statement on Form S-11 with respect to its third public offering of up to \$5.0 billion of shares of its common stock effective, and the third public offering commenced the same day. The Company's second public offering of up to \$2.0 billion of shares of its common stock was terminated immediately upon the effectiveness of the registration statement for the third public offering. Under the third public offering, the Company is offering up to \$3.75 billion of shares of its common stock in the primary offering and up to \$1.25 billion of shares of its common stock pursuant to its distribution reinvestment plan, in any combination of Class T shares, Class D shares (formerly designated as Class W shares) and Class I shares. The Company may reallocate amounts between the primary offering and distribution reinvestment plan.

Pursuant to its public offerings, the Company offered and continues to offer shares of its common stock at the "transaction price," plus applicable selling commissions and dealer manager fees. The "transaction price" generally is equal to the net asset value ("NAV") per share of the Company's common stock most recently disclosed. The Company's NAV per share is calculated as of the last calendar day of each month for each of its outstanding classes of stock, and will be available generally within 15 calendar days after the end of the applicable month. Shares issued pursuant to the Company's distribution reinvestment plan are offered at the transaction price, as indicated above, in effect on the distribution date. The Company may update a previously disclosed transaction price in cases where the Company believes there has been a material change (positive or negative) to its NAV per share relative to the most recently disclosed monthly NAV per share.

During the six months ended June 30, 2022, we raised gross proceeds of approximately \$545.4 million from the sale of approximately 40.1 million shares of our common stock in our ongoing public offering, including proceeds from our distribution reinvestment plan of approximately \$36.4 million.

Common Stock

The following table summarizes the changes in the shares outstanding for each class of common stock for the periods presented below:

(in thousands)	Class T Shares	Class D Shares	Class I Shares	Total Shares
FOR THE THREE MONTHS ENDED JUNE 30, 2021				
Balance as of March 31, 2021	138,967	9,121	4,207	152,295
Issuance of common stock:				
Primary shares	25,192	1,358	15,993	42,543
DRIP	990	68	56	1,114
Stock grants	—	—	—	—
Redemptions	(662)	(43)	(4)	(709)
Forfeitures	—	—	(4)	(4)
Balance as of June 30, 2021	<u>164,487</u>	<u>10,504</u>	<u>20,248</u>	<u>195,239</u>
FOR THE THREE MONTHS ENDED JUNE 30, 2022				
Balance as of March 31, 2022	214,973	15,223	46,438	276,634
Issuance of common stock:				
Primary shares	11,127	2,325	5,200	18,652
DRIP	982	84	236	1,302
Stock grants, net of cancellations	—	—	—	—
Redemptions	(951)	(50)	(535)	(1,536)
Conversions	(2,397)	—	2,397	—
Forfeitures	—	—	(20)	(20)
Balance as of June 30, 2022	<u>223,734</u>	<u>17,582</u>	<u>53,716</u>	<u>295,032</u>
FOR THE SIX MONTHS ENDED JUNE 30, 2021				
Balance as of December 31, 2020	130,565	7,866	3,040	141,471
Issuance of common stock:				
Primary shares	32,937	2,563	16,962	52,462
DRIP	1,887	129	81	2,097
Stock grants	—	—	204	204
Redemptions	(902)	(54)	(16)	(972)
Forfeitures	—	—	(23)	(23)
Balance as of June 30, 2021	<u>164,487</u>	<u>10,504</u>	<u>20,248</u>	<u>195,239</u>
FOR THE SIX MONTHS ENDED JUNE 30, 2022				
Balance as of December 31, 2021	206,129	13,649	37,391	257,169
Issuance of common stock:				
Primary shares	20,291	3,956	12,959	37,206
DRIP	2,117	168	441	2,726
Stock grants, net of cancellations	—	—	172	172
Redemptions	(1,482)	(191)	(546)	(2,219)
Conversions	(3,321)	—	3,321	—
Forfeitures	—	—	(22)	(22)
Balance as of June 30, 2022	<u>223,734</u>	<u>17,582</u>	<u>53,716</u>	<u>295,032</u>

Distributions

The following table summarizes the Company's distribution activity (including distributions reinvested in shares of the Company's common stock) for each of the quarters ended below:

(in thousands, except per share data)	Amount					
	Declared per Common Share (1)	Common Stock Distributions Paid in Cash	Other Cash Distributions (2)	Reinvested in Shares	Distribution Fees (3)	Gross Distributions (4)
2022						
June 30	\$ 0.13625	\$ 13,688	\$ 618	\$ 18,939	\$ 6,852	\$ 40,097
March 31	0.13625	13,043	639	18,158	5,656	37,496
Total	\$ 0.27250	\$ 26,731	\$ 1,257	\$ 37,097	\$ 12,508	\$ 77,593
2021						
December 31	\$ 0.13625	\$ 12,429	\$ 179	\$ 16,900	\$ 5,146	\$ 34,654
September 30	0.13625	11,020	178	15,219	4,263	30,680
June 30	0.13625	8,552	179	12,295	3,373	24,399
March 31	0.13625	6,721	179	10,310	3,240	20,450
Total	\$ 0.54500	\$ 38,722	\$ 715	\$ 54,724	\$ 16,022	\$ 110,183

- (1) Amounts reflect the quarterly distribution rate authorized by the Company's board of directors per Class T share, per Class D share, and per Class I share of common stock. Distributions were declared and paid as of monthly record dates. These monthly distributions have been aggregated and presented on a quarterly basis. The distributions on Class T shares and Class D shares of common stock are reduced by the respective distribution fees that are payable with respect to such Class T shares and Class D shares.
- (2) Consists of distributions paid to holders of OP Units for redeemable noncontrolling interests.
- (3) Distribution fees are paid monthly to the Ares Wealth Management Solutions, LLC (the "Dealer Manager") with respect to Class T shares and Class D shares issued in the primary portion of the Company's public offerings only. All or a portion of these amounts will be retained by, or reallocated (paid) to, participating broker-dealers and servicing broker-dealers.
- (4) Gross distributions are total distributions before the deduction of any distribution fees relating to Class T shares and Class D shares issued in the primary portion of the Company's public offerings.

Redemptions

Below is a summary of redemptions and repurchases pursuant to the Company's share redemption program for the six months ended June 30, 2022 and 2021. The Company's board of directors may modify or suspend its current share redemption programs if it deems such action to be in the best interest of its stockholders:

(in thousands, except per share data)	For the Six Months Ended June 30,	
	2022	2021
Number of eligible shares redeemed	2,219	972
Aggregate dollar amount of shares redeemed	\$ 31,322	\$ 9,911
Average redemption price per share	\$ 14.12	\$ 10.20

9. REDEEMABLE NONCONTROLLING INTERESTS

The Operating Partnership's net income and loss will generally be allocated to the general partner and the limited partners in accordance with the respective percentage interest in the OP Units issued by the Operating Partnership.

The Operating Partnership issued OP Units to the Advisor and Former Sponsor as payment of the performance participation allocation (also referred to as the performance component of the advisory fee) pursuant to that certain advisory agreement by and among the Company, the Operating Partnership and the Advisor (the "Advisory Agreement"). The Company has classified these OP Units as redeemable noncontrolling interests in mezzanine equity on the condensed consolidated balance sheets because, as provided in the agreement of limited partnership of the Operating Partnership (the "Partnership Agreement"), the limited partners who hold these OP Units have the ability to tender the OP Units at any time, irrespective of the period that they have held such OP Units, and the Operating Partnership is required to satisfy such redemption for cash unless such cash redemption would be prohibited by applicable law or the Partnership Agreement, in which case such OP Units will be redeemed for shares of the Company's common stock of the class corresponding to the class of such OP Units. The redeemable noncontrolling interests are recorded at the greater of the carrying amount, adjusted for its share of the allocation of income or loss and dividends, or the redemption value, which is equivalent to fair value, of such OP Units at the end of each measurement period.

The following table summarizes the redeemable noncontrolling interests activity for the six months ended June 30, 2022 and 2021:

(\$ in thousands)	For the Six Months Ended June 30,	
	2022	2021
Balance at beginning of the year	\$ 15,687	\$ 3,648
Settlement of prior year performance participation allocation (1)	81,185	9,640
Distributions to redeemable noncontrolling interests	(1,257)	(358)
Redemptions of redeemable noncontrolling interests (2)	(40,915)	—
Net loss attributable to redeemable noncontrolling interests	(3,041)	(225)
Change from cash flow hedging activities attributable to redeemable noncontrolling interests	419	27
Redemption value allocation adjustment to redeemable noncontrolling interests	17,208	854
Ending balance	<u>\$ 69,286</u>	<u>\$ 13,586</u>

- (1) The 2021 performance participation allocation in the amount of \$81.2 million became payable on December 31, 2021, and was issued as 6,494,463 Class I OP units in January 2022 to AIREIT Incentive Fee LP (the “Special Unit Holder”). At the direction of the Advisor, and in light of our Former Sponsor having been the holder of a separate series of partnership interests in the Operating Partnership with special distribution rights (the “Special Units”) for the first six months of 2021, the Special Unit Holder designated 1,610,730 of these Class I OP Units to an entity owned indirectly by the Company’s Chairman, Mr. Zucker, and 1,610,730 of these Class I OP Units to an entity owned indirectly by a member of our Former Sponsor. The Special Unit Holder transferred 3,273,003 Class I OP Units to the Advisor thereafter. The 2020 performance participation allocation in the amount of \$9.6 million became payable to the Former Sponsor, as the former holder of the Special Units, on December 31, 2020. At the Former Advisor’s election, it was paid in the form of Class I OP units valued at \$9.6 million (based on the NAV per unit as of December 31, 2020), which were issued to the Former Sponsor in January 2021 and subsequently transferred to its members or their affiliates.
- (2) At the request of the Advisor, the Operating Partnership redeemed all Class I OP Units issued to the Advisor in January 2022 for \$40.9 million.

10. RELATED PARTY TRANSACTIONS

Summary of Fees and Expenses

The table below summarizes the fees and expenses incurred by the Company for services provided by the Advisor and its affiliates, and by the Dealer Manager related to the services the Dealer Manager provided in connection with the Company's public offerings and any related amounts payable:

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,		Payable as of	
	2022	2021	2022	2021	June 30, 2022	December 31, 2021
Selling commissions and dealer manager fees (1)	\$ 7,032	\$ 3,932	\$ 11,671	\$ 7,627	\$ —	\$ —
Ongoing distribution fees (1)(2)	6,852	3,373	12,508	6,613	2,337	1,779
Advisory fee—fixed component	\$ 16,641	\$ 5,525	30,257	9,460	5,699	3,864
Performance participation allocation	39,146	11,842	122,446	16,022	122,446	81,185
Other expense reimbursements (3)(4)	3,504	3,092	6,724	6,265	3,138	707
Property accounting fee (5)	638	223	1,200	418	228	166
DST Program selling commissions, dealer manager fees and distribution fees (1)	2,695	227	4,207	227	435	190
Other DST Program related costs (4)	3,383	908	5,399	908	133	61
Development fees (6)	1,568	324	2,383	714	574	78
Total	\$ 81,459	\$ 29,446	\$ 196,795	\$ 48,254	\$ 134,990	\$ 88,030

- (1) All or a portion of these amounts will be retained by, or reallocated (paid) to, participating broker-dealers and servicing broker-dealers.
- (2) The distribution fees are payable monthly in arrears. Additionally, the Company accrues for future estimated amounts payable related to ongoing distribution fees. The future estimated amounts payable were approximately \$89.6 million and \$85.4 million as of June 30, 2022 and December 31, 2021, respectively.
- (3) Other expense reimbursements include certain expenses incurred for organization and offering, acquisition and general administrative services provided to us under the Advisory Agreement, including, but not limited to, certain expenses described below after footnote 6, allocated rent paid to both third parties and affiliates of the Advisor, equipment, utilities, insurance, travel and entertainment.
- (4) Includes costs reimbursed to the Advisor related to the DST Program.
- (5) The cost of the property management fee, including the property accounting fee, is generally borne by the tenant or tenants at each real property, either via a direct reimbursement to the Company or, in the case of tenants subject to a gross lease, as part of the lease cost. In certain limited circumstances, the Company may pay for a portion of the property management fee, including the property accounting fee, without reimbursement from the tenant or tenants at a real property.
- (6) Development fees are included in the total development project costs of the respective properties and are capitalized in construction in progress, which is included in net investment in real estate properties on the Company's condensed consolidated balance sheets. Amounts also include the Company's proportionate share of development acquisition fees relating to the BTC Partnerships, which are included in investment in unconsolidated joint venture partnership(s) on the Company's condensed consolidated balance sheets.

Certain of the expense reimbursements described in the table above include a portion of the compensation expenses of officers, including a portion of compensation (whether paid in cash, stock, or other forms), benefits and other overhead costs of certain of the Company's named executive officers, as well as employees of the Advisor or its affiliates related to activities for which the Advisor did not otherwise receive a separate fee. The Company incurred approximately \$3.3 million and \$2.6 million for the three months ended June 30, 2022 and 2021, respectively, and \$6.2 million and \$5.3 million for the six months ended June 30, 2022 and 2021, respectively, for such compensation expenses reimbursable to the Advisor.

