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, 2023
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	**47-1592886**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One Tabor Center 1200 Seventeenth Street, Suite 2900 Denver, CO	**80202**
(Address of principal executive offices)	**(Zip code)**

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	☐	Accelerated filer	☐	Smaller reporting company	☐
Non-accelerated filer	☒			Emerging growth company	☐

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

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

As of August 7, 2023, there were 196,000,262 shares of the registrant's Class T common stock, 20,813,072 shares of the registrant's Class D common stock and 83,625,543 shares of the registrant's Class I common stock outstanding.

ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	As of	
(in thousands, except per share data)	June 30, 2023 (unaudited)	December 31, 2022
ASSETS		
Net investment in real estate properties	$ 6,749,606	$ 6,733,878
Investment in unconsolidated joint venture partnership	20,245	19,668
Cash and cash equivalents	52,525	79,524
Restricted cash	488	499
Investment in available-for-sale debt securities, at fair value	60,009	60,033
Derivative instruments	104,688	99,333
DST Program Loans	185,013	152,402
Other assets	70,328	78,138
Total assets	$ 7,242,902	$ 7,223,475
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued liabilities	$ 125,756	$ 125,930
Debt, net	3,021,564	2,827,613
Intangible lease liabilities, net	85,781	97,399
Financing obligations, net	1,483,930	1,262,666
Distribution fees payable to affiliates	80,320	92,145
Other liabilities	55,046	194,822
Total liabilities	4,852,397	4,600,575
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	126,066	69,553
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, 201,793 and 277,265 shares issued and outstanding, respectively	2,018	2,272
Class D common stock, $0.01 par value per share - 75,000 shares authorized, 20,968 and 20,577 shares issued and outstanding, respectively	210	206
Class I common stock, $0.01 par value per share - 225,000 shares authorized, 85,044 and 66,702 shares issued and outstanding, respectively	850	667
Additional paid-in capital	3,114,553	3,219,132
Accumulated deficit and distributions	(924,350)	(739,497)
Accumulated other comprehensive income	70,846	70,255
Total stockholders' equity	2,264,127	2,553,035
Noncontrolling interests	312	312
Total equity	2,264,439	2,553,347
Total liabilities and equity	$ 7,242,902	$ 7,223,475

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, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Revenues:				
Rental revenues	$ 112,643	$ 92,794	$ 224,219	$ 174,352
Debt-related income	1,146	—	2,214	—
Total revenues	113,789	92,794	226,433	174,352
Operating expenses:				
Rental expenses	27,566	22,040	54,744	42,728
Real estate-related depreciation and amortization	72,009	63,279	144,340	119,024
General and administrative expenses	3,943	3,645	8,070	6,759
Advisory fees	18,965	16,641	38,219	30,257
Performance participation allocation	—	39,146	—	122,446
Acquisition costs and reimbursements	412	1,689	8,731	2,893
Total operating expenses	122,895	146,440	254,104	324,107
Other (income) expenses:				
Equity in loss (income) from unconsolidated joint venture partnership(s)	63	76	139	(35)
Interest expense	49,971	33,078	98,435	55,545
Gain on derivative instruments	(7,236)	(3,937)	(5,652)	(14,839)
Other income and expenses	(2,311)	(572)	(4,525)	(846)
Total other (income) expenses	40,487	28,645	88,397	39,825
Net loss	(49,593)	(82,291)	(116,068)	(189,580)
Net loss attributable to redeemable noncontrolling interests	1,346	1,273	3,018	3,041
Net income attributable to noncontrolling interests	(10)	(10)	(19)	(19)
Net loss attributable to common stockholders	$ (48,257)	$ (81,028)	$ (113,069)	$ (186,558)
Weighted-average shares outstanding—basic	309,616	289,797	311,543	280,185
Weighted-average shares outstanding—diluted	318,254	294,329	319,909	284,717
Net loss per common share—basic and diluted	$ (0.16)	$ (0.28)	$ (0.36)	$ (0.67)

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Net loss	$ (49,593)	$ (82,291)	$ (116,068)	$ (189,580)
Change from cash flow hedging activities	20,571	6,448	263	25,632
Change from activities related to available-for-sale securities	636	—	387	—
Comprehensive loss	$ (28,386)	$ (75,843)	$ (115,418)	$ (163,948)
Comprehensive loss attributable to redeemable noncontrolling interests	770	1,170	2,959	2,622
Comprehensive loss attributable to common stockholders	$ (27,616)	$ (74,673)	$ (112,459)	$ (161,326)

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: Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit and Distributions	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
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	295,032	$ 2,950	$ 2,942,359	$ (547,956)	$ 27,844	$ 312	$ 2,425,509
FOR THE THREE MONTHS ENDED JUNE 30, 2023							
Balance as of March 31, 2023	312,522	$ 3,125	$ 3,183,710	$ (840,246)	$ 50,215	$ 312	$ 2,397,116
Net (loss) income (excludes $1,346 attributable to redeemable noncontrolling interests)	—	—	—	(48,257)	—	10	(48,247)
Change from cash flow hedging activities and available-for-sale securities (excludes $576 attributable to redeemable noncontrolling interests)	—	—	—	—	20,631	—	20,631
Issuance of common stock	5,033	50	76,641	—	—	—	76,691
Share-based compensation, net of cancellations	—	—	702	—	—	—	702
Upfront offering costs, including selling commissions, dealer manager fees, and offering costs	—	—	(2,153)	—	—	—	(2,153)
Trailing distribution fees	—	—	(346)	6,344	—	—	5,998
Redemptions of common stock	(9,750)	(97)	(145,854)	—	—	—	(145,951)
Distributions to stockholders (excludes $1,177 attributable to redeemable noncontrolling interests)	—	—	—	(42,191)	—	(10)	(42,201)
Redemption value allocation adjustment to redeemable noncontrolling interests	—	—	1,853	—	—	—	1,853
Balance as of June 30, 2023	307,805	$ 3,078	$ 3,114,553	$ (924,350)	$ 70,846	$ 312	$ 2,264,439

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Stockholders' Equity						
	Common Stock		Additional	Accumulated	Accumulated Other Comprehensive	Noncontrolling	
(in thousands)	**Shares**	**Amount**	**Paid-In Capital**	**Deficit**	**Income (Loss)**	**Interests**	**Total Equity**
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 interest)	—	—	—	(186,558)	—	19	(186,539)
Change from cash flow hedging activities (excludes $419 attributable to redeemable noncontrolling interest)	—	—	—	—	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 interest)	—	—	—	(76,336)	—	(19)	(76,355)
Redemption value allocation adjustment to redeemable noncontrolling interest	—	—	(17,208)	—	—	—	(17,208)
Balance as of June 30, 2022	295,032	$ 2,950	$ 2,942,359	$ (547,956)	$ 27,844	$ 312	$ 2,425,509
FOR THE SIX MONTHS ENDED JUNE 30, 2023							
Balance as of December 31, 2022	314,544	$ 3,145	$ 3,219,132	$ (739,497)	$ 70,255	$ 312	$ 2,553,347
Net (loss) income (excludes $3,018 attributable to redeemable noncontrolling interest)	—	—	—	(113,069)	—	19	(113,050)
Change from cash flow hedging activities (excludes $59 attributable to redeemable noncontrolling interest)	—	—	—	—	591	—	591
Issuance of common stock	11,919	119	180,362	—	—	—	180,481
Share-based compensation, net of cancellations	(49)	—	1,331	—	—	—	1,331
Upfront offering costs, including selling commissions, dealer manager fees, and offering costs	—	—	(5,105)	—	—	—	(5,105)
Trailing distribution fees	—	—	(1,325)	13,150	—	—	11,825
Redemptions of common stock	(18,609)	(186)	(280,753)	—	—	—	(280,939)
Preferred interest in Subsidiary REITs	—	—	—	—	—	—	—
Distributions to stockholders (excludes $2,284 attributable to redeemable noncontrolling interest)	—	—	—	(84,934)	—	(19)	(84,953)
Redemption value allocation adjustment to redeemable noncontrolling interest	—	—	911	—	—	—	911
Balance as of June 30, 2023	307,805	$ 3,078	$ 3,114,553	$ (924,350)	$ 70,846	$ 312	$ 2,264,439