Performance Participation Allocation

As used below, "Fund Interests" means our outstanding shares of common stock, along with the OP Units, which may be or were held directly or indirectly by the Advisor, our Former Sponsor, members or affiliates or our Former Sponsor, and third parties.

The performance participation allocation, which will be paid to the Special Unit Holder, is a performance based amount in the form of an allocation and distribution. The performance participation allocation is calculated as the lesser of: (1) 12.5% of (a) the annual total return amount less (b) any loss carryforward; and (2) the amount equal to (x) the annual total return amount, less (y) any loss carryforward, less (z) the amount needed to achieve an annual total return amount equal to 5.0% of the NAV per Fund Interest at the beginning of such year (the "Hurdle Amount"). The foregoing calculations are calculated on a per Fund Interest basis and multiplied by the weighted average Fund Interests outstanding during the year. In no event will the performance participation allocation be less than zero. Accordingly, if the annual total return amount exceeds the Hurdle Amount plus the amount of any loss carryforward, then the performance participation allocation will be equal to 100.0% of such excess, but limited to 12.5% of the annual total return amount that is in excess of the loss carryforward.

The allocation of the performance participation interest is ultimately determined at the end of each calendar year and will be paid in Class I OP units or cash, at the election of the Advisor. As the performance hurdle was achieved as of both June 30, 2022 and 2021, the Company recognized approximately \$39.1 million and \$11.8 million for the three months ended June 30, 2022 and 2021, respectively, and \$122.4 million and \$16.0 million for the six months ended June 30, 2022 and 2021, respectively, of performance participation allocation expense in the Company's condensed consolidated statements of operations.

Joint Venture Partnerships

From the beginning of the first quarter of 2022 until the completion of the BTC II Partnership Transaction, the BTC II Partnership incurred approximately \$1.8 million in acquisition and asset management fees, and fees related to development, which were paid to affiliates of the Advisor pursuant to the respective service agreements. For the three and six months ended June 30, 2021, the BTC Partnerships incurred in aggregate approximately \$3.3 million and \$6.4 million, respectively, in acquisition and asset management fees. The Company had amounts due to the BTC II Partnership of approximately \$0.2 million as of December 31, 2021, which were recorded in other liabilities on the condensed consolidated balance sheets.

After the completion of the BTC II Partnership Transaction until June 30, 2022 and for the three months ended June 30, 2022, the BTC II B Partnership incurred approximately \$0.4 million and \$0.3 million, respectively, in acquisition and asset management fees, and fees related to development, which were paid to affiliates of the Advisor pursuant to the respective service agreements.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information and disclosure of non-cash investing and financing activities is as follows:

(in thousands)	For the Six Months Ended June 30,	
	2022	2021
Distributions payable	13,609	8,931
Distributions reinvested in common stock	36,418	21,349
Net increase in DST Program Loans receivable through DST Program capital raising	33,587	24,561
Redeemable noncontrolling interests issued as settlement of performance participation allocation	81,185	9,640
Non-cash redemption of minority ownership interest in unconsolidated joint venture partnership	91,028	279,340
Change in accrued future ongoing distribution fees	4,152	17,118
Change in non-cash capital expenditures	24,107	213
Non-cash selling commissions and dealer manager fees	11,671	7,627

Restricted Cash

Restricted cash consists of lender and property-related escrow accounts, as well as utility deposits. The following table presents the components of the beginning of period and end of period cash, cash equivalents and restricted cash reported within the condensed consolidated statements of cash flows:

(in thousands)	For the Six Months Ended June 30,	
	2022	2021
Beginning of period:		
Cash and cash equivalents	\$ 216,848	\$ 232,369
Restricted cash	887	530
Cash, cash equivalents and restricted cash	<u>\$ 217,735</u>	<u>\$ 232,899</u>
End of period:		
Cash and cash equivalents	\$ 113,665	\$ 159,248
Restricted cash	403	1,595
Cash, cash equivalents and restricted cash	<u>\$ 114,068</u>	<u>\$ 160,843</u>

12. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Company and its subsidiaries may be involved in various claims and legal actions arising in the ordinary course of business. As of June 30, 2022, the Company and its subsidiaries were not involved in any material legal proceedings.

Environmental Matters

A majority of the properties the Company acquires have been or will be subject to environmental reviews either by the Company or the previous owners. In addition, the Company may incur environmental remediation costs associated with certain land parcels it may acquire in connection with the development of land. The Company has or may acquire certain properties in urban and industrial areas that may have been leased to or previously owned by commercial and industrial companies that discharged hazardous material. The Company may purchase various environmental insurance policies to mitigate its exposure to environmental liabilities. The Company is not aware of any environmental liabilities that it believes would have a material adverse effect on its business, financial condition, or results of operations as of June 30, 2022.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References to the terms “we,” “our,” or “us” refer to Ares Industrial Real Estate Income Trust Inc. and its consolidated subsidiaries. The following discussion and analysis should be read together with our unaudited condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes certain statements that may be deemed forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such forward-looking statements relate to, without limitation, our ability to raise capital and effectively and timely deploy the net proceeds from our public offerings, the expected use of net proceeds from our public offerings, our reliance on the Advisor and the Sponsor, our understanding of our competition and our ability to compete effectively, our financing needs, our expected leverage, the effects of our current strategies, rent and occupancy growth, general conditions in the geographic area where we will operate, our future debt and financial position, our future capital expenditures, future distributions and acquisitions (including the amount and nature thereof), other developments and trends of the real estate industry, investment strategies and the expansion and growth of our operations. Forward-looking statements are generally identifiable by the use of the words “may,” “will,” “should,” “expect,” “could,” “intend,” “plan,” “anticipate,” “estimate,” “believe,” “continue,” “project,” or the negative of these words or other comparable terminology. These statements are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that are difficult to predict.

The forward-looking statements included herein are based upon our current expectations, plans, estimates, assumptions, and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, present and future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to:

- Our ability to raise capital and effectively deploy the net proceeds raised in our public offerings in accordance with our investment strategy and objectives;
- The failure of properties to perform as we expect;
- Risks associated with acquisitions, dispositions and development of properties;
- Our failure to successfully integrate acquired properties and operations;
- The failure to successfully integrate Black Creek Group into the business, operations and corporate culture of Ares, and to retain Black Creek Group personnel following Ares’ acquisition of Black Creek Group’s U.S. real estate investment advisory and distribution business in July 2021;
- Unexpected delays or increased costs associated with any development projects;
- The availability of cash flows from operating activities for distributions and capital expenditures;
- Defaults on or non-renewal of leases by customers, lease renewals at lower than expected rent, or failure to lease properties at all or on favorable rents and terms;
- Difficulties in economic conditions generally and the real estate, debt, and securities markets specifically, including the impact of inflation, rising interest rates, the conflict in Ukraine and the COVID-19 pandemic;
- Legislative or regulatory changes, including changes to the laws governing the taxation of real estate investment trusts (“REITs”);
- Our failure to obtain, renew, or extend necessary financing or access the debt or equity markets;
- Conflicts of interest arising out of our relationships with the Sponsor, the Advisor, and their affiliates;
- Risks associated with using debt to fund our business activities, including re-financing and interest rate risks;
- Increases in interest rates, operating costs, or greater than expected capital expenditures;
- Changes to GAAP; and
- Our ability to continue to qualify as a REIT.

Any of the assumptions underlying forward-looking statements could prove to be inaccurate. Our stockholders are cautioned not to place undue reliance on any forward-looking statements included in this Quarterly Report on Form 10-Q. All forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q and the risk that actual results will differ materially from the expectations expressed in this Quarterly Report on Form 10-Q will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements after the date of this Quarterly Report on Form 10-Q, whether as a result of new information, future events, changed circumstances, or any other reason. In light of the significant uncertainties inherent in the forward-looking statements included in this Quarterly Report on Form 10-Q, including, without limitation, the risks described under “Risk Factors,” the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this Quarterly Report on Form 10-Q will be achieved.

OVERVIEW

General

Ares Industrial Real Estate Income Trust Inc. is a Maryland corporation formed on August 12, 2014 to make investments in income-producing real estate assets consisting primarily of high-quality distribution warehouses and other industrial properties that are leased to creditworthy corporate customers. We currently operate as a REIT for U.S. federal income tax purposes, and elected to be treated as a REIT beginning with our taxable year ended December 31, 2017. We utilize an Umbrella Partnership Real Estate Investment Trust (“UPREIT”) organizational structure to hold all or substantially all of our assets through the Operating Partnership.

We intend to conduct a continuous offering that will not have a predetermined duration, subject to continued compliance with the rules and regulations of the SEC and applicable state laws. In order to execute this strategy in compliance with federal securities laws, we intend to file new registration statements to replace existing registration statements, such that there will not be any lag from one offering to the next. On August 4, 2021, the SEC declared our registration statement on Form S-11 with respect to our third public offering of up to \$5.0 billion of shares of our common stock effective, and the third public offering commenced the same day. Our second public offering of up to \$2.0 billion of shares of common stock was terminated immediately upon the effectiveness of the registration statement for the third public offering. Under the third public offering, we are offering up to \$3.75 billion of shares of our common stock in the primary offering and up to \$1.25 billion of shares of our common stock pursuant to our distribution reinvestment plan, in any combination of Class T shares, Class D shares and Class I shares. We may reallocate amounts between the primary offering and distribution reinvestment plan.

Pursuant to our public offerings, we offered and continue to offer shares of our common stock at the “transaction price,” plus applicable selling commissions and dealer manager fees. The “transaction price” generally is equal to the net asset value (“NAV”) per share of our common stock most recently disclosed. Our NAV per share is calculated as of the last calendar day of each month for each of our outstanding classes of common stock, and is available generally within 15 calendar days after the end of the applicable month. Shares issued pursuant to our distribution reinvestment plan are offered at the transaction price, as indicated above, in effect on the distribution date. We may update a previously disclosed transaction price in cases where we believe there has been a material change (positive or negative) to our NAV per share relative to the most recently disclosed monthly NAV per share. See “Net Asset Value” below for further detail.

Additionally, we have a program to raise capital through private placement offerings by selling DST Interests. These private placement offerings are exempt from registration requirements pursuant to Section 4(a)(2) of the Securities Act. We anticipate that these interests may serve as replacement properties for investors seeking to complete like-kind exchange transactions under Section 1031 of the Code. We expect that the DST Program will give us the opportunity to expand and diversify our capital raise strategies by offering what we believe to be an attractive and unique investment product for investors that may be seeking replacement properties to complete like-kind exchange transactions. We also offer DST Program Loans to finance no more than 50% of the purchase price of the DST Interests to certain purchasers of the interests in the Delaware statutory trusts. During the six months ended June 30, 2022, we sold \$414.2 million of gross interests related to the DST Program, \$33.6 million of which were financed by DST Program Loans, net of repayments. See “Note 6 to the Condensed Consolidated Financial Statements” for additional detail regarding the DST Program.

During the six months ended June 30, 2022, we raised gross proceeds of approximately \$545.4 million from the sale of 40.1 million shares of our common stock, including shares issued pursuant to our distribution reinvestment plan. See “Note 8 to the Condensed Consolidated Financial Statements” for information concerning our public offerings.

As of June 30, 2022, we directly owned and managed a real estate portfolio that included 240 industrial buildings totaling approximately 49.1 million square feet located in 29 markets throughout the U.S., with 416 customers, and was 97.1% occupied (98.4% leased) with a weighted-average remaining lease term (based on square feet) of approximately 4.4 years. The occupied rate reflects the square footage with a paying customer in place. The leased rate includes the occupied square footage and additional square footage with leases in place that have not yet commenced. As of June 30, 2022 our real estate portfolio included:

- 232 industrial buildings totaling approximately 47.3 million square feet comprised our operating portfolio, which includes stabilized properties, and was 98.4% occupied (99.5% leased) with a weighted-average remaining lease term (based on square feet) of approximately 4.3 years; and
- 8 industrial buildings totaling approximately 1.8 million square feet comprised our value-add portfolio, which includes buildings acquired with the intention to reposition or redevelop, or buildings recently completed which have not yet reached stabilization. We generally consider a building to be stabilized on the earlier to occur of the first anniversary of a building's shell completion or a building achieving 90% occupancy.

Additionally as of June 30, 2022, we owned and managed 10 buildings either under construction or in the pre-construction phase totaling approximately 2.9 million square feet. Unless otherwise noted, these buildings are excluded from the presentation of our portfolio data herein.

Concurrently with the BTC II Partnership Transaction (as described in "Note 4 to the Condensed Consolidated Financial Statements") on February 15, 2022, we and our joint venture partners formed the BTC II B Partnership, through which we co-own five properties that were part of the original BTC II Portfolio and were not part of the BTC II Partnership Transaction. As of June 30, 2022, we owned and managed five buildings that were either under construction or in the pre-construction phase totaling approximately 1.8 million square feet, through our 8.0% minority ownership interest in the BTC II B Partnership. Unless otherwise noted, these buildings are excluded from the presentation of our portfolio data herein.

We have used, and intend to continue to use, the net proceeds from our offerings primarily to make investments in real estate assets. We may use the net proceeds from our offerings to make other real estate-related investments and debt investments and to pay distributions. The number and type of properties we may acquire and debt and other investments we may make will depend upon real estate market conditions, the amount of proceeds we raise in our offerings, and other circumstances existing at the time we make our investments.

Our primary investment objectives include the following:

- preserving and protecting our stockholders' capital contributions;
- providing current income to our stockholders in the form of regular distributions; and
- realizing capital appreciation in our NAV from active investment management and asset management.

There is no assurance that we will attain our investment objectives. Our charter places numerous limitations on us with respect to the manner in which we may invest our funds. In most cases these limitations cannot be changed unless our charter is amended, which may require the approval of our stockholders.

We may acquire assets free and clear of mortgage or other indebtedness by paying the entire purchase price in cash or equity securities, or a combination thereof, and we may selectively encumber all or only certain assets with debt. The proceeds from our borrowings may be used to fund investments, make capital expenditures, pay distributions, and for general corporate purposes.

We expect to manage our corporate financing strategy under the current mortgage lending and corporate financing environment by considering various lending sources, which may include long-term fixed-rate mortgage loans, floating-rate mortgage notes, unsecured or secured lines of credit or term loans, private placement or public bond issuances, and the assumption of existing loans in connection with certain property acquisitions, or any combination of the foregoing.

Net Asset Value

Our board of directors, including a majority of our independent directors, has adopted valuation procedures, as amended from time to time, that contain a comprehensive set of methodologies to be used in connection with the calculation of our NAV. With the approval of our board of directors, including a majority of our independent directors, we have engaged Altus Group U.S. Inc., a third-party valuation firm, to serve as our independent valuation advisor (“Altus Group” or the “Independent Valuation Advisor”) with respect to helping us administer the valuation and review process for the real properties in our portfolio, providing monthly real property appraisals, reviewing annual third-party real property appraisals, providing monthly valuations of our debt-related assets (excluding DST Program Loans), reviewing the internal valuations of DST Program Loans and debt-related liabilities performed by our Advisor, providing quarterly valuations of properties subject to master lease obligations associated with the DST Program, and assisting in the development and review of our valuation procedures. As part of this process, our Advisor reviews the estimates of the values of our real property portfolio, real estate-related assets, and other assets and liabilities within our portfolio for consistency with our valuation guidelines and the overall reasonableness of the valuation conclusions, and informs our board of directors of its conclusions. Although third-party appraisal firms, the Independent Valuation Advisor, or other pricing sources may consider any comments received from us or our Advisor or other valuation sources for their individual valuations, the final estimated fair values of our real properties are determined by the Independent Valuation Advisor and the final estimates of fair values of our real estate-related assets, our other assets, and our liabilities are determined by the applicable pricing source (which may, in certain instances be our Advisor or an affiliate of Ares), subject to the oversight of our board of directors. With respect to the valuation of our real properties, the Independent Valuation Advisor provides our board of directors with periodic valuation reports and is available to meet with our board of directors to review valuation information, as well as our valuation guidelines and the operation and results of the valuation and review process generally. Excluding real properties that are bought or sold during a given calendar year, unconsolidated real properties held through joint ventures or partnerships are valued by a third-party appraiser at least once per calendar year. For valuations during interim periods, either the Advisor will determine the estimated fair value of the real properties owned by unconsolidated affiliates or we will utilize interim valuations determined pursuant to valuation policies and procedures for such joint ventures or partnerships. All parties engaged by us in connection with our valuation procedures, including the Independent Valuation Advisor, ALPS Fund Services Inc. (“ALPS”), and our Advisor, are subject to the oversight of our board of directors. Our board of directors has the right to engage additional valuation firms and pricing sources to review the valuation process or valuations, if deemed appropriate. At least once each calendar year our board of directors, including a majority of our independent directors, reviews the appropriateness of our valuation procedures with input from the Independent Valuation Advisor. From time to time our board of directors, including a majority of our independent directors, may adopt changes to the valuation procedures if it: (1) determines that such changes are likely to result in a more accurate reflection of NAV or a more efficient or less costly procedure for the determination of NAV without having a material adverse effect on the accuracy of such determination; or (2) otherwise reasonably believes a change is appropriate for the determination of NAV. We will publicly announce material changes to our valuation procedures. See Exhibit 99.2 of this Quarterly Report on Form 10-Q for a more detailed description of our valuation procedures, including important disclosure regarding real property valuations provided by the Independent Valuation Advisor.

Our valuation procedures, which address specifically each category of our assets and liabilities and are applied separately from the preparation of our financial statements in accordance with GAAP, involve adjustments from historical cost. There are certain factors which cause NAV to be different from total equity or stockholders’ equity on a GAAP basis. Most significantly, the valuation of our real assets, which is the largest component of our NAV calculation, is provided to us by the Independent Valuation Advisor. For GAAP purposes, these assets are generally recorded at depreciated or amortized cost. Another example that will cause our NAV to differ from our GAAP total equity or stockholders’ equity is the straight-lining of rent, which results in a receivable for GAAP purposes that is not included in the determination of our NAV. The fair values of our assets and certain liabilities are determined using widely accepted methodologies and, as appropriate, the GAAP principles within the FASB Accounting Standards Codification under Topic 820, Fair Value Measurements and Disclosures and are used by ALPS in calculating our NAV per share. However, our valuation procedures and our NAV are not subject to GAAP and will not be subject to independent audit. We did not develop our valuation procedures with the intention of complying with fair value concepts under GAAP and, therefore, there could be differences between our fair values and the fair values derived from the principal market or most advantageous market concepts of establishing fair value under GAAP. The aggregate real property valuation of \$8.5 billion compares to a GAAP basis of real properties (net of intangible lease liabilities and before accumulated amortization and depreciation) of \$6.73 billion, representing a difference of approximately \$1.8 billion, or 26.8%.

As used below, “Fund Interests” means our outstanding shares of common stock, along with OP Units, which may be or were held directly or indirectly by the Advisor, the Former Sponsor, members or affiliates of the Former Sponsor, and third parties, and “Aggregate Fund NAV” means the NAV of all the Fund Interests.

The following table sets forth the components of Aggregate Fund NAV as of June 30, 2022 and December 31, 2021:

(in thousands)	As of	
	June 30, 2022	December 31, 2021
Investments in industrial properties	\$ 8,530,050	\$ 5,677,050
Investment in unconsolidated joint venture partnership	21,194	147,952
DST Program Loans	101,422	68,772
Cash and cash equivalents	113,665	216,848
Other assets	59,444	36,317
Line of credit, term loans and mortgage notes	(3,066,673)	(2,261,140)
Financing obligations associated with our DST Program	(941,968)	(499,964)
Other liabilities	(122,149)	(73,467)
Accrued performance participation allocation	(122,446)	(81,185)
Accrued fixed component of advisory fee	(5,699)	(3,864)
Aggregate Fund NAV	\$ 4,566,840	\$ 3,227,319
Total Fund Interests outstanding	299,200	258,170

The following table sets forth the NAV per Fund Interest as of June 30, 2022:

(in thousands, except per Fund Interest data)	Total	Class T Shares	Class D Shares	Class I Shares	OP Units
Monthly NAV	\$ 4,566,840	\$ 3,414,964	\$ 268,370	\$ 814,320	\$ 69,186
Fund Interests outstanding	299,200	223,734	17,582	53,351	4,533
NAV Per Fund Interest	\$ 15.26	\$ 15.26	\$ 15.26	\$ 15.26	\$ 15.26

Under GAAP, we record liabilities for ongoing distribution fees that (i) we currently owe the Dealer Manager under the terms of the dealer manager agreement and (ii) we estimate we may pay to the Dealer Manager in future periods for our Fund Interests. As of June 30, 2022, we estimated approximately \$91.9 million of ongoing distribution fees were potentially payable to the Dealer Manager. We do not deduct the liability for estimated future distribution fees in our calculation of NAV since we intend for our NAV to reflect our estimated value on the date that we determine our NAV. Accordingly, our estimated NAV at any given time does not include consideration of any estimated future distribution fees that may become payable after such date.

We include no discounts to our NAV for the illiquid nature of our shares, including the limitations on our stockholders' ability to redeem shares under our share redemption program and our ability to modify or suspend our share redemption program at any time. Our NAV generally does not reflect the potential impact of exit costs (e.g. selling costs and commissions related to the sale of a property) that would likely be incurred if our assets and liabilities were liquidated or sold today. While we may use market pricing concepts to value individual components of our NAV, our per share NAV is not derived from the market pricing information of open-end real estate funds listed on stock exchanges.

Our NAV is not a representation, warranty or guarantee that: (i) we would fully realize our NAV upon a sale of our assets; (ii) shares of our common stock would trade at our per share NAV on a national securities exchange; and (iii) a stockholder would be able to realize the per share NAV if such stockholder attempted to sell his or her shares to a third party.

The valuations of our real properties as of June 30, 2022, excluding certain newly acquired properties that are currently held at cost which we believe reflects the fair value of such properties, were provided by the Independent Valuation Advisor in accordance with our valuation procedures. Certain key assumptions that were used by the Independent Valuation Advisor in the discounted cash flow analysis are set forth in the following table:

	Weighted-Average Basis
Exit capitalization rate	4.8 %
Discount rate / internal rate of return	5.9 %
Average holding period (years)	10.3

A change in the exit capitalization and discount rates used would impact the calculation of the value of our real property. For example, assuming all other factors remain constant, the changes listed below would result in the following effects on the value of our real properties, excluding certain newly acquired properties that are currently held at cost which we believe reflects the fair value of such properties:

Input	Hypothetical Change	Increase (Decrease) to the NAV of Real Properties
Exit capitalization rate (weighted-average)	0.25% decrease	3.9 %
	0.25% increase	(3.5)%
Discount rate (weighted-average)	0.25% decrease	2.2 %
	0.25% increase	(2.1)%

From November 1, 2017 through January 31, 2020, we valued our debt-related investments and real estate-related liabilities generally in accordance with fair value standards under GAAP. Beginning with our valuation for February 29, 2020, our property-level mortgages and corporate-level credit facilities that are intended to be held to maturity (which for fixed rate debt not subject to interest rate hedges may be the date near maturity at which time the debt will be eligible for prepayment at par for purposes herein), including those subject to interest rate hedges, were valued at par (i.e. at their respective outstanding balances). In addition, because we utilize interest rate hedges to stabilize interest payments (i.e. to fix all-in interest rates through interest rate swaps or to limit interest rate exposure through interest rate caps) on individual loans, each loan and associated interest rate hedge is treated as one financial instrument which is valued at par if intended to be held to maturity. This policy of valuing at par applies regardless of whether any given interest rate hedge is considered as an asset or liability for GAAP purposes. Notwithstanding, if we acquire an investment and assume associated in-place debt from the seller that is above or below market, then consistent with how we recognize assumed debt for GAAP purposes when acquiring an asset with pre-existing debt in place, the liabilities used in the determination of our NAV will include the market value of such debt based on market value as of the closing date. The associated premium or discount on such debt as of closing that is reflected in our liabilities will then be amortized through loan maturity. Per our valuation policy, the corresponding investment is valued on an unlevered basis for purposes of determining NAV. Accordingly, all else equal, we would not recognize an immediate gain or loss to our NAV upon acquisition of an investment whereby we assume associated pre-existing debt that is above or below market. As of June 30, 2022, we classified all of our debt as intended to be held to maturity, and our liabilities included mark-to-market adjustments for pre-existing debt that we assumed upon acquisition. We currently estimate the fair value of our debt (inclusive of associated interest rate hedges) that was intended to be held to maturity as of June 30, 2022 was \$116.9 million lower than the carrying value used for purposes of calculating our NAV (as described above) for such debt in aggregate; meaning that if we used the fair value of our debt rather than the carrying value used for purposes of calculating our NAV (and treated the associated hedge as part of the same financial instrument), our NAV would have been higher by approximately \$116.9 million, or \$0.39 per share, not taking into account all of the other items that impact our monthly NAV, as of June 30, 2022.