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, 2023	2022
Operating activities:		
Net loss	$ (116,068)	$ (189,580)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Real estate-related depreciation and amortization	144,340	119,024
Amortization of deferred financing costs	4,899	3,220
Financing obligation liability appreciation	7,414	9,010
Equity in loss (income) from unconsolidated joint venture partnership(s)	139	(35)
Loss (gain) on changes in fair value of interest rate caps	2,870	(14,839)
Performance participation allocation	—	122,446
Straight-line rent and amortization of above- and below-market leases	(17,749)	(17,207)
Forfeited investment deposit	7,689	—
Other	2,212	1,208
Changes in operating assets and liabilities		
Other assets, accounts payable and accrued expenses and other liabilities	5,048	17,155
Cash settlement of accrued performance participation allocation	(77,838)	—
Net cash (used in) provided by operating activities	(37,044)	50,402
Investing activities:		
Real estate acquisitions	(40,081)	(1,354,443)
Incremental investment to acquire joint venture partnership portfolio	—	(259,526)
Capital expenditures	(116,796)	(79,046)
Investment in unconsolidated joint venture partnership(s)	(556)	(8,782)
Collection of principal on available-for-sale debt securities	692	—
Other	65	—
Net cash used in investing activities	(156,676)	(1,701,797)
Financing activities:		
Net (repayments of) proceeds from line of credit	190,000	670,000
Proceeds from term loan	—	135,000
Debt issuance costs paid	(358)	(10,416)
Interest rate cap premium	(8,563)	(2,963)
Proceeds from issuance of common stock, net	136,206	497,266
Proceeds from financing obligations, net	179,862	372,978
Offering costs paid in connection with issuance of common stock and private placements	(3,231)	(2,574)
Distributions paid to common stockholders, redeemable noncontrolling interest holders and preferred shareholders	(32,665)	(27,376)
Distribution fees paid to affiliates	(13,602)	(11,950)
Redemptions of common stock	(280,939)	(31,322)
Redemptions of redeemable noncontrolling interests	—	(40,915)
Net cash provided by financing activities	166,710	1,547,728
Net decrease in cash, cash equivalents and restricted cash	(27,010)	(103,667)
Cash, cash equivalents and restricted cash, at beginning of period	80,023	217,735
Cash, cash equivalents and restricted cash, at end of period	$ 53,013	$ 114,068

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," "we," "our" or "us") is a Maryland corporation formed on August 12, 2014. Unless the context otherwise requires, the "Company," "we," "our," "us" and "AIREIT" refers to Ares Industrial Real Estate Income Trust Inc. and our consolidated subsidiaries, which includes AIREIT Operating Partnership LP (the "Operating Partnership"). We are externally managed by our advisor.

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 our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 20, 2023 ("2022 Form 10-K").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Global macroeconomic conditions, including heightened inflation, changes to fiscal and monetary policy, higher interest rates and challenges in the supply chain, coupled with the war in Ukraine, have the potential to negatively impact us. These current macroeconomic conditions may continue or aggravate and could cause the United States to experience an economic slowdown or recession. We anticipate our business and operations could be materially adversely affected by a prolonged recession in the United States.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

Certain items in our condensed consolidated statements of cash flows for the six months ended June 30, 2022 have been reclassified to conform to the 2023 presentation.

3. INVESTMENT IN REAL ESTATE

As of June 30, 2023 and December 31, 2022, our consolidated investment in real estate properties consisted of 249 and 243 industrial buildings, respectively.

	As of	
(in thousands)	**June 30, 2023**	**December 31, 2022**
Land	$ 1,291,139	$ 1,284,003
Building and improvements	5,255,062	5,139,402
Intangible lease assets	487,870	479,532
Construction in progress	315,232	285,214
Investment in real estate properties	7,349,303	7,188,151
Less accumulated depreciation and amortization	(599,697)	(454,273)
Net investment in real estate properties	$ 6,749,606	$ 6,733,878

Acquisitions

During the six months ended June 30, 2023, we acquired 100% of the following property, which was determined to be an asset acquisition:

($ in thousands)	Acquisition Date	Number of Buildings	Total Purchase Price (1)
Bayport 146 Distribution Center	2/21/2023	1	$ 49,606
Total Acquisitions		1	$ 49,606

(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 2023 acquisition.

During the six months ended June 30, 2023, we allocated the purchase price of our acquisition to land and building and improvements as follows:

(in thousands)	For the Six Months Ended June 30, 2023
Land	$ 6,289
Building and improvements	43,317
Total purchase price (1)	$ 49,606

(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 2023 acquisition.

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. There were no intangible lease assets or liabilities acquired in connection with our acquisition during the six months ended June 30, 2023.

Intangible Lease Assets and Liabilities

Intangible lease assets and liabilities as of June 30, 2023 and December 31, 2022 included the following:

	As of June 30, 2023			As of December 31, 2022		
(in thousands)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible lease assets (1)	$ 475,001	$ (201,190)	$ 273,811	$ 466,663	$ (158,757)	$ 307,906
Above-market lease assets (1)	12,869	(4,955)	7,914	12,869	(3,872)	8,997
Below-market lease liabilities	(129,823)	44,042	(85,781)	(129,823)	32,424	(97,399)

(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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	2023	2022	2023	2022
Increase (Decrease) to Rental Revenue:				
Straight-line rent adjustments	$ 4,117	$ 4,757	$ 7,215	$ 9,476
Above-market lease amortization	(530)	(500)	(1,083)	(905)
Below-market lease amortization	5,342	4,660	11,617	8,636
Real Estate-Related Depreciation and Amortization:				
Depreciation expense	$ 51,472	$ 42,581	$ 101,907	$ 80,050
Intangible lease asset amortization	20,537	20,698	42,433	38,974

4. INVESTMENT IN UNCONSOLIDATED JOINT VENTURE PARTNERSHIPS

On February 15, 2022, we, along with our joint venture partners in the Build-To-Core Industrial Partnership II LP (the "BTC II Partnership"), entered into a transaction to split the majority of the properties in the BTC II Partnership's portfolio amongst three of the four joint venture partners, with the fourth joint venture partner's respective interest in such properties having been redeemed for

$24.9 million (the "BTC II Partnership Transaction"). We have no further interest in the BTC II Partnership as a result of the BTC II Partnership Transaction.

Concurrently with the BTC II Partnership Transaction, 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 Partnership's portfolio and were not part of the BTC II Partnership Transaction. We own an 8.0% interest in the BTC II B Partnership as general partner and as a limited partner.

As of June 30, 2023, we had an 8.0% interest in the BTC II B Partnership, which includes one industrial property totaling approximately 0.7 million square feet and four properties that were either under construction or in the pre-construction phase totaling approximately 1.1 million square feet, with a book value of our investment in the BTC II B Partnership of $20.2 million, which includes $5.5 million of outside basis difference. The outside basis difference originated from the difference between the contributions we made for the minority ownership interest in the joint venture partnership, which was based on fair value, and the book value of our share of the underlying net assets and liabilities of the BTC II B Partnership.

5. REAL ESTATE DEBT INVESTMENTS

Available-for-Sale Debt Securities

We acquire debt securities that are collateralized by mortgages on commercial real estate properties for cash management and investment purposes. On the acquisition date, we designate investments in commercial real estate debt securities as available-for-sale. Investments in debt securities that are classified as available-for-sale are carried at fair value. These assets are valued on a recurring basis and any unrealized holding gains and losses other than those associated with a credit loss are recorded each period in other comprehensive income. There were no credit losses associated with our available-for-sale debt securities as of and for the period ended June 30, 2023.

As of June 30, 2023 and December 31, 2022, we had debt security investments designated as available-for-sale debt securities. The weighted-average remaining term of our available-for-sale debt securities, which is based on the fully extended maturity date of the instruments, was approximately 3.7 years as of June 30, 2023. The following table summarizes our investments in available-for-sale debt securities as of June 30, 2023 and December 31, 2022:

($ in thousands)	Face Amount	Amortized Cost	Unamortized Discount	Unrealized Gain, Net (1)	Fair Value
As of June 30, 2023	$ 61,728	$ 59,296	$ 2,432	$ 713	$ 60,009
As of December 31, 2022	62,420	59,708	2,712	326	60,033

(1) Represents cumulative unrealized gain (loss) beginning from acquisition date.

6. DEBT

Our consolidated indebtedness is currently comprised of borrowings under our 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 our debt is as follows:

($ in thousands)	Weighted-Average Effective Interest Rate as of June 30, 2023	Weighted-Average Effective Interest Rate as of December 31, 2022	Maturity Date	Balance as of June 30, 2023	Balance as of December 31, 2022
Line of credit (1)	5.55 %	5.71 %	March 2025	$ 280,000	$ 90,000
Term loan (2)	2.87	2.87	March 2027	550,000	550,000
Term loan (3)	3.42	3.65	May 2026	600,000	600,000
Fixed-rate mortgage notes (4)	3.58	3.58	August 2024 - January 2029	996,720	996,720
Floating-rate mortgage notes (5)	3.73	3.68	January 2025 - July 2025	617,250	617,250
Total principal amount / weighted-average (6)	3.63 %	3.55 %		$ 3,043,970	$ 2,853,970
Less unamortized debt issuance costs				(22,728)	(26,784)
Add unamortized mark-to-market adjustment on assumed debt				322	427
Total debt, net				$ 3,021,564	$ 2,827,613
Gross book value of properties encumbered by debt				$ 2,396,222	$ 2,389,179

(1) 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 ranging from 0.25% to 1.0%, depending on our consolidated leverage ratio. Customary fall-back provisions apply if Term SOFR is unavailable. The weighted-average effective interest rate is the all-in interest rate, including the effects of interest rate cap agreements on $100.0 million of borrowings. The line of credit is available for general corporate purposes including, but not limited to, our acquisition and operation of permitted investments. As of June 30, 2023, total commitments for the line of credit were $1.0 billion and the unused and available portions under the line of credit were both $720.0 million.