Reconciliation of Stockholders' Equity and Noncontrolling Interests to NAV

The following table reconciles stockholders' equity and noncontrolling interests per our condensed consolidated balance sheet to our NAV as of June 30, 2022:

(in thousands)	As of June 30, 2022
Total stockholder's equity	\$ 2,425,197
Noncontrolling interests	312
Total equity under GAAP	2,425,509
Adjustments:	
Accrued distribution fee (1)	89,571
Unrealized net real estate, debt and interest rate hedge appreciation (depreciation) (2)	1,712,817
Unrealized gain (loss) on investments in unconsolidated joint venture partnership(s) (3)	1,634
Accumulated depreciation and amortization (4)	284,937
Other adjustments (5)	52,372
Aggregate Fund NAV	\$ 4,566,840

- (1) Accrued distribution fee represents the accrual for the full cost of the distribution fee for Class T and Class D shares. Under GAAP, we accrued the full cost of the distribution fee payable over the life of each share (assuming such share remains outstanding the length of time required to pay the maximum distribution fee) as an offering cost at the time we sold the Class T and Class D shares. For purposes of calculating the NAV, we recognize the distribution fee as a reduction of NAV on a monthly basis when such fee is paid and do not deduct the liability for estimated future distribution fees that may become payable after the date as of which our NAV is calculated
- (2) Our investments in real estate are presented as historical cost in our condensed consolidated financial statements. Additionally, our mortgage notes, term loans and line of credit are presented at their carrying value in our condensed consolidated financial

statements. As such, any increases or decreases in the fair market value of our investments in real estate or our debt instruments are not included in our GAAP results. For purposes of determining our NAV, our investments in real estate and certain of debt are recorded at fair value. Notwithstanding, our property-level mortgages and corporate-level credit facilities that are intended to be held to maturity, including those subject to interest rates hedges, are valued at par (i.e. at their respective outstanding balances).

- (3) Our investments in unconsolidated joint venture partnerships are presented under historical cost in our condensed consolidated financial statements. As such, any increases or decreases in the fair market value of the underlying investments or underlying debt instruments are not included in our GAAP results. For purposes of determining our NAV, the investments in the underlying real estate and certain of the underlying debt are recorded at fair value, and reflected in our NAV at our proportional ownership interest.
- (4) We depreciate our investments in real estate and amortize certain other assets and liabilities in accordance with GAAP. Such depreciation and amortization is not recorded for purposes of determining our NAV.
- (5) Includes (i) straight-line rent receivables, which are recorded in accordance with GAAP but not recorded for purposes of determining our NAV (ii) redeemable noncontrolling interests related to our OP Units, which are included in our determination of NAV but not included in total equity, and (iii) other minor adjustments.

Performance

Our NAV increased from \$12.50 per share as of December 31, 2021 to \$15.26 per share as of June 30, 2022. The increase in NAV was primarily driven by the performance of our real estate portfolio as a result of unprecedented demand in the industrial property sector which drove strong leasing and above-average market rent growth.

As noted above, effective February 29, 2020, our board of directors approved amendments to our valuation procedures which revised the way we value property-level mortgages, corporate-level credit facilities and associated interest rate hedges when loans, including associated interest rate hedges, are intended to be held to maturity, effectively eliminating all mark-to-market adjustments for such loans and hedges from the calculation of our NAV. The following table summarizes the impact of interest rate movements on our returns assuming we continued to include the mark-to-market adjustments for all borrowing-related interest rate hedge and debt instruments beginning with the February 29, 2020 NAV:

(as of June 30, 2022)	Trailing Three-Months (1)	Year-to-Date (1)	One-Year (Trailing 12-Months) (1)	Since NAV Inception Annualized (1)(2)(3)
Class T Share Total Return (with Sales Charge) (3)	1.29 %	18.44 %	42.93 %	13.14 %
Adjusted Class T Share Total Return (with Sales Charge) (continued inclusion of mark-to-market adjustments for borrowing-related interest rate hedge and debt instruments) (4)	1.77 %	21.10 %	46.42 %	13.63 %
Difference	(0.48)%	(2.66)%	(3.49)%	(0.49)%
Class T Share Total Return (without Sales Charge) (3)	6.06 %	24.02 %	49.66 %	14.26 %
Adjusted Class T Share Total Return (without Sales Charge) (continued inclusion of mark-to-market adjustments for borrowing-related interest rate hedge and debt instruments) (4)	6.56 %	26.80 %	53.32 %	14.76 %
Difference	(0.50)%	(2.78)%	(3.66)%	(0.50)%
Class D Share Total Return (3)	6.21 %	24.37 %	50.34 %	16.50 %
Adjusted Class D Share Total Return (continued inclusion of mark-to-market adjustments for borrowing-related interest rate hedge and debt instruments) (4)	6.72 %	27.16 %	54.02 %	17.08 %
Difference	(0.51)%	(2.79)%	(3.68)%	(0.58)%
Class I Share Total Return (3)	6.28 %	24.52 %	50.89 %	15.33 %
Adjusted Class I Share Total Return (continued inclusion of mark-to-market adjustments for borrowing-related interest rate hedge and debt instruments) (4)	6.78 %	27.31 %	54.57 %	15.83 %
Difference	(0.50)%	(2.79)%	(3.68)%	(0.50)%

- (1) Performance is measured by total return, which includes income and appreciation (i.e., distributions and changes in NAV) and reinvestment of all distributions (“Total Return”) for the respective time period. Past performance is not a guarantee of future results. Performance data quoted above is historical. Current performance may be higher or lower than the performance data quoted. Actual individual stockholder returns will vary. The returns have been prepared using unaudited data and valuations of the underlying investments in our portfolio, which are estimates of fair value and form the basis for our NAV. Valuations based upon unaudited or estimated reports from the underlying investments may be subject to later adjustments or revisions, may not correspond to realized value and may not accurately reflect the price at which assets could be liquidated on any given day.
- (2) The inception date for Class I shares and Class T shares was November 1, 2017, which is when shares of our common stock were first issued to third-party investors in our initial public offering. The inception date for Class D shares was July 2, 2018, which is when Class D shares of common stock were first issued to third-party investors.
- (3) The Total Returns presented are based on the actual NAVs at which stockholders transacted, calculated pursuant to our valuation procedures. With respect to the “Class T Share Total Return (with Sales Charge),” the Total Returns are calculated assuming the stockholder also paid the maximum upfront selling commission, dealer manager fee and ongoing distribution fees in effect during the time period indicated. With respect to “Class T Share Total Return (without Sales Charge),” the Total Returns are calculated assuming the stockholder did not pay any upfront selling commission or dealer manager fee, but did pay the maximum ongoing distribution fees in effect during the time period indicated. From NAV inception to January 31, 2020, these NAVs reflected mark-to-market adjustments on our borrowing-related debt instruments and our borrowing-related interest rate hedge positions.

- (4) The Adjusted Total Returns presented are based on adjusted NAVs calculated as if we had continued to mark our borrowing-related hedge and debt instruments to market following a policy change to largely exclude borrowing-related interest rate hedge and debt marks to market from our NAV calculations (except in certain circumstances pursuant to our valuation procedures), beginning with our NAV calculated as of February 29, 2020. Therefore, the NAVs used in the calculation of Adjusted Total Returns were calculated in the same manner as the NAVs used in the calculation of the unadjusted total return for periods through January 31, 2020. The Adjusted Total Returns include the incremental impact of the adjusted NAVs on advisory fees and performance fees; however, they do not include the incremental impact that the adjusted NAVs would have had on any expense support from our Advisor, or the prices at which shares were purchased in our public offerings or pursuant to our share redemption program. For calculation purposes, transactions in our common stock were assumed to occur at the adjusted NAVs.

Inflation and Rising Interest Rates

In the United States, inflation is at a 40-year high, and its impact on the U.S. economy and the impact of any measures that may be taken by government officials to curb inflation remain uncertain. Beginning in March of 2022, the United States Federal Reserve began raising the federal funds rate in an effort to curb inflation. As a result, interest rates and costs of borrowing have risen dramatically. The Federal Reserve's action, coupled with other macroeconomic factors, may trigger a recession in the United States, globally, or both. In addition, periods of excessive or prolonged inflation and rising interest rates may negatively impact our customers' businesses, resulting in increased vacancy, concessions or bad debt expense, which may adversely and materially affect our net operating income and NAV. These factors may also impact our customers' ability to pay contractual rent, or where applicable expense reimbursements, requiring us to absorb a larger share of operating expenses. In combination with a potential U.S. and/or global recession, we may also experience a slowdown in the rate of increase in rental rates or a decrease in rental rates over time, which may adversely and materially affect our net operating income and NAV. In addition, rising interest rates may have other detrimental effects on our business. For example, rising interest rates could restrict our liquidity based on certain financial covenant requirements as well as our inability to refinance maturing debt in part or in full as it comes due depending on rates at such time. A rise in interest rates could also increase capitalization rates and make alternative interest bearing and other investments more attractive and, therefore, potentially lower the relative value of our existing real estate investments and our NAV. Finally, the combined impact of increased interest rates and a potential recession could cause prospective investors to become reluctant to purchase our shares or existing investors to redeem their shares, thus curtailing our ability to purchase new accretive real estate investments that satisfy our investment criteria. We continue to monitor the uncertainty surrounding inflation and rising interest rates and the impact that these factors may have on the U.S. economy and on our business.

Conflict in Ukraine

The conflict between Russia and Ukraine has increased the disruption, instability and volatility in global markets and industries. We do not have any investments in Russia, Belarus or Ukraine. Therefore, to date, we have not been materially impacted by the actions of the Russian government. Market disruptions in a single country could cause a worsening of conditions on a regional and even global level, as economic problems in a single country can significantly impact other markets and economies. While the direct impact on us of Russia's invasion of Ukraine is limited, we are being affected by increases in the price of oil as a result of sanctions on Russia, which contributes to overall inflation and increased costs. The ongoing conflict could cause increased volatility in the economies and financial markets of countries throughout the region, or even globally. We continue to monitor the uncertainty surrounding the extent and duration of this ongoing conflict and the impact that it may have on the global economy and on our business.

Impacts of COVID-19

The global pandemic and resulting shut down of large parts of the U.S. economy has created significant uncertainty and enhanced investment risk across many asset classes, including real estate. The extent of the impact on the commercial real estate sector varied dramatically across real estate property types and markets, with certain property segments affected particularly harshly last year. The industrial property sector continues to remain very resilient, with unprecedented demand and performance for the six months ended June 30, 2022, and we believe we are well-positioned to navigate this uncertain period.

RESULTS OF OPERATIONS

Summary of 2022 Activities

During the six months ended June 30, 2022, we completed the following activities:

- Our NAV increased to \$15.26 per share as of June 30, 2022 as compared to \$12.50 per share as of December 31, 2021. This increase is primarily due to the performance of our portfolio, driven by strong leasing, above-average market rent growth, and significantly increased demand in the industrial property sector.
- We raised \$545.4 million of gross equity capital from our public offerings. Additionally, we raised \$414.2 million of gross capital through private placement offerings by selling DST Interests, \$33.6 million of which were financed by DST Program Loans, net of repayments.
- On February 15, 2022, we closed the BTC II Partnership Transaction, resulting in the direct ownership of 11 properties, totaling approximately 1.7 million square feet, that were previously part of the BTC II Partnership, for a total cost of approximately \$359.2 million, which includes the cost of our previously held interest in the BTC II Partnership. Concurrently with the BTC II Partnership Transaction, we and our joint venture partners formed the BTC II B Partnership, through which we co-own five properties that were part of the original BTC II Portfolio and were not part of the BTC II Partnership Transaction, with an 8.0% minority ownership interest.
- We closed on a recast of our unsecured credit facility for total commitments of \$1.55 billion consisting of a \$1.0 billion revolving credit facility and a \$550.0 million term loan. The revolving credit facility's effective interest rate is calculated based on Term SOFR plus a 10 basis point adjustment plus a margin ranging from 1.25% to 2.00%, depending on our consolidated leverage ratio. The \$550.0 million term loan's effective interest rate is calculated based on Adjusted Term SOFR plus a margin ranging from 1.20% to 1.90%, depending on our consolidated leverage ratio.
- We modified our \$600.0 million term loan to use an effective interest rate that is calculated based on Term SOFR plus a 11.448 basis point adjustment plus a margin ranging from 1.35% to 2.20%, depending on our consolidated leverage ratio.
- We entered into two interest rate swaps on our \$550.0 million term loan with an aggregate notional amount of \$200.0 million and modified our previously existing interest rate swaps to be based on Term SOFR. In combination, these interest rate swaps effectively fix SOFR at a weighted-average of 1.57% and results in an all-in interest rate ranging from 1.76% to 3.87% as of June 30, 2022.
- We entered into four interest rate swaps on our \$600.0 million term loan with an aggregate notional amount of \$300.0 million and modified our previously existing interest rate swaps to be based on Term SOFR. In combination, these interest rate swaps effectively fix SOFR at a weighted-average of 1.87% and results in an all-in interest rate ranging from 1.99% to 4.37% for this portion of the borrowings as of June 30, 2022.
- We leased approximately 3.3 million square feet, which included 1.4 million square feet of new and future leases and 1.9 million square feet of renewals through 46 separate transactions with an average annual base rent of \$6.82 per square foot, representing a 47.5% increase in rental rates over the last 12 months.
- As of June 30, 2022, we owned eight buildings under construction totaling approximately 2.7 million square feet, and two buildings in the pre-construction phase for an additional 0.2 million square feet.

Portfolio Information

Our owned and managed portfolio was as follows:

(square feet in thousands)	June 30, 2022	December 31, 2021	June 30, 2021
Portfolio data:			
Total buildings	240	193	93
Total rentable square feet	49,070	37,583	19,677
Total number of customers	416	348	168
Percent occupied of operating portfolio (1)	98.4 %	98.3 %	97.1 %
Percent occupied of total portfolio (1)	97.1 %	96.6 %	95.5 %
Percent leased of operating portfolio (1)	99.5 %	98.3 %	97.3 %
Percent leased of total portfolio (1)	98.4 %	97.6 %	96.8 %

(1) See “Overview—General” above for a description of our operating portfolio and our total portfolio (which includes our operating and value-add portfolios) and for a description of the occupied and leased rates.

Results for the Three and Six Months Ended June 30, 2022 Compared to Prior Periods

The following table summarizes the changes in our results of operations for the three months ended June 30, 2022 as compared to the three months ended March 31, 2022. We evaluate the performance of consolidated operating properties we own and manage using a same store analysis because the population of properties in this analysis is consistent from period to period, thereby eliminating the effects of any material changes in the composition of the aggregate portfolio on performance measures. We have defined the same store portfolio to include consolidated operating properties owned for the entirety of both the current and prior reporting periods for which the operations had been stabilized. Unconsolidated properties are excluded from the same store portfolio because we account for our interest in our joint venture partnership using the equity method of accounting; therefore, our proportionate share of income and loss is recognized in income (loss) of our unconsolidated joint venture partnership on the condensed consolidated statements of operations. "Other properties" includes buildings not meeting the same store criteria. The same store operating portfolio for the three months ended June 30, 2022 as compared to the three months ended March 31, 2022 presented below included 186 buildings totaling approximately 36.6 million square feet owned as of January 1, 2022, which represented 74.5% of total rentable square feet, 85.5% of total revenues, and 85.4% of net operating income for the three months ended June 30, 2022. The same store operating portfolio for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 presented below included 60 buildings totaling approximately 12.1 million square feet owned as of January 1, 2021, which represented 24.7% of total rentable square feet, 28.3% of total revenues, and 28.4% of net operating income for the six months ended June 30, 2022.

(in thousands, except per share data)	For the Three Months Ended				For the Six Months Ended			
	June 30, 2022	March 31, 2022	Change	% Change	June 30, 2022	June 30, 2021	Change	% Change
Rental revenues:								
Same store operating properties	\$ 79,326	77,767	1,559	2.0 %	\$ 49,332	\$ 47,314	\$ 2,018	4.3 %
Other properties	13,468	3,791	9,677	NM	125,020	5,732	119,288	NM
Total rental revenues	92,794	81,558	11,236	13.8 %	174,352	53,046	121,306	NM
Rental expenses:								
Same store operating properties	(18,903)	(19,005)	102	(0.5)%	(11,957)	(11,340)	(617)	(5.4)%
Other properties	(3,137)	(1,683)	(1,454)	86.4 %	(30,771)	(1,485)	(29,286)	NM
Total rental expenses	(22,040)	(20,688)	(1,352)	6.5 %	(42,728)	(12,825)	(29,903)	NM
Net operating income:								
Same store operating properties	60,423	58,762	1,661	2.8 %	37,375	35,974	1,401	3.9 %
Other properties	10,331	2,108	8,223	NM	94,249	4,247	90,002	NM
Total net operating income	70,754	60,870	9,884	16.2 %	131,624	40,221	91,403	NM
Other income and expenses:								
Real estate-related depreciation and amortization	(63,279)	(55,745)	(7,534)	13.5 %	(119,024)	(30,241)	(88,783)	NM
General and administrative expenses	(3,645)	(3,114)	(531)	17.1 %	(6,759)	(4,370)	(2,389)	(54.7)%
Advisory fees	(16,641)	(13,616)	(3,025)	22.2 %	(30,257)	(9,460)	(20,797)	NM
Performance participation allocation	(39,146)	(83,300)	44,154	(53.0)%	(122,446)	(16,022)	(106,424)	NM
Acquisition costs and reimbursements	(1,689)	(1,204)	(485)	40.3 %	(2,893)	(2,125)	(768)	(36.1)%
Equity in loss (income) from unconsolidated joint venture partnership(s)	(76)	111	(187)	NM	35	1,165	(1,130)	97.0 %
Interest expense	(33,078)	(22,467)	(10,611)	47.2 %	(55,545)	(8,295)	(47,250)	NM
Gain on derivative instruments	3,937	10,902	(6,965)	(63.9)%	14,839	—	14,839	NM
Other income and expenses	572	274	298	NM	846	129	717	NM
Total other (expenses) income	(153,045)	(168,159)	15,114	(9.0)%	(321,204)	(69,219)	(251,985)	NM
Net loss								
Net loss attributable to redeemable noncontrolling interests	1,273	1,768	(495)	(28.0)%	3,041	225	2,816	NM
Net income attributable to noncontrolling interests	(10)	(9)	(1)	11.1 %	(19)	(8)	(11)	NM
Net loss attributable to common stockholders	\$ (81,028)	(105,530)	24,502	(23.2)%	\$ (186,558)	\$ (28,781)	\$ (157,777)	NM
Weighted-average shares outstanding	289,797	270,466	19,331		280,185	163,355	116,830	
Net loss per common share - basic and diluted	\$ (0.28)	(0.39)	0.11		\$ (0.67)	(0.18)	(0.49)	

NM = Not meaningful

Rental Revenues. Rental revenues are comprised of rental income, straight-line rent, and amortization of above- and below-market lease assets and liabilities. Total rental revenues increased by \$11.2 million, or 13.8%, for the three months ended June 30, 2022, as compared to the previous quarter, primarily due to an increase in non-same store revenues. For the three months ended June 30, 2022, non-same store revenues reflect the addition of 47 industrial buildings we have acquired since January 1, 2022. Same store rental revenues increased by \$1.6 million, or 2.0%, for the three months ended June 30, 2022 as compared to the previous quarter, primarily due to an increase in recoverable expenses that resulted in increases to recovery revenue, as well as the timing of scheduled rent increases.

Total rental revenues increased by \$121.3 million for the six months ended June 30, 2022, as compared to the same period in 2021, primarily due to an increase in non-same store revenues, which was attributable to the significant growth in our portfolio. For the six months ended June 30, 2022, non-same store revenues reflect the addition of 175 industrial buildings that we have acquired since January 1, 2021. Same store rental revenues increased by \$2.0 million, or 4.3%, for the six months ended June 30, 2022 as compared to the same period in 2021, primarily due to the increase in rental rates since June 30, 2021, partially offset by a small decrease in

average occupancy.

Rental Expenses. Rental expenses include certain property operating expenses typically reimbursed by our customers, such as real estate taxes, property insurance, property management fees, repair and maintenance, and utilities. Total rental expenses increased by \$1.4 million, or 6.5%, for the three months ended June 30, 2022, as compared to the previous quarter, primarily due to an increase in non-same store rental expenses, which was attributable to the asset acquisitions during the six months ended June 30, 2022, as noted above. Same store rental expenses remained consistent for the three months ended June 30, 2022 as compared to the previous quarter.

Total rental expenses increased by \$29.9 million for the six months ended June 30, 2022 as compared to the same period in 2021, primarily due to an increase in non-same store rental expenses, which was attributable to the significant growth in our portfolio. Same store rental expenses increased by \$0.6 million, or 5.4%, for the six months ended June 30, 2022 as compared to the same period in 2021, primarily due to the successful resolution of a prior year tax appeal related to one of our properties, resulting in an increase in recoverable expenses.

Other Expenses. Other expenses, in aggregate, decreased by \$15.1 million, or 9.0%, for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022, primarily due to the following:

- a decrease in the performance participation allocation of \$44.2 million for the three months ended June 30, 2022, as compared to the previous period, primarily due to the pace of the increase in the value of our properties and the total return generated during the second quarter of 2022 compared to earlier in the year.

Partially offset by:

- an increase in interest expense of \$10.6 million, or 47.2%, for the three months ended June 30, 2022, as compared to the previous period, primarily related to (i) \$4.4 million of the amortization of the increased value of our financing obligations as a result of increases in the underlying fair value of the properties included in the DST Program; (ii) \$2.5 million of rent obligations associated with our DST Program; and (iii) an increase in interest from borrowing under our term loans of \$2.2 million, primarily associated with the increased borrowings under our \$550.0 million term loan during the three months ended June 30, 2022;
- an increase in real estate-related depreciation and amortization expense of \$7.5 million, or 13.5%, for the three months ended June 30, 2022, as compared to the previous period, as a result of the timing of our acquisitions in the second quarter of 2022, specifically the acquisition of 22 industrial buildings in April and early May 2022;
- a decrease in the gain on derivative instruments of \$7.0 million, or 63.9%, for the three months ended June 30, 2022, as compared to the previous period, due to the larger gain related to our interest rate caps in the first quarter of 2022; and
- an increase in the fixed component of the advisory fee of \$3.0 million, or 22.2%, as compared to the previous period, due to the continued growth in our NAV, which was primarily driven by gross proceeds of \$292.6 million raised from our public offering and \$257.0 million of DST Interests sold for the three months ended June 30, 2022, as compared to the previous period, and the total return generated for the period driven by the increased value of our properties as a result of the significant demand in the industrial property sector.

Other expenses, in aggregate, increased by \$252.0 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, primarily due to the following:

- an increase in the performance participation allocation of \$106.4 million and the fixed component of the advisory fee of \$20.8 million for the six months ended June 30, 2022 as a result of (i) gross proceeds of \$1.2 billion raised from our public offering and \$823.9 million of DST Interests sold since the same period of the previous year, and (ii) the increase of total return driven by the substantial increase in the value of our properties and significantly increased total return generated, as compared to the same period of the previous year;
- an increase in real estate-related depreciation and amortization expense totaling \$88.8 million for the six months ended June 30, 2022 as a result of the growth in our portfolio since January 1, 2021, as noted above;
- an increase in interest expense of \$47.3 million for the six months ended June 30, 2022, as compared to the same period in 2021, primarily related to (i) a \$16.0 million increase of rent obligations associated with our DST Program; (ii) an increase in mortgage note interest of \$13.0 million due to \$1.1 billion of secured mortgage notes that we entered into in July and December of 2021; (iii) \$9.0 million increase of the amortization of the increased value of our financing obligations as a

result of increases in the underlying fair value of the properties included in the DST Program; and (iv) an increase in interest related to borrowings under our term loans of \$6.5 million due to our \$600.0 million term loan that we entered into in May 2021, as well as the recast of our credit facility, which allowed for increased borrowings on our \$550.0 million term loan for the six months ended June 30, 2022 as compared to the same period of the previous year.

Partially offset by:

- an increase in the gain on derivative instruments of \$14.8 million for the six months ended June 30, 2022, as compared to the same period of the previous year, due to the 2022 gain related to our interest rate caps.

Generally, we are prohibited by our charter from incurring total operating expenses which, at the end of the four preceding fiscal quarters exceeds the greater of: (i) 2.0% of our average invested assets, or (ii) 25.0% of our net income determined without reduction for any additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of our assets for that period (the “2%/25% Limitation”). For these purposes, total operating expenses exclude rental expenses, real estate-related depreciation and amortization expense, interest expense, acquisition expenses, taxes and impairments. Our charter requires that we calculate the figures used in determining whether operating expenses have exceeded the 2%/25% Limitation in accordance with GAAP applied on a consistent basis. Notwithstanding the above, we may incur total operating expenses in excess of this limitation if a majority of our independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. Our total operating expenses exceeded the 2%/25% Limitation as of the four fiscal quarters ended June 30, 2022. All of our independent directors determined that the excess expenses were justified based upon a review of unusual and non-recurring factors, including but not limited to: the strong performance of our portfolio driven by the continued, unprecedented demand in the industrial property sector and the resulting significant growth in our NAV and total return generated for the period which, in combination with the incentive distributions we received from the BTC II Partnership in the fourth quarter of 2021, drove a significant increase in the performance participation allocation. Other factors considered include our continued, strong capital raise and the timing of our deployment during the period, including the acquisition of two large portfolios during the third and fourth quarters of 2021, the BTC II Partnership Transaction in the first quarter of 2022, and the acquisition of 38 industrial properties in the second quarter of 2022. The calculation of the performance participation allocation is based in part on our calculation of NAV, which takes into account any increases or decreases in the fair market value of our investments in real estate, meaning that generally, as NAV increases and the corresponding total return generated for stockholders increases, the performance participation allocation increases. However, as noted above, unlike our NAV and the performance participation allocation, the 2%/25% Limitation is calculated in accordance with GAAP and the calculation of net income for purposes of the limitation does not take into account the significant fair market value gains generated by our investments in real estate for the period, resulting in an incongruous comparison between total operating expenses and the 2%/25% Limitation.