(2) 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 ranging from 0.20% to 0.90%, depending on our 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, 2023, total commitments for the term loan were $550.0 million. This term loan is available for general corporate purposes including, but not limited to, our acquisition and operation of permitted investments.

(3) The effective interest rate is calculated based on Term SOFR plus a 11.448 basis point adjustment 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 our 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 $525.0 million of borrowings and an interest rate cap agreement on $75.0 million of borrowings. As of June 30, 2023, total commitments for the term loan were $600.0 million. This term loan is available for general corporate purposes including, but not limited to, our acquisition and operation of permitted investments.

(4) Interest rates range from 2.85% to 4.71%. The assets and credit of each of our consolidated properties pledged as collateral for our mortgage notes are not available to satisfy our other debt and obligations, unless we first satisfy the mortgage notes payable on the respective underlying properties.

(5) The effective interest rate of the $209.3 million mortgage note is calculated based on Adjusted Term SOFR plus a margin of 1.50%, including the effects of an interest rate cap agreement on $170.0 million of borrowings. The effective interest rate of the $408.0 million mortgage note is calculated based on Adjusted Term SOFR plus a margin of 1.65%, including the effects of an interest rate cap agreement.

(6) The weighted-average remaining term of our consolidated debt was approximately 3.0 years as of June 30, 2023, excluding any extension options on the line of credit and the floating-rate mortgage notes.

For the three and six months ended June 30, 2023, the amount of interest incurred related to our consolidated indebtedness, excluding debt issuance cost amortization and amounts capitalized, was $33.6 million and $64.5 million, respectively, and $16.4 million and $29.0 million for the three and six months ended June 30, 2022, respectively. See “Note 7” for the amount of interest incurred related to the DST Program (as defined below).

As of June 30, 2023, the principal payments due on our 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 2023	$ —	$ —	$ —	$ —
2024	—	—	38,000	38,000
2025	280,000	—	985,080	1,265,080
2026	—	600,000	—	600,000
2027	—	550,000	129,750	679,750
Thereafter	—	—	461,140	461,140
Total principal payments	$ 280,000	$ 1,150,000	$ 1,613,970	$ 3,043,970

(1) The line of credit matures in March 2025 and the term may be extended pursuant to two one-year extension options, subject to certain conditions.
(2) The $209.3 million mortgage note matures in July 2025 and the term may be extended pursuant to a one-year extension option, subject to certain conditions. The $408.0 million mortgage note matures in January 2025 and the $367.8 million mortgage note matures in July 2025 and the terms of both may be extended pursuant to two one-year extension options, subject to certain conditions.

Debt Covenants

Our 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. We were in compliance with all covenants as of June 30, 2023.

Repurchase Agreement

On June 26, 2023, we entered into a master repurchase agreement (the “Morgan Stanley MRA”) with Morgan Stanley Bank, N.A. (“Morgan Stanley”). Under the Morgan Stanley MRA, we may negotiate individual transactions to sell, and later repurchase, certain securities or other assets to Morgan Stanley. Any transactions under the Morgan Stanley MRA will be recognized as secured borrowings while they are outstanding. As of June 30, 2023, we have not settled any such transactions pursuant to the Morgan Stanley MRA.

Derivative Instruments

To manage interest rate risk for certain of our variable-rate debt, we use interest rate derivative instruments as part of our risk management strategy. These derivatives are 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. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for us 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. Certain of our variable-rate borrowings are not hedged, and therefore, to an extent, we have 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.

As of June 30, 2023, we have two interest rate cap derivative instruments that are not designated as cash flow hedges and therefore, changes in fair value are recognized through income. As a result, in periods with high interest rate volatility, we may experience significant fluctuations in our net income (loss).

During the next 12 months, we estimate that approximately $40.1 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 our condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022.

($ in thousands)	Number of Contracts	Notional Amount	Balance Sheet Location	Fair Value
As of June 30, 2023				
Interest rate swaps designated as cash flow hedges	17	$ 1,442,830	Derivative instruments	$ 69,537
Interest rate caps not designated as cash flow hedges	2	578,000	Derivative instruments	25,469
Interest rate caps designated as cash flow hedge	3	175,000	Derivative instruments	9,682
Total derivative instruments	22	$ 2,195,830		$ 104,688
As of December 31, 2022				
Interest rate swaps designated as cash flow hedges	17	$ 1,442,830	Derivative instruments	$ 70,994
Interest rate caps not designated as cash flow hedges	2	578,000	Derivative instruments	28,339
Total derivative instruments	19	$ 2,020,830		$ 99,333

The following table presents the effect of our derivative instruments on our condensed consolidated financial statements.

(in thousands)	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Derivative Instruments Designated as Cash Flow Hedges				
Gain recognized in AOCI	$ 31,575	$ 5,902	$ 20,322	$ 23,940
Amount reclassified from AOCI (out of) into interest expense	(11,004)	546	(20,059)	1,692
Total interest expense presented in the condensed consolidated statements of operations in which the effects of the cash flow hedges are recorded	49,971	33,078	98,435	55,545
Derivative Instruments Not Designated as Cash Flow Hedges				
Unrealized (gain) loss on derivative instruments recognized in other (income) expenses (1)	$ (2,610)	$ (3,937)	$ 2,870	$ (14,839)
Realized gain on derivative instruments recognized in other (income) expenses (2)	(4,626)	—	(8,522)	—

(1) Unrealized loss (gain) on changes in fair value of financial instruments relates to mark-to-market changes on our derivatives not designated as cash flow hedges.
(2) Realized gain on financial instruments relates to interim settlements for our derivatives not designated as cash flow hedges.

7. DST PROGRAM

We have 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"). Under the DST Program, each private placement offers interests in one or more real properties placed into one or more Delaware statutory trusts by the Operating Partnership or its affiliates ("DST Properties"). The Operating Partnership retains a fair market value purchase option giving it the right, but not the obligation, to acquire the interests in the Delaware statutory trusts from the investors at a later time in exchange for OP Units. We record DST Interests as financing obligation liabilities for accounting purposes. If we exercise our option to reacquire a DST property by issuing OP units in exchange for DST Interests, we extinguish the financing obligation liability and record the issuance of the OP units as an issuance of equity.

In order to facilitate additional capital raise through the DST Program, we have made and may continue to offer loans ("DST Program Loans") to finance a portion of the sale of DST Interests in the DST Properties to potential investors. As of June 30, 2023 and December 31, 2022, there were approximately $185.0 million and $152.4 million, respectively, of outstanding DST Program Loans that we have made to partially finance the sale of DST Interests. We include our investments in DST Program Loans separately on our condensed consolidated balance sheets in the DST Program Loans line item and we include income earned from DST Program Loans in other income and expenses on our condensed consolidated statements of operations. Credit loss reserves associated with our DST Program Loans were immaterial as of and for the periods ending June 30, 2023 and 2022.

The following table presents our DST Program activity for the three and six months ended June 30, 2023 and 2022:

(in thousands)	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
DST Interests sold	$ 106,718	$ 257,042	$ 217,632	$ 414,163
DST Interests financed by DST Program Loans (1)	18,916	20,917	32,611	33,587
Income earned from DST Program Loans (2)	2,089	968	3,920	1,756
Financing obligation liability appreciation (3)	2,680	6,683	7,414	9,010
Rent obligation incurred under master lease agreements (3)	16,116	9,318	31,111	16,097

(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.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

We estimate the fair value of our financial instruments using available market information and valuation methodologies we believe 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 we would realize upon disposition of our financial instruments.

Fair Value Measurements on a Recurring Basis

The following table presents our financial instruments measured at fair value on a recurring basis as of June 30, 2023 and December 31, 2022:

(in thousands)	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2023				
Assets				
Derivative instruments	$ —	$ 104,688	$ —	$ 104,688
Available-for-sale debt securities	—	60,009	—	60,009
Total assets measured at fair value	$ —	$ 164,697	$ —	$ 164,697
As of December 31, 2022				
Assets				
Derivative instruments	$ —	$ 99,333	$ —	$ 99,333
Available-for-sale debt securities	—	60,033	—	60,033
Total assets measured at fair value	$ —	$ 159,366	$ —	$ 159,366

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 interest rate caps whose fair value is estimated using market-standard valuation models. Such models involve using market-based observable inputs, including interest rate curves. We incorporate credit valuation adjustments to appropriately reflect both our nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements, which we have 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 6" above for further discussion of our derivative instruments.

Available-for-Sale Debt Securities. The available-for-sale debt securities are debt securities collateralized by mortgages on commercial real estate properties whose fair value is estimated using third-party broker quotes, which provide valuation estimates based upon contractual cash flows, observable inputs comprising credit spreads and market liquidity. We incorporate credit valuation adjustments to appropriately reflect both our nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements, which we have concluded are not material to the valuation. Due to the available-for-sale debt securities being unique and not actively traded, the fair value is classified as Level 2.

Nonrecurring Fair Value Measurements

As of June 30, 2023 and December 31, 2022, 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 our financial instruments for which it is practicable to estimate fair value. The carrying values and fair values of these financial instruments were as follows:

	As of June 30, 2023		As of December 31, 2022	
(in thousands)	Carrying Value (1)	Fair Value	Carrying Value (1)	Fair Value
Assets:				
DST Program Loans	$ 185,013	$ 177,681	$ 152,402	$ 146,728
Liabilities:				
Line of credit	$ 280,000	$ 280,000	$ 90,000	$ 90,000
Term loans	1,150,000	1,150,000	1,150,000	1,150,000
Mortgage notes	1,613,970	1,521,551	1,613,970	1,521,046

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

9. EQUITY

Public Offering

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. 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. 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 offering, we 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 stock, and will be 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.

During the six months ended June 30, 2023, we raised gross proceeds of approximately $180.5 million from the sale of approximately 11.7 million shares of our common stock in our ongoing public offering, including proceeds from our distribution reinvestment plan of approximately $41.1 million.

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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, 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	223,734	17,582	53,716	295,032
FOR THE THREE MONTHS ENDED JUNE 30, 2023				
Balance as of March 31, 2023	213,861	20,818	77,843	312,522
Issuance of common stock:				
Primary shares	2,107	519	1,055	3,681
DRIP	880	103	376	1,359
Stock grants, net of cancellations	—	—	—	—
Redemptions	(6,543)	(472)	(2,735)	(9,750)
Conversions	(8,512)	—	8,512	—
Forfeitures	—	—	(7)	(7)
Balance as of June 30, 2023	201,793	20,968	85,044	307,805
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	223,734	17,582	53,716	295,032
FOR THE SIX MONTHS ENDED JUNE 30, 2023				
Balance as of December 31, 2022	227,265	20,577	66,702	314,544
Issuance of common stock:				
Primary shares	5,401	1,283	2,311	8,995
DRIP	1,808	205	706	2,719
Stock grants, net of cancellations	—	—	165	165
Redemptions	(12,753)	(1,097)	(4,759)	(18,609)
Conversions	(19,928)	—	19,928	—
Forfeitures	—	—	(9)	(9)
Balance as of June 30, 2023	201,793	20,968	85,044	307,805

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Distributions

The following table summarizes our distribution activity (including distributions to redeemable noncontrolling interests and distributions reinvested in shares of our common stock) for each of the quarters ended below:

	Amount					
(in thousands, except per share data)	Declared per Common Share (1)	Common Stock Distributions Paid in Cash	Other Cash Distributions (2)	Reinvested in Shares	Distribution Fees (3)	Gross Distributions (4)
2023						
June 30	$ 0.13625	$ 15,492	$ 1,177	$ 20,355	$ 6,344	$ 43,368
March 31	0.13625	15,284	1,107	20,653	6,806	43,850
Total	$ 0.27250	$ 30,776	$ 2,284	$ 41,008	$ 13,150	$ 87,218
2022						
December 31	$ 0.13625	$ 14,963	$ 618	$ 20,522	$ 7,372	$ 43,475
September 30	0.13625	14,593	618	19,942	7,304	42,457
June 30	0.13625	13,674	618	18,953	6,852	40,097
March 31	0.13625	13,043	639	18,158	5,656	37,496
Total	$ 0.54500	$ 56,273	$ 2,493	$ 77,575	$ 27,184	$ 163,525

(1) Amounts reflect the quarterly distribution rate authorized by our 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 Ares Wealth Management Solutions, LLC (the “Dealer Manager”) with respect to Class T shares and Class D shares issued in the primary portion of our public offerings only. All or a portion of these amounts will be retained by, or reallowed (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 our public offerings.

Redemptions

Below is a summary of redemptions and repurchases pursuant to our share redemption program for the six months ended June 30, 2023 and 2022. All eligible redemption requests were fulfilled for the periods presented. Eligible redemption requests are requests submitted in good order by the request submission deadline set forth in the share redemption program. Our board of directors may modify or suspend our current share redemption programs if it deems such action to be in the best interest of our stockholders:

	For the Six Months Ended June 30,	
(in thousands, except per share data)	2023	2022
Number of shares redeemed	18,609	2,219
Aggregate dollar amount of shares redeemed	$ 280,939	$ 31,322
Average redemption price per share	$ 15.10	$ 14.12

10. 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 BCI IV Advisors Group LLC (the “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”). We have classified these OP Units as redeemable noncontrolling interests in mezzanine equity on the condensed consolidated balance sheets. 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, 2023 and 2022:

($ and units in thousands)	For the Six Months Ended June 30, 2023 $	For the Six Months Ended June 30, 2023 Units	For the Six Months Ended June 30, 2022 $	For the Six Months Ended June 30, 2022 Units
Balance at beginning of the year	$ 69,553	4,532	$ 15,687	1,311
Settlement of prior year performance participation allocation (1)	62,667	4,106	81,185	6,494
Distributions to redeemable noncontrolling interests	(2,284)	—	(1,257)	—
Redemptions of redeemable noncontrolling interests (2)	—	—	(40,915)	(3,273)
Net loss attributable to redeemable noncontrolling interests	(3,018)	—	(3,041)	—
Change from cash flow hedging activities and available-for-sale securities attributable to redeemable noncontrolling interests	59	—	419	—
Redemption value allocation adjustment to redeemable noncontrolling interests (3)	(911)	—	17,208	—
Ending balance	$ 126,066	8,638	$ 69,286	4,532

(1) The 2022 performance participation allocation in the amount of $140.5 million became payable on December 31, 2022, and the Advisor elected to settle a portion of the amount owed partially in cash in the amount of $77.8 million, and the remainder in Class I OP Units in January 2023. The 2021 performance participation allocation in the amount of $81.2 million became payable on December 31, 2021, and was issued as Class I OP Units in January 2022 to the holder of a separate series of partnership interests in the Operating Partnership with special distribution rights (the “Special Units”), 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 the Special Units for the first six months of 2021, the Special Unit Holder designated 3,221,460 of these Class I OP Units to entities affiliated with our Former Sponsor. The Special Unit Holder transferred 3,273,003 Class I OP Units to the Advisor thereafter.

(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.

(3) Represents the adjustment recorded in order to mark to the redemption value, which is equivalent to fair value at the end of the measurement period.

11. RELATED PARTY TRANSACTIONS

Summary of Fees and Expenses

The table below summarizes the fees and expenses incurred by us 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 our public offerings and any related amounts payable:

(in thousands)	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022	Payable as of June 30, 2023	Payable as of December 31, 2022
Selling commissions and dealer manager fees (1)	$ 1,175	$ 7,032	$ 3,183	$ 11,671	$ —	$ —
Ongoing distribution fees (1)(2)	6,344	6,852	13,150	12,508	2,007	2,459
Advisory fee—fixed component	18,965	16,641	38,219	30,257	6,278	6,371
Performance participation allocation (3)	—	39,146	—	122,446	—	140,505
Other expense reimbursements (4)(5)	2,601	3,504	5,940	6,724	2,028	2,624
Property accounting fee (6)	856	638	1,680	1,200	291	269
DST Program selling commissions, dealer manager fees and distribution fees (1)	1,564	2,695	3,002	4,207	767	672
Other DST Program related costs (5)	1,411	3,383	2,916	5,399	181	145
Development fees (7)	176	1,568	867	2,383	176	471
Total	$ 33,092	$ 81,459	$ 68,957	$ 196,795	$ 11,728	$ 153,516

(1) All or a portion of these amounts will be retained by, or reallowed (paid) to, participating broker-dealers and servicing broker-dealers.
(2) The distribution fees are payable monthly in arrears. Additionally, we accrue for future estimated amounts payable related to ongoing distribution fees. The future estimated amounts payable were approximately $80.3 million and $92.1 million as of June 30, 2023 and December 31, 2022, respectively.
(3) The 2022 performance participation allocation in the amount of $140.5 million became payable on December 31, 2022 and was settled in January 2023. The Advisor elected to settle the amounts owed partially in cash in the amount of $77.8 million and the remainder in 4.1 million OP Units.
(4) 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 7, allocated rent paid to both third parties and affiliates of the Advisor, equipment, utilities, insurance, travel and entertainment.
(5) Includes costs reimbursed to the Advisor related to the DST Program.
(6) 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 us or, in the case of tenants subject to a gross lease, as part of the lease cost. In certain limited circumstances, we 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.
(7) 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 our condensed consolidated balance sheets. Amounts also include our proportionate share of development acquisition fees relating to the BTC Partnerships, which are included in investment in unconsolidated joint venture partnership(s) on our 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 our 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. We incurred approximately $2.5 million and $3.3 million for the three months ended June 30, 2023 and 2022, respectively, and $5.6 million and $6.2 million for the six months ended June 30, 2023 and 2022, 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. The performance hurdle was not achieved as of June 30, 2023; therefore no performance participation allocation expense was recognized in our condensed consolidated statements of operations for the six months ended June 30, 2023. As the performance hurdle was achieved as of June 30, 2022, we recognized approximately $39.1 million and $122.4 million of performance participation allocation expense in our condensed consolidated statements of operations for the three and six months ended June 30, 2022.