ADDITIONAL MEASURES OF PERFORMANCE

Net Loss and Net Operating Income (“NOI”)

We define NOI as GAAP rental revenues less GAAP rental expenses. We consider NOI to be an appropriate supplemental performance measure and believe NOI provides useful information to our investors regarding our results of operations because NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the properties, such as real estate-related depreciation and amortization, acquisition-related expenses, impairment charges, general and administrative expenses and interest expense. However, NOI should not be viewed as an alternative measure of our financial performance since it excludes such expenses, which expenses could materially impact our results of operations. Further, our NOI may not be comparable to that of other real estate companies as they may use different methodologies for calculating NOI. Therefore, we believe our net income (loss), as defined by GAAP, to be the most appropriate measure to evaluate our overall performance. Refer to “Results of Operations” above for a reconciliation of our GAAP net income (loss) to NOI for the three and six months ended June 30, 2022 and 2021.

Funds from Operations (“FFO”)

We believe that FFO, in addition to net income (loss) and cash flows from operating activities as defined by GAAP, are useful supplemental performance measures that our management uses to evaluate our consolidated operating performance. However, these supplemental, non-GAAP measures should not be considered as an alternative to net income (loss) or to cash flows from operating activities as an indication of our performance and are not intended to be used as a liquidity measure indicative of cash flow available to fund our cash needs, including our ability to make distributions to our stockholders. No single measure can provide users of financial information with sufficient information and only our disclosures read as a whole can be relied upon to adequately portray our financial position, liquidity, and results of operations. Fees deferred or waived by the Advisor and payments received from the Advisor and/or reimbursed to the Advisor pursuant to the expense support agreement are included in determining our net income (loss), which is used to determine FFO. If we had not received support from the Advisor and/or reimbursed the Advisor pursuant to the expense support agreement, our FFO would have been lower or higher. In addition, other REITs may define FFO and similar measures differently and choose to treat acquisition-related costs and potentially other accounting line items in a manner different from us due to specific differences in investment and operating strategy or for other reasons.

FFO. As defined by the National Association of Real Estate Investment Trusts (“NAREIT”), FFO is a non-GAAP measure that excludes certain items such as real estate-related depreciation and amortization. We believe FFO is a meaningful supplemental measure of our operating performance that is useful to investors because depreciation and amortization in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. We use FFO as an indication of our consolidated operating performance and as a guide to making decisions about future investments.

Although some REITs may present similar measures differently from us, we believe FFO generally facilitates a comparison to other REITs that have similar operating characteristics to us. We believe investors are best served if the information that is made available to them allows them to align their analyses and evaluation with the same performance metrics used by management in planning and executing our business strategy. However, this supplemental, non-GAAP measure is not necessarily indicative of future performance and should not be considered as an alternative to net loss or to cash flows from operating activities and is not intended to be used as a liquidity measure indicative of cash flow available to fund our cash needs. Neither the SEC, NAREIT, nor any regulatory body has passed judgment on the acceptability of the adjustments used to calculate FFO. In the future, the SEC, NAREIT, or a regulatory body may decide to standardize the allowable adjustments across the non-traded REIT industry at which point we may adjust our calculation and characterization of FFO.

The following unaudited table presents a reconciliation of GAAP net income (loss) to NAREIT FFO:

(in thousands, except per share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
GAAP net loss attributable to common stockholders	\$ (81,028)	\$ (20,028)	\$ (186,558)	\$ (28,781)
GAAP net loss per common share	(0.28)	(0.11)	(0.67)	(0.18)
Reconciliation of GAAP net loss to NAREIT FFO:				
GAAP net loss attributable to common stockholders	\$ (81,028)	\$ (20,028)	\$ (186,558)	\$ (28,781)
Add (deduct) NAREIT adjustments:				
Real estate-related depreciation and amortization	63,279	16,382	119,024	30,241
Our share of real estate-related depreciation and amortization of unconsolidated joint venture partnerships	—	3,360	371	7,127
Redeemable noncontrolling interests' share of real estate-related depreciation and amortization and real estate-related depreciation and amortization of unconsolidated joint venture partnerships	(975)	(145)	(1,899)	(299)
Our share of net gain on disposition of real estate properties of unconsolidated joint venture partnership	—	—	—	(2,284)
Redeemable noncontrolling interests' share of net gain on disposition of real estate properties of unconsolidated joint venture partnership	—	—	—	20
NAREIT FFO attributable to common stockholders	\$ (18,724)	\$ (431)	\$ (69,062)	\$ 6,024
NAREIT FFO per common share	(0.06)	(0.00)	(0.25)	0.04
Weighted-average shares outstanding	289,797	177,754	280,185	163,355

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary sources of capital for meeting our cash requirements during our acquisition phase are, and will be, net proceeds from our public and private offerings, including proceeds from the sale of shares offered through our distribution reinvestment plan, debt financings, and cash generated from operating activities. Our principal uses of funds are, and will be, for the acquisition of properties and other investments, capital expenditures, operating expenses, payments under our debt obligations, and distributions to our stockholders. Over time, we intend to fund a majority of our cash needs for items other than asset acquisitions, including the repayment of debt and capital expenditures, from operating cash flows and refinancings. There may be a delay between the deployment of proceeds raised from our public and private offerings and our purchase of assets, which could result in a delay in the benefits to our stockholders, if any, of returns generated from our investments. Additionally, given the increase in market volatility, increased interest rates, high inflation and the potential recessionary environment, we may experience a decreased pace of net proceeds raised from our public offering, reducing our ability to purchase assets, which may similarly delay the returns generated from our investments and affect our NAV.

During the six months ended June 30, 2022, we have raised \$545.4 million of gross equity capital from our public offerings. As of June 30, 2022, we have cash and cash equivalents of \$113.7 million and leverage of 34.5%, calculated as our total borrowings outstanding less cash and cash equivalents, divided by the fair value of our real property plus our investment in our unconsolidated joint venture partnership. See “—Capital Resources and Uses of Liquidity—Offering Proceeds” for further information concerning capital raised thus far in 2022. As of June 30, 2022, we owned and managed a real estate portfolio that included 240 industrial buildings totaling approximately 49.1 million square feet, with a diverse roster of 416 customers, large and small, spanning a multitude of industries and sectors across 29 markets, with a strategic weighting towards top tier markets where we have historically seen the lowest volatility combined with positive returns over time. Our portfolio was 97.1% occupied (98.4% leased) with a weighted-average remaining lease term (based on square feet) of 4.4 years. Contractual rent collections as of June 30, 2022 are consistent with average annual collections prior to the pandemic.

The Advisor, subject to the oversight of our board of directors and, under certain circumstances, the investment committee or other committees established by our board of directors, will continue to evaluate potential acquisitions and will engage in negotiations with sellers and lenders on our behalf. Pending investment in property, debt and other investments, we may decide to temporarily invest any unused proceeds from our public offerings in certain investments that are expected to yield lower returns than those earned on real estate assets. During these times of economic uncertainty, we have seen and could once again see a slowdown in transaction volume, which would adversely impact our ability to acquire real estate assets, which would cause us to retain more lower yielding investments and hold them for longer periods of time while we seek to acquire additional real estate assets. These lower returns may affect our NAV and our ability to make distributions to our stockholders. Potential future sources of capital include proceeds from secured or unsecured financings from banks or other lenders, proceeds from the sale of assets, and undistributed funds from operations.



We believe that our cash on-hand, anticipated net offering proceeds, and anticipated financing activities will be sufficient to meet our liquidity needs for the foreseeable future over the next 12 months and beyond.

Cash Flows. The following table summarizes our cash flows, as determined on a GAAP basis, for the following periods:

(in thousands)	For the Six Months Ended June 30,		Change
	2022	2021	
Total cash provided by (used in):			
Operating activities	\$ 50,402	\$ 19,977	\$ 30,425
Investing activities	(1,701,797)	(917,866)	(783,931)
Financing activities	1,547,728	825,833	721,895
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>\$ (103,667)</u>	<u>\$ (72,056)</u>	<u>\$ (31,611)</u>

Cash provided by operating activities during the six months ended June 30, 2022 increased by approximately \$30.4 million as compared to the same period in 2021, primarily as a result of growth in our property operations. Cash used in investing activities during the six months ended June 30, 2022 increased by approximately \$783.9 million as compared to the same period in 2021, primarily due to a net increase in acquisition and capital expenditure activity of \$773.6 million, including the BTC II Partnership Transaction, driven by the increased development activity and the growth of our portfolio. Cash provided by financing activities during the six months ended June 30, 2022 increased by approximately \$721.9 million as compared to the same period in 2021, primarily driven by (i) an increase in net borrowing activity of \$507.8 million under our line of credit and one of our term loans and (ii) an increase in net proceeds from financing obligations associated with the DST Program of \$316.0 million, partially offset by (i) the \$40.9 million of redemptions related to the Advisor's Class I OP Units; (ii) the \$21.4 million increase in redemptions of our common stock; (iii) the \$18.3 million increase in net distributions; and (iv) the \$18.2 million net decrease in the amount of net capital raised through our public offerings, net of offering costs paid.

Capital Resources and Uses of Liquidity

In addition to our cash and cash equivalents balance available, our capital resources and uses of liquidity are as follows:

Line of Credit and Term Loans. As of June 30, 2022, we had an aggregate \$2.2 billion of commitments under our credit agreements, including \$1.0 billion under our line of credit and \$1.2 billion under our two term loans. As of that date, we had \$670.0 million outstanding under our line of credit and \$1.2 billion outstanding under our term loans with an effective interest rate of 3.11%, which includes the effect of the interest rate swap agreements. The unused and available portions under our line of credit were both \$330.0 million as of June 30, 2022. Our \$1.0 billion line of credit matures in March 2025 and may be extended pursuant to two one-year extension options, subject to continuing compliance with certain financial covenants and other customary conditions. Our \$550.0 million term loan matures in March 2027 and our \$600.0 million term loan matures in May 2026. Our line of credit and term loan borrowings are available for general corporate purposes including, but not limited to, the acquisition and operation of permitted investments by us. Refer to "Note 5 to the Condensed Consolidated Financial Statements" for additional information regarding our line of credit and term loans.

In July 2017, the Financial Conduct Authority ("FCA") that regulates LIBOR announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee ("ARRC"), which identified SOFR as its preferred alternative rate for LIBOR in derivatives and other financial contracts. Any changes adopted by the FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in the current form.

LIBOR is expected to be phased out or modified by June 2023. As of June 30, 2022, our \$209.3 million mortgage note is our only indebtedness with initial or extended maturity dates beyond 2023 that has exposure to LIBOR. As of June 30, 2022, we have one interest rate cap in place on \$170.0 million of borrowings under our \$209.3 million mortgage note. We intend to monitor the developments with respect to the phasing out of LIBOR after 2023 and work with our lenders to seek to ensure any transition away from LIBOR will have minimal impact on our financial condition, but can provide no assurances regarding the impact of the discontinuation of LIBOR.

Mortgage Notes. As of June 30, 2022, we had property-level borrowings of approximately \$1.2 billion of principal outstanding with a weighted-average remaining term of 4.4 years. These borrowings are secured by mortgages or deeds of trust and related assignments and security interests in the collateralized properties, and had a weighted-average interest rate of 3.17%. Refer to "Note 5 to the Condensed Consolidated Financial Statements" for additional information regarding the mortgage notes.

Debt Covenants. Our line of credit, term loan and mortgage note agreements contain various property-level covenants, including

customary affirmative and negative covenants. In addition, the agreements governing our line of credit and term loans contain certain corporate level financial covenants, including leverage ratio, fixed charge coverage ratio, and tangible net worth thresholds. These covenants may limit our ability to incur additional debt, to make borrowings under our line of credit, or to pay distributions. We were in compliance with all of our debt covenants as of June 30, 2022.

Leverage. We use financial leverage to provide additional funds to support our investment activities. We may finance a portion of the purchase price of any real estate asset that we acquired with borrowings on short or long-term basis from banks, institutional investors and other lenders. We calculate our leverage for reporting purposes as the outstanding principal balance of our borrowings less cash and cash equivalents divided by the fair value of our real property plus our investment in our unconsolidated joint venture partnership. We had leverage of 34.5% as of June 30, 2022. Our management believes our strong equity raise and the timing of our deployment of capital accounts for our lower leverage as of June 30, 2022 and expects that as we deploy capital going forward, our leverage will near approximately 50%. Due to the increase in interest rates in 2022, increased market volatility, and the potential of a global recession in the near-term, the cost of financing or refinancing our purchase of assets may affect returns generated by our investments. Additionally, these factors may cause our borrowing capacity to be reduced, which could similarly delay or reduce benefits to our stockholders.

Offering Proceeds. For the six months ended June 30, 2022, aggregate gross proceeds raised from our public offering, including proceeds raised through our distribution reinvestment plan, were \$545.4 million (\$531.5 million net of direct selling costs).