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, 2023, the BTC II B Partnership incurred approximately $0.7 million and $1.3 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. 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.

12. NET INCOME (LOSS) PER COMMON SHARE

The computation of our basic and diluted net income (loss) per share attributable to common stockholders is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands, except per share data)	2023	2022	2023	2022
Net loss attributable to common stockholders—basic	$ (48,257)	$ (81,028)	$ (113,069)	$ (186,558)
Net loss attributable to redeemable noncontrolling interests	(1,346)	(1,273)	(3,018)	(3,041)
Net loss attributable to noncontrolling interests	10	10	19	19
Net loss attributable to common stockholders—diluted	$ (49,593)	$ (82,291)	$ (116,068)	$ (189,580)
Weighted-average shares outstanding—basic	309,616	289,797	311,543	280,185
Incremental weighted-average shares outstanding—diluted	8,638	4,532	8,366	4,532
Weighted-average shares outstanding—diluted	318,254	294,329	319,909	284,717
Net loss per share attributable to common stockholders:				
Basic	$ (0.16)	$ (0.28)	$ (0.36)	$ (0.67)
Diluted	$ (0.16)	$ (0.28)	$ (0.36)	$ (0.67)

13. 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, 2023	2022
Supplemental disclosure of non-cash investing and financing activities:		
Distributions reinvested in common stock	$ 41,093	$ 36,418
Net increase in DST Program Loans receivable through DST Program capital raising	32,611	33,587
Redeemable noncontrolling interests issued as settlement of performance participation allocation	62,667	81,185
Non-cash redemption of minority ownership interest in unconsolidated joint venture partnership	—	91,028
(Decrease) increase in accrued future ongoing distribution fees	(11,825)	4,152
(Decrease) increase in accrued capital expenditures	(4,853)	24,107
Non-cash selling commissions and dealer manager fees	3,183	11,671

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, 2023	2022
Beginning of period:		
Cash and cash equivalents	$ 79,524	$ 216,848
Restricted cash	499	887
Cash, cash equivalents and restricted cash	$ 80,023	$ 217,735
End of period:		
Cash and cash equivalents	$ 52,525	$ 113,665
Restricted cash	488	403
Cash, cash equivalents and restricted cash	$ 53,013	$ 114,068

14. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, we and our subsidiaries may be involved in various claims and legal actions arising in the ordinary course of business. As of June 30, 2023, we and our subsidiaries were not involved in any material legal proceedings.

Environmental Matters

A majority of the properties we acquire have been or will be subject to environmental reviews either by us or the previous owners. In addition, we may incur environmental remediation costs associated with certain land parcels it may acquire in connection with the development of land. We have 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. We may purchase various environmental insurance policies to mitigate our exposure to environmental liabilities. We are not aware of any environmental liabilities that we believe would have a material adverse effect on our business, financial condition, or results of operations as of June 30, 2023.

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 Ares Commercial Real Estate Management LLC (the “Advisor”) and Ares real estate group (the “Sponsor” or “AREG”) of Ares Management Corporation (“Ares”), 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;
- 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 and the conflict in Ukraine;
- 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 U.S. generally accepted accounting principles (“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. 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 offering, 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 Internal Revenue Code of 1986, as amended (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 under Section 1031 of the Code. 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, 2023, we sold $217.6 million of gross interests related to the DST Program, $32.6 million of which were financed by DST Program Loans, net of repayments. See "Note 7 to the Condensed Consolidated Financial Statements" for additional detail regarding the DST Program.

During the six months ended June 30, 2023, we raised gross proceeds of approximately $180.5 million from the sale of approximately 11.7 million shares of our common stock, including shares issued pursuant to our distribution reinvestment plan. See "Note 9 to the Condensed Consolidated Financial Statements" for information concerning our public offering.

As of June 30, 2023, we directly owned and managed a real estate portfolio that included 249 industrial buildings totaling approximately 52.7 million square feet located in 29 markets throughout the U.S., with 428 customers, and was 95.1% occupied (96.0% leased) with a weighted-average remaining lease term (based on square feet) of approximately 4.1 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. During the three months ended June 30, 2023, we transacted approximately 1.9 million square feet of new and renewal leases, and rent growth on comparable leases averaged 46.4%, calculated using cash basis rental rates (49.7% when calculated using GAAP basis rental rates). Industrial market fundamentals remain favorable and we continue to evaluate acquisition opportunities within the industrial market to effectively execute our business strategy. Refer to "Note 3 to the Condensed Consolidated Financial Statements" for detail regarding our acquisition activity during the quarter. As of June 30, 2023 our real estate portfolio included:

- 243 industrial buildings totaling approximately 50.4 million square feet comprised our operating portfolio, which includes stabilized properties, and was 98.3% occupied (98.5% leased) with a weighted-average remaining lease term (based on square feet) of approximately 4.0 years; and
- Six industrial buildings totaling approximately 2.3 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, 2023, we owned and managed six buildings either under construction or in the pre-construction phase totaling approximately 1.1 million square feet. Unless otherwise noted, these buildings are excluded from the presentation of our portfolio data herein.

As of June 30, 2023, we owned and managed one industrial building totaling approximately 0.7 million square feet and four buildings that were either under construction or in the pre-construction phase totaling approximately 1.1 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 our 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 our 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 Financial Accounting Standards Board (“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 $8.83 billion compares to a GAAP basis of real properties (net of intangible lease liabilities and before accumulated amortization and depreciation) of $7.22 billion, representing a difference of approximately $1.6 billion, or 22.3%.

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, BCI IV Advisors Group LLC (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, 2023 and December 31, 2022:

(in thousands)	As of June 30, 2023	As of December 31, 2022
Investments in industrial properties	$ 8,825,950	$ 8,917,900
Investment in unconsolidated joint venture partnership	23,658	22,815
Investments in real estate-related securities	60,009	60,033
DST Program Loans	177,681	146,728
Cash and cash equivalents	52,525	79,524
Other assets	61,445	72,478
Line of credit, term loans and mortgage notes	(3,044,292)	(2,854,397)
Financing obligations associated with our DST Program	(1,423,801)	(1,269,491)
Other liabilities	(164,498)	(163,320)
Accrued performance participation allocation	—	(140,505)
Accrued fixed component of advisory fee	(6,278)	(6,371)
Aggregate Fund NAV	$ 4,562,399	$ 4,865,394
Total Fund Interests outstanding	315,997	318,741

The following table sets forth the NAV per Fund Interest as of June 30, 2023:

(in thousands, except per Fund Interest data)	Total	Class T Shares	Class D Shares	Class I Shares (1)	OP Units
Monthly NAV	$ 4,562,399	$ 2,913,515	$ 302,737	$ 1,221,430	$ 124,717
Fund Interests outstanding	315,997	201,793	20,968	84,598	8,638
NAV Per Fund Interest	$ 14.4381	$ 14.4381	$ 14.4381	$ 14.4381	$ 14.4381

(1) Total Class I Fund Interests outstanding include vested stock grants only for NAV calculation purposes.

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 June 30, 2023, we estimated approximately $82.3 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.

Financing obligations associated with our DST Program, as reflected in our NAV table above, represent outstanding proceeds raised from our private placements under the DST Program due to the fact that we have an option (which may or may not be exercised) to purchase the interests in the Delaware statutory trusts and thereby acquire the real property owned by the trusts. We may acquire these properties using OP Units, cash, or a combination of both. See "Note 7 to the Condensed Consolidated Financial Statements" for additional details regarding our DST Program. We may use proceeds raised from our DST Program for the repayment of debt, acquisition of properties and other investments, distributions to our stockholders, payments under our debt obligations and master lease agreements related to properties in our DST Program, redemption payments, capital expenditures, and other general corporate purposes. We pay our Advisor an annual, fixed component of our advisory fee of 1.25% of the consideration received for selling interests in DST Properties to third-party investors, net of upfront fees and expense reimbursements payable out of gross proceeds from the sale of such interests and DST Interests financed through DST Program Loans.

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, 2023, 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	5.4 %
Discount rate / internal rate of return	6.5 %
Average holding period (years)	10.1

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 Fair Value of Real Properties
Exit capitalization rate (weighted-average)	0.25% decrease	3.4 %
	0.25% increase	(3.1)%
Discount rate (weighted-average)	0.25% decrease	2.1 %
	0.25% increase	(2.0)%

Prior to 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, 2023, 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, 2023 was $189.5 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 $189.5 million, or $0.60 per share, not taking into account all of the other items that impact our monthly NAV, as of June 30, 2023.

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, 2023:

(in thousands)	As of June 30, 2023
Total stockholders' equity	$ 2,264,127
Noncontrolling interests	312
Total equity under GAAP	2,264,439
Adjustments:	
Accrued distribution fee (1)	80,320
Redeemable noncontrolling interests (2)	126,066
Unrealized net real estate, financing obligations, debt and interest rate hedge appreciation (depreciation) (3)	1,531,851
Unrealized gain (loss) on investments in unconsolidated joint venture partnership(s) (4)	3,413
Accumulated depreciation and amortization (5)	555,655
Other adjustments (6)	655
Aggregate Fund NAV	$ 4,562,399

(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) Redeemable noncontrolling interests are related to our OP Units, and are included in our determination of NAV but not included in total equity.

(3) Our investments in real estate are presented at 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 of 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 our 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).

(4) 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.

(5) 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.

(6) Includes (i) straight-line rent receivables, which are recorded in accordance with GAAP but not recorded for purposes of determining our NAV, and (ii) other minor adjustments.

Performance

Our NAV decreased from $15.26 per share as of December 31, 2022 to $14.44 per share as of June 30, 2023. The decrease in NAV was primarily driven by the expansion of capital markets assumptions and the impact of recent interest rate increases.

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, 2023)	Trailing Three-Months (1)	Year-to-Date (1)	One-Year (Trailing 12-Months) (1)	Three-Year Annualized (1)	Five-Year Annualized (1)	Since NAV Inception Annualized (1)(2)(3)
Class T Share Total Return (with Sales Charge) (3)	(7.36)%	(8.38)%	(7.11)%	15.15 %	10.89 %	10.16 %
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)	(6.65)%	(8.18)%	(5.84)%	16.55 %	11.66 %	10.83 %
Difference	(0.71)%	(0.20)%	(1.27)%	(1.40)%	(0.77)%	(0.67)%
Class T Share Total Return (without Sales Charge) (3)	(2.99)%	(4.06)%	(2.74)%	16.93 %	11.92 %	11.06 %
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)	(2.25)%	(3.86)%	(1.41)%	18.35 %	12.69 %	11.73 %
Difference	(0.74)%	(0.20)%	(1.33)%	(1.42)%	(0.77)%	(0.67)%
Class D Share Total Return (3)	(2.86)%	(3.79)%	(2.18)%	17.50 %	N/A	12.49 %
Adjusted Class D Share Total Return (continued inclusion of mark-to-market adjustments for borrowing-related interest rate hedge and debt instruments) (4)	(2.11)%	(3.59)%	(0.85)%	18.92 %	N/A	13.26 %
Difference	(0.75)%	(0.20)%	(1.33)%	(1.42)%	N/A	(0.77)%
Class I Share Total Return (3)	(2.80)%	(3.68)%	(1.95)%	17.93 %	12.93 %	12.07 %
Adjusted Class I Share Total Return (continued inclusion of mark-to-market adjustments for borrowing-related interest rate hedge and debt instruments) (4)	(2.05)%	(3.47)%	(0.61)%	19.35 %	13.71 %	12.75 %
Difference	(0.75)%	(0.21)%	(1.34)%	(1.42)%	(0.78)%	(0.68)%

(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.

Trends Affecting Our Business

Our results of operations are affected by a variety of factors, including conditions in both the U.S. and global financial markets and the economic and political environments.

Global markets rallied during the first half of 2023, driven by normalization of the macroeconomic environment. While inflationary pressures have shown signs of moderation, the commercial real estate markets continued to be impacted by the macroeconomic environment, most notably, the Federal Reserve's tightening monetary policy, associated borrowing cost increases and uncertainty with respect to small and regional U.S. banking demand to finance commercial real estate properties. 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.

We believe some of these market trends may be offset by the continued strong fundamentals in the industrial sector. We believe our portfolio is well-positioned in this market environment. While we saw capitalization rates and yields widening modestly this past quarter, which resulted in modest valuation declines, industrial market fundamentals remain favorable, supported by strong rent growth, low vacancy rates and demand generally outpacing supply. However, there is no guarantee that our outlook will remain positive for the long-term, especially if leasing fundamentals weaken in the future.

RESULTS OF OPERATIONS

Summary of 2023 Activities

During the six months ended June 30, 2023, we completed the following activities:

- Our NAV decreased to $14.44 per share as of June 30, 2023 from $15.26 per share as of December 31, 2022. See "Item 2. Management's Discussion and Analysis—Performance" above for additional information regarding this decrease.
- We raised $180.5 million of gross equity capital from our public offerings. Additionally, we raised $217.6 million of gross capital through private placement offerings by selling DST Interests, $32.6 million of which were financed by DST Program Loans, net of repayments. We redeemed 18.6 million shares for an aggregate dollar amount of $280.9 million.
- We leased approximately 5.0 million square feet, which included 1.4 million square feet of new and future leases and 3.6 million square feet of renewals through 42 separate transactions with an average annual base rent of $5.99 per square foot, representing rent growth of 62.8% on comparable leases, calculated using cash basis rental rates (68.2% when calculated on a GAAP basis).
- As of June 30, 2023, we owned four buildings under construction totaling approximately 1.0 million square feet, and two buildings in the pre-construction phase for an additional 0.1 million square feet.

Portfolio Information

Our owned and managed portfolio was as follows:

(square feet in thousands)	As of June 30, 2023	December 31, 2022	June 30, 2022
Portfolio data:			
Total buildings	249	243	240
Total rentable square feet	52,679	50,229	49,070
Total number of customers	428	418	416
Percent occupied of operating portfolio (1)	98.3 %	99.0 %	98.4 %
Percent occupied of total portfolio (1)	95.1 %	98.1 %	97.1 %
Percent leased of operating portfolio (1)	98.5 %	99.1 %	99.5 %
Percent leased of total portfolio (1)	96.0 %	98.9 %	98.4 %

(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, 2023 Compared to Prior Periods

The following table sets forth information regarding our consolidated results of operations for the three months ended June 30, 2023 as compared to the three months ended March 31, 2023, and for the six months ended June 30, 2023 and 2022:

	For the Three Months Ended				For the Six Months Ended			
(in thousands, except per share data)	June 30, 2023	March 31, 2023	Change	% Change	June 30, 2023	June 30, 2022	Change	% Change
Revenues:								
Rental revenues	$ 112,643	$ 111,576	$ 1,067	1.0 %	$ 224,219	$ 174,352	$ 49,867	28.6 %
Debt-related income	1,146	1,068	78	7.3 %	2,214	—	2,214	NM
Total revenues	113,789	112,644	1,145	1.0 %	226,433	174,352	52,081	29.9 %
Operating expenses:								
Rental expenses	27,566	27,178	388	1.4 %	54,744	42,728	12,016	28.1 %
Real estate-related depreciation and amortization	72,009	72,331	(322)	(0.4)%	144,340	119,024	25,316	21.3 %
General and administrative expenses	3,943	4,127	(184)	(4.5)%	8,070	6,759	1,311	19.4 %
Advisory fees	18,965	19,254	(289)	(1.5)%	38,219	30,257	7,962	26.3 %
Performance participation allocation	—	—	—	— %	—	122,446	(122,446)	(100.0)%
Acquisition costs and reimbursements	412	8,319	(7,907)	(95.0)%	8,731	2,893	5,838	NM
Total operating expenses	122,895	131,209	(8,314)	(6.3)%	254,104	324,107	(70,003)	(21.6)%
Other (income) expenses:								
Equity in loss (income) from unconsolidated joint venture partnership(s)	63	76	(13)	(17.1)%	139	(35)	174	NM
Interest expense	49,971	48,464	1,507	3.1 %	98,435	55,545	42,890	77.2 %
(Gain) loss on derivative instruments	(7,236)	1,584	(8,820)	NM	(5,652)	(14,839)	9,187	(61.9)%
Other income and expenses	(2,311)	(2,214)	(97)	(4.4)%	(4,525)	(846)	(3,679)	NM
Total other (income) expenses	40,487	47,910	(7,423)	(15.5)%	88,397	39,825	48,572	NM
Net loss	(49,593)	(66,475)	16,882	25.4 %	(116,068)	(189,580)	73,512	38.8 %
Net loss attributable to redeemable noncontrolling interests	1,346	1,672	(326)	(19.5)%	3,018	3,041	(23)	(0.8)%
Net income attributable to noncontrolling interests	(10)	(9)	(1)	(11.1)%	(19)	(19)	—	— %
Net loss attributable to common stockholders	$ (48,257)	$ (64,812)	$ 16,555	25.5 %	$ (113,069)	$ (186,558)	$ 73,489	39.4 %
Weighted-average shares outstanding—basic	309,616	313,491	(3,875)	(1.2)%	311,543	280,185	31,358	11.2 %
Weighted-average shares outstanding—diluted	318,254	321,582	(3,328)	(1.0)%	319,909	284,717	35,192	12.4 %
Net loss per common share - basic and diluted	$ (0.16)	$ (0.21)	$ 0.05	24.6 %	$ (0.36)	$ (0.67)	$ 0.30	45.5 %

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 $1.1 million, or 1.0%, for the three months ended June 30, 2023, as compared to the previous quarter, primarily due to leasing activity for the three months ended June 30, 2023, and the associated rent growth on comparable leases, which averaged 49.7%, calculated using GAAP basis rental rates.