Distributions. We intend to continue to accrue and make distributions on a regular basis. For the six months ended June 30, 2022, approximately 52.2% of our total gross distributions were paid from cash flows from operating activities, as determined on a GAAP basis, and 47.8% of our total gross distributions were funded from sources other than cash flows from operating activities, as determined on a GAAP basis; specifically, 47.8% of our total gross distributions were funded with proceeds from shares issued pursuant to our distribution reinvestment plan. Some or all of our future distributions may be paid from sources other than cash flows from operating activities, such as cash flows from financing activities, which include borrowings (including borrowings secured by our assets), proceeds from the issuance of shares pursuant to our distribution reinvestment plan, proceeds from sales of assets, interest income from our cash balances, and the net proceeds from primary shares sold in our public offerings. We have not established a cap on the amount of our distributions that may be paid from any of these sources. The amount of any distributions will be determined by our board of directors, and will depend on, among other things, current and projected cash requirements, tax considerations and other factors deemed relevant by our board.

For the third quarter of 2022, our board of directors authorized monthly distributions to all common stockholders of record as of the close of business on the last business day of each month for the third quarter of 2022, or July 29, 2022, August 31, 2022 and September 30, 2022 (each a “Distribution Record Date”). The distributions were authorized at a quarterly rate of (i) \$0.13625 per Class I share of common stock and (ii) \$0.13625 per Class T share and per Class D share of common stock, less the respective annual distribution fees that are payable monthly with respect to such Class T shares and Class D shares. This quarterly rate is equal to a monthly rate of (i) \$0.04542 per Class I share of common stock and (ii) \$0.04542 per Class T share and per Class D share of common stock, less the respective annual distribution fees that are payable with respect to such Class T shares and Class D shares. Distributions for each month of the third quarter of 2022 have been or will be paid in cash or reinvested in shares of our common stock for those electing to participate in our distribution reinvestment plan following the close of business on the respective Distribution Record Date applicable to such monthly distributions.

There can be no assurances that the current distribution rate or amount per share will be maintained. In the near-term, we expect that we may need to continue to rely on sources other than cash flows from operations, as determined on a GAAP basis, to pay distributions, which if insufficient could negatively impact our ability to pay such distributions.

The following table outlines sources used, as determined on a GAAP basis, to pay total gross distributions (which are paid in cash or reinvested in shares of our common stock through our distribution reinvestment plan) for the quarters ended as of the dates indicated below:

(\$ in thousands)	For the Three Months Ended June 30, 2022		For the Three Months Ended June 30, 2021	
	Amount	Percentage	Amount	Percentage
Distributions				
Paid in cash (1)	\$ 21,158	52.8 %	\$ 12,104	49.6 %
Reinvested in shares	18,939	47.2	12,295	50.4
Total (2)	\$ 40,097	100.0 %	\$ 24,399	100.0 %
Sources of Distributions				
Cash flows from operating activities	21,158	52.8 %	10,544	43.2 %
Borrowings	—	—	1,560	6.4
DRIP (3)	18,939	47.2	12,295	50.4
Total (2)	\$ 40,097	100.0 %	\$ 24,399	100.0 %

(\$ in thousands)	For the Six Months Ended June 30, 2022		For the Six Months Ended June 30, 2021	
	Amount	Percentage	Amount	Percentage
Distributions				
Paid in cash (1)	\$ 40,496	52.2 %	\$ 22,244	49.6 %
Reinvested in shares	37,097	47.8	22,605	50.4
Total (2)	\$ 77,593	100.0 %	\$ 44,849	100.0 %
Sources of Distributions				
Cash flows from operating activities	40,496	52.2 %	19,977	44.5 %
Borrowings	—	—	2,272	5.1
DRIP (3)	37,097	47.8	22,605	50.4
Total (2)	\$ 77,593	100.0 %	\$ 44,854	100.0 %

- (4) Includes distribution fees relating to Class T shares and Class D shares issued in the primary portion of our public offerings. See “Note 10 to the Condensed Consolidated Financial Statements” for further detail regarding ongoing distribution fees.
- (5) Includes distributions paid to holders of OP Units for redeemable noncontrolling interests.
- (6) Stockholders may elect to have their distributions reinvested in shares of our common stock through our distribution reinvestment plan.

For the three months ended June 30, 2022 and 2021, our NAREIT FFO was \$(18.7) million and (\$0.4) million, respectively, compared to total gross distributions of \$40.0 million and \$24.4 million, respectively. For the six months ended June 30, 2022 and 2021, our NAREIT FFO was \$ (69.1) million and \$6.0 million, respectively, compared to total gross distributions of \$77.6 million and \$44.8 million, respectively. FFO is a non-GAAP operating metric and should not be used as a liquidity measure. However, management believes the relationship between FFO and distributions may be meaningful for investors to better understand the sustainability of our operating performance compared to distributions made. Refer to “Additional Measures of Performance” above for the definition of FFO, as well as a detailed reconciliation of our GAAP net income (loss) to FFO.

Refer to “Note 8 to the Condensed Consolidated Financial Statements” for further detail on our distributions.

Redemptions. For the six months ended June 30, 2022, we received eligible redemption requests for approximately 2.2 million shares of our common stock, all of which we redeemed using cash flows from financing activities, for an aggregate amount of approximately \$31.3 million, or an average price of \$14.12 per share. For the six months ended June 30, 2021, we received eligible redemption requests for 1.0 million shares of our common stock, all of which we redeemed using cash flows from financing activities, for an aggregate amount of approximately \$9.9 million, or an average price of \$10.18 per share. See Part II, Item 2. “Unregistered Sales of Equity Securities and Use of Proceeds—Share Redemption Program,” for a description of our share redemption program.

SUBSEQUENT EVENTS

See “Note 14 to the Condensed Consolidated Financial Statements” for information regarding subsequent events.

CRITICAL ACCOUNTING ESTIMATES

Our unaudited condensed consolidated financial statements have been prepared in accordance with GAAP and in conjunction with the rules and regulations of the SEC. The preparation of our unaudited condensed consolidated financial statements requires significant management judgments, assumptions, and estimates about matters that are inherently uncertain. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our condensed consolidated financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses. For a detailed description of our critical accounting estimates, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2021 Form 10-K. As of June 30, 2022, our critical accounting estimates have not changed from those described in our 2021 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We have and may continue to be exposed to the impact of interest rate changes. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows, and optimize overall borrowing costs. To achieve these objectives, we plan to borrow on a fixed interest rate basis for longer-term debt and utilize interest rate swap and cap agreements on certain variable interest rate debt in order to limit the effects of changes in interest rates on our results of operations. As of June 30, 2022, our consolidated debt outstanding consisted of borrowings under our line of credit, term loans and mortgage notes.

Fixed Interest Rate Debt. As of June 30, 2022, our fixed interest rate debt consisted of \$550.0 million under our \$550.0 million term loan and \$525.0 million of commitments under our \$600.0 million term loan, which were effectively fixed through the use of interest swap agreements, and \$628.9 million of principal borrowings under four of our mortgage notes. In total, our fixed rate debt represented approximately 55.6% of our total consolidated debt as of June 30, 2022. The impact of interest rate fluctuations on our fixed interest rate debt will generally not affect our future earnings or cash flows unless such borrowings mature, are otherwise terminated or payments are made on the principal balance. However, interest rate changes could affect the fair value of our fixed interest rate debt. As of June 30, 2022, the fair value and the carrying value of our fixed interest rate debt, excluding the values of hedges, were \$1.64 billion and \$1.70 billion, respectively. The fair value estimate of our fixed interest rate debt was estimated using a discounted cash flow analysis utilizing rates we would expect to pay for debt of a similar type and remaining maturity if the loans were originated on June 30, 2022. Based on our debt as of June 30, 2022, we do not expect that market fluctuations in interest rates will have a significant impact on our future earnings or operating cash flows.

Variable Interest Rate Debt. As of June 30, 2022, our consolidated variable interest rate debt consisted of \$75.0 million under our \$600.0 million term loan, \$617.3 million under two of our mortgage notes, and \$670.0 million under our line of credit, which represented 44.4% of our total consolidated debt. Interest rate changes on the variable portion of our consolidated variable-rate debt could impact our future earnings and cash flows, but would not significantly affect the fair value of such debt. As of June 30, 2022, we were exposed to market risks related to fluctuations in interest rates on \$1.4 billion of consolidated borrowings, however, \$578.0 million of these borrowings is capped through the use of two interest rate cap agreements. A hypothetical 25 basis points increase in the all-in interest rate on the outstanding balance of our consolidated variable interest rate debt as of June 30, 2022, would increase our annual interest expense by approximately \$3.4 million.

Derivative Instruments. As of June 30, 2022, we had 18 outstanding derivative instruments with a total notional amount of \$1.7 billion. These derivative instruments were comprised of interest rate swaps and interest rate caps that were designed to mitigate the risk of future interest rate increases by either providing a fixed interest rate or capping the variable interest rate for a limited, pre-determined period of time. See “Note 5 to the Condensed Consolidated Financial Statements” for further detail on our derivative instruments. We are exposed to credit risk of the counterparty to our interest rate cap and swap agreements in the event of non-performance under the terms of the agreements. If we were not able to replace these caps or swaps in the event of non-performance by the counterparty, we would be subject to variability of the interest rate on the amount outstanding under our debt that is fixed or capped through the use of the swaps or caps, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of June 30, 2022. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2022, our disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the six months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal control over financial reporting to date as a result of many of the employees of our Advisor and its affiliates working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 pandemic on our internal controls to minimize the impact to their design and operating effectiveness.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A, “Risk Factors” of our 2021 Form 10-K and Part II, Item 1A, “Risk Factors” of our Quarterly Report on Form 10-Q for the three months ended March 31, 2022 (the “First Quarter 2022 10-Q”), which could materially affect our business, financial condition, and/or future results. The risks described in our 2021 Form 10-K and the First Quarter 2022 10-Q are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results.

With the exception of the risk factors set forth below, which updates and supplements the risk factors disclosed in our 2021 Form 10-K and First Quarter 2022 10-Q, there have been no material changes to the risk factors disclosed in our 2021 Form 10-K and First Quarter 2022 10-Q.

Inflation, increased interest rates or deflation may adversely affect our financial condition and results of operations.

Although neither inflation nor deflation has materially impacted our operations in the recent past, inflation is at a 40-year high and beginning in March of 2022, the Federal Reserve began raising the federal funds rate in an effort to curb inflation. The Federal Reserve’s action, coupled with other macroeconomic factors, may trigger a recession in the United States, globally, or both. Increased inflation and interest rates could have an adverse impact on our floating rate mortgages, our ability to borrow money, and general and administrative expenses, as these costs could increase at a rate higher than our rental and other revenue. Increases in the costs of owning and operating our properties due to inflation could reduce our net operating income and our NAV to the extent such increases are not reimbursed or paid by our customers. If we are materially impacted by increasing inflation because, for example, inflationary increases in costs are not sufficiently offset by the contractual rent increases and operating expense reimbursement provisions or escalations in the leases with our customers, we may implement measures to conserve cash or preserve liquidity. Such measures could include deferring investments, reducing or suspending the number of shares redeemed under our share redemption program and reducing or suspending distributions we make to our stockholders, which may adversely and materially affect our net operating income and NAV. In addition, due to rising interest rates, we may experience restrictions in our liquidity based on certain financial covenant requirements as well as our inability to refinance maturing debt in part or in full as it comes due depending on rates at such time and higher debt service costs and reduced yields relative to cost of debt. If we are unable to find alternative credit arrangements or other funding in a high interest environment, our business needs may not be adequately met.

In addition, customers and potential customers of our properties may be adversely impacted by inflation and rising interest rates, which could negatively impact our customers’ ability to pay rent and demand for our properties. Such adverse impacts on our customers may cause increased vacancies, which may add pressure to lower rents and increase our expenditures for re-leasing. Inflation could also have an adverse effect on consumer spending, which could impact our customers’ operations and, in turn, demand for our properties. Conversely, deflation could lead to downward pressure on rents and other sources of income.

We are dependent on our customers for revenue, and our inability to lease our properties or to collect rent from our customers will adversely affect our results of operations, NAV and returns to our stockholders.

Our revenues from our real property investments are dependent on our ability to lease our real properties and the creditworthiness of our customers and would be adversely affected by the loss of or default by significant customers. Much of our customer base is comprised of non-rated and non-investment grade customers. The success of our real properties depends on the financial stability of such customers. The financial results of our customers can depend on several factors, including but not limited to the general business environment, interest rates, inflation, the availability of credit, taxation and overall consumer confidence. In addition, our ability to increase our revenues and operating income partially depends on steady growth of demand for the products and services offered by the customers located in the assets that we own and manage. A drop in demand, as a result of a slowdown in the U.S. and global economy or otherwise, could result in a reduction in performance of our customers and consequently, adversely affect our results of operations, NAV and returns to our stockholders. If indicators of impairment exist in any of our real properties, for example, we experience negative operating trends such as prolonged vacancies or operating losses, we may not recover some or all of our investment.

Lease payment defaults by customers could impact operating results, causing us to lower our NAV, reduce the amount of distributions to our stockholders, or could force us to find an alternative source of funding to pay any mortgage loan interest or principal, taxes, or other obligations relating to the property. In the event of a customer default, we may also experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-leasing our property. If a lease is terminated, the value of the property may be immediately and negatively affected and we may be unable to lease the property for the rent previously received or at all or sell the property without incurring a loss.