Rental revenues increased by $49.9 million, or 28.6%, for the six months ended June 30, 2023, as compared to the same period in 2022, primarily due to the increase in non-same store revenues resulting from the growth in our portfolio, as well as rent growth associated with comparable leases of the same store portfolio. See “Same Store Portfolio Results of Operations” below for further details of the same store revenues.

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 $0.4 million, or 1.4%, for the three months ended June 30, 2023, as compared to the previous quarter, primarily due to the increase in recoverable property taxes. Total rental expenses increased by $12.0 million, or 28.1%, for the six months ended June 30, 2023, as compared to the same period in 2022, primarily due to the increase in non-same store expenses resulting from the growth in our portfolio. See “Same Store Portfolio Results of Operations” below for further details of the same store expenses.

All Remaining Income and Expenses. In aggregate, the remaining income and expenses decreased by $16.2 million, or 10.7%, for the three months ended June 30, 2023, as compared to the previous quarter, primarily due to the following:

- a $7.2 million gain on derivative instruments for the three months ended June 30, 2023, as compared to a $1.6 million loss on derivative instruments for the previous period, related to the increased fair value of our interest rate caps not designated as cash flow hedges due to the market expectation of future interest rate changes;

- a decrease in acquisition costs and reimbursements of $7.9 million for the three months ended June 30, 2023, as compared to the previous period, primarily due to a deposit in the amount of $7.7 million that was forfeited in the first quarter of 2023 when the associated real estate acquisition did not close; and

- an increase in interest expense of $1.5 million, or 3.1%, for the three months ended June 30, 2023, as compared to the previous quarter, primarily due to (i) an increase in interest expense related to increased borrowings on our line of credit (including the effects of interest rate cap agreements), as well as increased interest rates on certain variable rate debt, and (ii) a $1.1 million increase in master lease payments recorded as interest expense associated with our DST Program; partially offset by a $2.1 million decrease in amortization of the value of our financing obligations.

In aggregate, the remaining income and expenses decreased by $35.7 million, or 11.1%, for the six months ended June 30, 2023, as compared to the same period in 2022, primarily due to the following:

- a decrease in the performance participation allocation of $122.4 million for the six months ended June 30, 2023, as compared to the same period of the previous year, as the requisite performance hurdle was met in 2022 and the associated performance participation allocation expense was then recognized, while the performance hurdle was not met during the six months ended June 30, 2023 and no performance participation allocation expense was recognized.

Partially offset by:

- an increase in interest expense of $42.9 million for the six months ended June 30, 2023, as compared to the same period of the previous year, primarily due to (i) a $35.4 million increase in line of credit, mortgage note and term loan interest (including the effects of interest rate swap and cap agreements) related to increased borrowings on the line of credit during the six months ended June 30, 2023 and increased interest rates on certain variable rate debt; and (ii) a $15.0 million increase of master lease payments recorded as interest expense associated with our DST Program; partially offset by a $1.6 million decrease in the amortization of the value of our financing obligations;

- a $25.3 million increase in real estate-related depreciation and amortization for the six months ended June 30, 2023, as compared to the same period of the previous year, as a result of the growth of our portfolio;

- a $9.2 million decrease in the gain on derivative instruments for the six months ended June 30, 2023, as compared to the same period of the previous year, related to the change in fair value of our interest rate caps not designated as cash flow hedges due to the market expectation of future interest rate changes; and

- a $8.0 million increase in the fixed component of the advisory fee for the six months ended June 30, 2023, as compared to the same period of the previous year, due to the gross proceeds of $180.5 million raised from our public offering and $217.6 million of DST Interests sold (including $32.6 million of DST Interests financed by DST Program Loans) for the six months ended June 30, 2023.

Same Store Portfolio Results of Operations

Net operating income ("NOI") is a supplemental non-GAAP measure of our property operating results. We define NOI as operating revenues less operating expenses. While we believe our net income (loss), as defined by GAAP, to be the most appropriate measure to evaluate our overall performance, we consider NOI to be an appropriate supplemental performance measure. We 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 properties, such as real estate-related depreciation and amortization, acquisition-related expenses, advisory fees, impairment charges, general and administrative expenses, interest expense, other income and expense and noncontrolling interests. However, NOI should not be viewed as an alternative measure of our financial performance since it excludes such items, which 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 our investors should consider net income (loss) as the primary indicator of our overall financial performance.

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. Our same store analysis may not be comparable to that of other real estate companies and should not be considered to be more relevant or accurate in evaluating our operating performance than current GAAP methodology.

The same store operating portfolio for the three months ended June 30, 2023 as compared to the three months ended March 31, 2023 presented below included 240 buildings totaling approximately 49.7 million square feet owned as of January 1, 2023, which represented 94.3% of total rentable square feet, 97.8% of total rental revenues, and 97.8% of net operating income for the three months ended June 30, 2023. The same store operating portfolio for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 presented below included 187 buildings totaling approximately 36.8 million square feet owned as of January 1, 2022, which represented 69.9% of total rentable square feet, 75.0% of total rental revenues, and 74.8% of net operating income for the six months ended June 30, 2023.

The following table reconciles GAAP net income (loss) to same store portfolio NOI for the three months ended June 30, 2023 and March 31, 2023, and the six months ended June 30, 2023 and 2022:

	For the Three Months Ended				For the Six Months Ended			
(in thousands)	June 30, 2023	March 31, 2023	Change	% Change	June 30, 2023	June 30, 2022	Change	% Change
Net loss attributable to common stockholders	$ (48,257)	$ (64,812)	$ 16,555	25.5 %	$ (113,069)	$ (186,558)	$ 73,489	39.4 %
Debt-related income	(1,146)	(1,068)	(78)	(7.3)%	(2,214)	—	(2,214)	NM
Real estate-related depreciation and amortization	72,009	72,331	(322)	(0.4)%	144,340	119,024	25,316	21.3 %
General and administrative expenses	3,943	4,127	(184)	(4.5)%	8,070	6,759	1,311	19.4 %
Advisory fees	18,965	19,254	(289)	(1.5)%	38,219	30,257	7,962	26.3 %
Performance participation allocation	—	—	—	— %	—	122,446	(122,446)	(100.0)%
Acquisition costs and reimbursements	412	8,319	(7,907)	(95.0)%	8,731	2,893	5,838	NM
Equity in loss (income) from unconsolidated joint venture partnership(s)	63	76	(13)	(17.1)%	139	(35)	174	NM
Interest expense	49,971	48,464	1,507	3.1 %	98,435	55,545	42,890	77.2 %
(Gain) loss on derivative instruments	(7,236)	1,584	(8,820)	NM	(5,652)	(14,839)	9,187	(61.9)%
Other income and expenses	(2,311)	(2,214)	(97)	(4.4)%	(4,525)	(846)	(3,679)	NM
Net loss attributable to redeemable noncontrolling interests	(1,346)	(1,672)	326	19.5 %	(3,018)	(3,041)	23	0.8 %
Net income attributable to noncontrolling interests	10	9	1	11.1 %	19	19	—	— %
Net operating income	$ 85,077	$ 84,398	$ 679	0.8 %	$ 169,475	$ 131,624	$ 37,851	28.8 %
Less: Non-same store NOI	1,891	581	1,310	NM	42,698	11,953	30,745	NM
Same store NOI	$ 83,186	$ 83,817	$ (631)	(0.8)%	$ 126,777	$ 119,671	$ 7,106	5.9 %

The following table includes a breakout of our results for our same store portfolio for rental revenues, rental expenses and NOI for the three months ended June 30, 2023 as compared to the three months ended March 31, 2023, and for the six months ended June 30, 2023 as compared to the same period in 2022:

	For the Three Months Ended				For the Six Months Ended			
(in thousands)	June 30, 2023	March 31, 2023	Change	% Change	June 30, 2023	June 30, 2022	Change	% Change
Rental revenues:								
Same store operating properties	$ 110,135	$ 110,780	$ (645)	(0.6)%	$ 168,073	$ 158,138	$ 9,935	6.3 %
Other properties	2,508	796	1,712	NM	56,146	16,214	39,932	NM
Total rental revenues	112,643	111,576	1,067	1.0 %	224,219	174,352	49,867	28.6 %
Rental expenses:								
Same store operating properties	(26,949)	(26,963)	14	0.1 %	(41,296)	(38,467)	(2,829)	(7.4)%
Other properties	(617)	(215)	(402)	NM	(13,448)	(4,261)	(9,187)	NM
Total rental expenses	(27,566)	(27,178)	(388)	(1.4)%	(54,744)	(42,728)	(12,016)	(28.1)%
Net operating income:								
Same store operating properties	83,186	83,817	(631)	(0.8)%	126,777	119,671	7,106	5.9 %
Other properties	1,891	581	1,310	NM	42,698	11,953	30,745	NM
Total net operating income	$ 85,077	$ 84,398	$ 679	0.8 %	169,475	131,624	37,851	28.8 %

NM = Not meaningful

Rental Revenues. Non-same store rental revenues increased by $1.7 million for the three months ended June 30, 2023 as compared to the previous quarter, as a result of rental rate growth and leasing activity. Same store rental revenues decreased by $0.6 million, or 0.6%, for the three months ended June 30, 2023 as compared to the previous quarter, primarily due to a small decrease in average occupancy of same store properties and an increase in our bad debt reserve related to one of our tenants.