As of June 30, 2022, our top five customers represented 15.5% of our total annualized base rent of our portfolio, our top ten customers represented 20.7% of our total annualized base rent of our portfolio and there was one customer that individually represented more than 5.0% of our total annualized base rent of our portfolio. Our results of operations are currently substantially dependent on our top customers, and any downturn in their businesses could have a material adverse effect on our operations. In addition, certain of our properties are occupied by a single customer, and as a result, the success of those properties depends on the financial stability of that customer. Adverse impacts to such customers, businesses or operators, including as a result of changes in market or economic conditions, natural disasters, outbreaks of an infectious disease, pandemic or any other serious public health concern, political events or other factors that may impact the operation of these properties, may have negative effects on our business and financial results. As a result, some of our customers have been, and may in the future be, required to suspend operations at our properties for what could be an extended period of time. Further, if such customers default under their leases, we may not be able to promptly enter into a new lease or operating arrangement for such properties, rental rates or other terms under any new leases or operating arrangement may be less favorable than the terms of the current lease or operating arrangement or we may be required to make capital improvements to such properties for a new customer, any of which could adversely impact our operating results.

Changes in global, national, regional or local economic, demographic, political, real estate or capital market conditions, including periods of generally deteriorating real estate industry fundamentals, may adversely affect our results of operations and returns to our stockholders.

We are subject to risks generally incident to the ownership of property, including changes in global, national, regional or local economic, demographic, political, real estate, or capital market conditions and other factors particular to the locations of the respective property investments. We are unable to predict future changes in these market conditions. For example, an economic downturn or a rise in interest rates could make it more difficult for us to lease properties or dispose of them and cause rental rates or future contractual rate increases to fall, which may adversely and materially affect our net operating income and NAV. In addition, rising interest rates could also increase capitalization rates and make alternative interest bearing and other investments more attractive and, therefore, potentially lower the relative value of our existing real estate investments and our NAV. These macroeconomic factors may cause investors to become reluctant to purchase our shares or existing investors to redeem their shares, curtailing our ability to purchase new accretive real estate investments that satisfy our investment criteria.

In addition, we believe the risks associated with our business and the value of our properties are more severe during periods of economic slowdown or recession if these periods are accompanied by deteriorating fundamentals and declining values in the real estate industry. Because debt-related investments we may make in the future might consist of mortgages secured by real property, these same conditions could also adversely affect the underlying borrowers and collateral of assets that we own. Declining real estate values and deteriorating real estate fundamentals would also likely reduce the level of new mortgage loan originations, since borrowers often use increases in the value of their existing properties to support the purchase of, or investment in, additional properties. Furthermore, borrowers may not be able to pay principal and interest on such loans. Declining real estate values would also significantly increase the likelihood that we incur losses on our debt investments in the event of a default because the value of the collateral may be insufficient to cover some or all of the basis in the investment.

In the future, we may record impairments of real properties, significant other-than-temporary impairment charges related to our real estate-related securities holdings, and provisions for losses on our debt-related investments, if any. To the extent that there is a general economic slowdown or real estate fundamentals deteriorate, such factors could have a significant and adverse impact on our revenues, results from operations, value of our properties, financial condition, liquidity, overall business prospects and ultimately our ability to make distributions to our stockholders.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Redemption Program

We expect that there will be no regular secondary trading market for shares of our common stock. While our stockholders should view their investment as long term with limited liquidity, we have adopted a share redemption program applicable to all shares of our common stock, whereby stockholders may receive the benefit of limited liquidity by presenting for redemption to us all or any portion of those shares in accordance with the procedures and subject to certain conditions and limitations. All references herein to classes of shares of our common stock do not include the OP Units issued by our Operating Partnership, unless the context otherwise requires.

While stockholders may request on a monthly basis that we redeem all or any portion of their shares pursuant to our share redemption program, we are not obligated to redeem any shares and may choose to redeem only some, or even none, of the shares that have been requested to be redeemed in any particular month, in our discretion. In addition, our ability to fulfill redemption requests is subject to a number of limitations. As a result, share redemptions may not be available each month. Under our share redemption program, to the

extent we determine to redeem shares in any particular month, we will only redeem shares as of the last calendar day of that month (each such date, a “Redemption Date”). Redemptions will be made at the transaction price in effect on the Redemption Date, except that shares that have not been outstanding for at least one year will be redeemed at 95% of the transaction price. The Early Redemption Deduction may be waived in certain circumstances including: (i) in the case of redemption requests arising from the death or qualified disability of the holder; (ii) in the event that a stockholder’s shares are redeemed because the stockholder has failed to maintain the \$2,000 minimum account balance; or (iii) with respect to shares purchased through our distribution reinvestment plan or received from us as a stock dividend. In addition, shares of our common stock acquired through the redemption of OP Units will not be subject to the Early Redemption Deduction. To have your shares redeemed, your redemption request and required documentation must be received in good order by 4:00 p.m. (Eastern time) on the second to last business day of the applicable month. Settlements of share redemptions will be made within three business days of the Redemption Date. An investor may withdraw its redemption request by notifying the transfer agent before 4:00 p.m. (Eastern time) on the last business day of the applicable month.

Under our share redemption program, we may redeem during any calendar month shares whose aggregate value (based on the price at which the shares are redeemed) is 2.0% of our aggregate NAV as of the last calendar day of the previous quarter and during any calendar quarter whose aggregate value (based on the price at which the shares are redeemed) is up to 5.0% of our aggregate NAV as of the last calendar day of the prior calendar quarter.

Provided that the share redemption program has been operating and not suspended for the first month of a given quarter and that all properly submitted redemption requests were satisfied, any unused capacity for that month will carry over to the second month. Also, provided that the share redemption program has been operating and not suspended for the first two months of a given quarter and that all properly submitted redemption requests were satisfied, any unused capacity for those two months will carry over to the third month. In no event will such carry-over capacity permit the redemption of shares with aggregate value (based on the redemption price per share for the month the redemption is effected) in excess of 5% of the combined NAV of all classes of shares as of the last calendar day of the previous calendar quarter (provided that for these purposes redemptions may be measured on a net basis as described in the paragraph below).

We currently measure the foregoing redemption allocations and limitations based on net redemptions during a month or quarter, as applicable. The term “net redemptions” means, during the applicable period, the excess of our share redemptions (capital outflows) over the proceeds from the sale of our shares (capital inflows). Thus, for any given calendar quarter, the maximum amount of redemptions during that quarter will be equal to (1) 5% of the combined NAV of all classes of shares as of the last calendar day of the previous calendar quarter, plus (2) proceeds from sales of new shares in this offering (including purchases pursuant to our distribution reinvestment plan) since the beginning of the current calendar quarter. The same would apply for a given month, except that redemptions in a month would be subject to the 2% limit described above (subject to potential carry-over capacity), and netting would be measured on a monthly basis. With respect to future periods, our board of directors may choose whether the allocations and limitations will be applied to “gross redemptions,” i.e., without netting against capital inflows, rather than to net redemptions. If redemptions for a given month or quarter are measured on a gross basis rather than on a net basis, the redemption limitations could limit the amount of shares redeemed in a given month or quarter despite our receiving a net capital inflow for that month or quarter. In order for our board of directors to change the application of the allocations and limitations from net redemptions to gross redemptions or vice versa, we will provide notice to stockholders in a prospectus supplement or special or periodic report filed by us, as well as in a press release or on our website, at least 10 days before the first business day of the quarter for which the new test will apply. The determination to measure redemptions on a gross basis, or vice versa, will only be made for an entire quarter, and not particular months within a quarter.

If the transaction price for the applicable month is not made available by the tenth business day prior to the last business day of the month (or is changed after such date), then no redemption requests will be accepted for such month and stockholders who wish to have their shares redeemed the following month must resubmit their redemption requests.

Although the vast majority of our assets consist of properties that cannot generally be readily liquidated on short notice without impacting our ability to realize full value upon their disposition, we intend to maintain a number of sources of liquidity including: (i) cash equivalents (e.g. money market funds), other short-term investments, U.S. government securities, agency securities and liquid real estate-related securities; and (ii) one or more borrowing facilities. We may fund redemptions from any available source of funds, including operating cash flows, borrowings, proceeds from our public offerings and/or sales of our assets.

Should redemption requests, in our judgment, place an undue burden on our liquidity, adversely affect our operations or risk having an adverse impact on the Company as a whole, or should we otherwise determine that investing our liquid assets in real properties or other illiquid investments rather than redeeming our shares is in the best interests of the company as a whole, then we may choose to redeem fewer shares than have been requested to be redeemed, or none at all. In the event that we determine to redeem some but not all of the shares submitted for redemption during any month for any of the foregoing reasons, shares submitted for redemption during such month will be redeemed on a pro rata basis. All unsatisfied redemption requests must be resubmitted after the start of the next month or quarter, or upon the recommencement of the share redemption program, as applicable. If the transaction price for the

applicable month is not made available by the tenth business day prior to the last business day of the month (or is changed after such date), then no redemption requests will be accepted for such month and stockholders who wish to have their shares redeemed the following month must resubmit their redemption requests.

Our board of directors may modify or suspend our share redemption program if in its reasonable judgment it deems such actions to be in our best interest and the best interest of our stockholders. Although our board of directors has the discretion to suspend our share redemption program, our board of directors will not terminate our share redemption program other than in connection with a liquidity event which results in our stockholders receiving cash or securities listed on a national securities exchange or where otherwise required by law. Our board of directors may determine that it is in our best interests and the interest of our stockholders to suspend the share redemption program as a result of regulatory changes, changes in law, if our board of directors becomes aware of undisclosed material information that it believes should be publicly disclosed before shares are redeemed, a lack of available funds, a determination that redemption requests are having an adverse effect on our operations or other factors. Once the share redemption program has been suspended, our board of directors must affirmatively authorize the recommencement of the program before stockholder requests will be considered again. Following any suspension, our share redemption program requires our board of directors to consider at least quarterly whether the continued suspension of the program is in our best interest and the best interest of our stockholders; however, we are not required to authorize the re-commencement of the share redemption program within any specified period of time and any suspension may be for an indefinite period, which would be tantamount to a termination.

The preceding summary does not purport to be a complete summary of our share redemption program and is qualified in its entirety by reference to the [share redemption program](#), which is incorporated by reference as Exhibit 4.1 to this Quarterly Report on Form 10-Q.

Refer to Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional details regarding our redemption history.

The table below summarizes the redemption activity for the three months ended June 30, 2022:

For the Month Ended	Total Number of Shares Redeemed	Average Price Paid per Share	Total Number of Shares Redeemed as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Redeemed Under the Plans or Programs (1)
April 30, 2022	168,432	\$ 13.39	168,432	—
May 31, 2022	208,264	14.47	208,264	—
June 30, 2022	1,159,319	15.07	1,159,319	—
Total	1,536,015	\$ 14.80	1,536,015	—

(1) We limit the number of shares that may be redeemed per calendar quarter under the program as described above.

ITEM 6. EXHIBITS

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of June 2, 2021, by and among BCI IV Portfolio Real Estate Holdco LLC, Prologis USLV Operating Partnership, L.P., Prologis USLV SubREIT 1, LLC and Prologis Targeted U.S. Logistics Fund, L.P. Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on June 3, 2021.***
3.1	Third Articles of Amendment and Restatement. Incorporated by reference to Exhibit 3.1 to Pre-Effective Amendment No. 1 to Post-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-200594) filed with the SEC on June 30, 2017 (“Pre-Effective Amendment”).
3.2	Articles of Amendment. Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on August 4, 2020.
3.3	Articles of Amendment (name change and designation of Class D shares). Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on February 11, 2022.
3.4	Fourth Amended and Restated Bylaws of Ares Industrial Real Estate Income Trust Inc. Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on February 11, 2022.
4.1	Second Amended and Restated Share Redemption Program, effective as of February 11, 2022. Incorporated by reference to Exhibit 4.1 to the Annual Report on Form 10-K filed with the SEC on March 9, 2022.
4.2	Fourth Amended and Restated Distribution Reinvestment Plan. Incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K filed with the SEC on March 9, 2022.
10.1	Amended and Restated Advisory Agreement (2022), dated as of May 1, 2022, by and among Ares Industrial Real Estate Income Trust Inc., AIREIT Operating Partnership LP and Ares Commercial Real Estate Management LLC. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 5, 2022.
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1*	Consent of Altus Group U.S. Inc.
99.2	Net Asset Value Calculation and Valuation Procedures. Incorporated by reference to Exhibit 99.2 to the Annual Report on Form 10-K filed with the SEC on March 9, 2022.
101	The following materials from Ares Industrial Real Estate Income Trust Inc.’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, filed on August 11, 2022, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

*** The Company has omitted certain schedules and exhibits pursuant to Item 601(b)(2) of Regulation S-K and will furnish supplementally to the SEC copies of any of the omitted schedules and exhibits upon request by the SEC.