Non-same store rental revenues increased by $39.9 million for the six months ended June 30, 2023, as compared to the same period in 2022, primarily due to the addition of 50 industrial buildings that we have acquired since January 1, 2022, as well as seven value-add properties that were acquired during 2021 and stabilized during 2022. Same store rental revenues increased by $9.9 million, or 6.3%, for the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to increases in rental rates and average occupancy of same store properties, as well an increase in recovery revenue.

Rental Expenses**.** Non-same store rental expenses increased by $0.4 million for the three months ended June 30, 2023, as compared to the previous quarter, primarily due to the increase in recoverable property taxes. Same store rental expenses remained consistent for the three months ended June 30, 2023 as compared to the previous quarter.

Non-same store rental expenses increased by $9.2 million for the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to the growth of our portfolio, as described above. Same store rental expenses increased by $2.8 million, or 7.4%, for the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to an increase in property taxes associated with certain of our properties.

ADDITIONAL MEASURES OF PERFORMANCE

Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO")

We believe that FFO and AFFO, 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 alternatives to net income (loss) or to cash flows from operating activities as indications of our performance and are not intended to be used as liquidity measures 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. In addition, other REITs may define FFO, AFFO, and similar measures differently and choose to treat certain 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.

AFFO. AFFO further adjusts FFO to reflect the performance of our portfolio by adjusting for items we believe are not directly attributable to our operations. Our adjustments to FFO to arrive at AFFO include removing the impact of (i) performance-based incentive fee (income) expense, (ii) unrealized (gain) loss from changes in fair value of financial instruments, (iii) financing obligation liability appreciation (depreciation), and (iv) forfeited investment deposits.

Although some REITs may present certain performance measures differently, we believe FFO and AFFO generally facilitate 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. Neither the SEC, NAREIT, nor any regulatory body has passed judgment on the acceptability of the adjustments used to calculate AFFO. 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 calculations and characterizations of AFFO.

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

(in thousands, except per share data)	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
GAAP net loss	$ (49,593)	$ (82,291)	$ (116,068)	$ (189,580)
Weighted-average shares outstanding—diluted	318,254	294,329	319,909	284,717
GAAP net loss per common share—diluted	$ (0.16)	(0.28)	(0.36)	(0.67)
Adjustments to arrive at FFO:				
Real estate-related depreciation and amortization	72,009	63,279	144,340	119,024
Our share of adjustment above from unconsolidated joint venture partnerships	—	—	—	371
NAREIT FFO	$ 22,416	$ (19,012)	$ 28,272	$ (70,185)
NAREIT FFO per common share—diluted	$ 0.07	$ (0.06)	$ 0.09	$ (0.25)
Adjustments to arrive at AFFO:				
Performance-based incentive fee (income) expense, net	—	39,146	—	122,446
Unrealized (gain) loss on derivative instruments (1)	(2,610)	(3,937)	2,870	(14,839)
Financing obligation liability appreciation	2,680	6,683	7,414	9,010
Forfeited investment deposit	—	—	7,689	—
AFFO	$ 22,486	$ 22,880	$ 46,245	$ 46,432

(1) Unrealized loss (gain) on changes in fair value of financial instruments relates to mark-to-market changes on our derivatives not designated as cash flow hedges.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary sources of capital for meeting our cash requirements are 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, distributions to our stockholders, redemption payments and payments pursuant to the master lease agreements related to the properties in our DST Program. 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. Our primary material cash requirements for the next 12 months relate to our indebtedness, future minimum lease payments associated with our DST Program, redemptions, and the fixed component of the advisory fee. As of June 30, 2023, we had outstanding line of credit, term loan and mortgage note borrowings with varying maturities for an aggregate principal amount of $3.0 billion, with no principal amounts payable within the next 12 months. 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 NAV. 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.

During the six months ended June 30, 2023, we raised $180.5 million of gross equity capital from our public offering and redemptions of common stock amounted to $280.9 million. As of June 30, 2023, we had cash and cash equivalents of $52.5 million and leverage of 33.6%, 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 and investments in real estate-related securities, as determined in accordance with our valuation procedures. See "—Capital Resources and Uses of Liquidity—Offering Proceeds" for further information concerning capital raised thus far in 2023. As of June 30, 2023, we owned and managed a real estate portfolio that included 249 industrial buildings totaling approximately 52.7 million square feet, with a diverse roster of 428 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 95.1% occupied (96.0% leased) with a weighted-average remaining lease term (based on square feet) of 4.1 years.

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, 2023	2022	Change
Total cash provided by (used in):			
Operating activities	$ (37,044)	$ 50,402	$ (87,446)
Investing activities	(156,676)	(1,701,797)	1,545,121
Financing activities	166,710	1,547,728	(1,381,018)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (27,010)	$ (103,667)	$ 76,657

Cash flows from operating activities during the six months ended June 30, 2023 decreased by approximately $87.4 million as compared to the same period in 2022, primarily as a result of (i) the partial cash settlement of the 2022 performance participation allocation owed in the amount of $77.8 million; (ii) a $35.4 million increase in interest expense related to increased borrowings, the effect of increased interest rates on certain variable rate debt.

Cash used in investing activities during the six months ended June 30, 2023 decreased by approximately $1.5 billion as compared to the same period in 2022, primarily due to (i) a net decrease in acquisition activity of $1.6 billion, which was primarily driven by the closing of the BTC II Partnership Transaction and the acquisition of the Chicago Growth Portfolio having taken place in the first half of 2022; and (ii) a decrease in the contributions made to our joint venture partnerships of $8.2 million, partially offset by a net increase in capital expenditure activity of $37.8 million related to increased development activity during the six months ended June 30, 2023.

Cash provided by financing activities during the six months ended June 30, 2023 decreased by approximately $1.4 billion as compared to the same period in 2022, primarily driven by (i) a $605.0 million decrease in net borrowings under our line of credit and term loan; (ii) the $361.7 million decrease in capital raised through our public offering, net of offering costs paid; (iii) the $249.6 million increase in redemptions of our common stock; and (iv) a decrease in net proceeds from financing obligations associated with the DST Program of 193.1 million; partially offset by a decrease related to $40.9 million Class I OP Units that were redeemed in the first quarter of 2022, while no OP Units were redeemed in the six months ended June 30, 2023.

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, 2023, 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 $280.0 million outstanding under our line of credit with an effective interest rate of 5.55%, which includes the effect of interest rate cap agreements. Additionally, as of June 30, 2023, we had $1.2 billion outstanding under our term loans with an effective interest rate of 3.16%, which includes the effect of the interest rate swap agreements and an interest rate cap agreement. The unused and available portions under our line of credit were both $720.0 million as of June 30, 2023. 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 6 to the Condensed Consolidated Financial Statements” for additional information regarding our line of credit and term loans.

Mortgage Notes. As of June 30, 2023, we had property-level borrowings of approximately $1.6 billion of principal outstanding with a weighted-average remaining term of 3.1 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 3.64%. Refer to “Note 6 to the Condensed Consolidated Financial Statements” for additional information regarding the mortgage notes.

As of June 30, 2023, we have no indebtedness with initial or extended maturity dates beyond 2023 that has exposure to LIBOR. Refer to "Note 6 to the Condensed Consolidated Financial Statements" for additional information regarding interest rates.

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, 2023.

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 and investments in real estate-related securities, as determined in accordance with our valuation procedures. We had leverage of 33.6% as of June 30, 2023. Our management believes our strong equity raise and the timing of our deployment of capital accounts for our lower leverage as of June 30, 2023 and expects that as we deploy capital going forward, our leverage will near approximately 50%. Due to the recent increase in interest rates, 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.

Future Minimum Lease Payments Related to the DST Program. As of June 30, 2023, we had $1.3 billion of future minimum lease payments related to the DST Program. The underlying interests of each property that is sold to investors pursuant to the DST Program are leased back by an indirect wholly-owned subsidiary of the Operating Partnership on a long-term basis of up to 29 years.

Offering Proceeds. For the six months ended June 30, 2023, aggregate gross proceeds raised from our public offering, including proceeds raised through our distribution reinvestment plan, were $180.5 million ($175.4 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, 2023, no portion of our total gross distributions were paid from cash flows from operating activities, as determined on a GAAP basis, and 100.0% of our total gross distributions were funded from sources other than cash flows from operating activities, as determined on a GAAP basis; specifically, 47.0% were funded with proceeds from shares issued pursuant to our distribution reinvestment plan and 53.0% were funded with proceeds from financing activities. 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 2023, 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, or July 31, 2023, August 31, 2023 and September 29, 2023 (each a "Distribution Record Date"). Our board of directors authorized an increase to the amount of monthly gross distributions for each class of our common stock, such that distributions will be paid at a quarterly rate of (i) $0.15 per Class I share of common stock and (ii) $0.15 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) $0.05 per Class I share of common stock and (ii) $0.05 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. The new monthly gross distribution per share reflects an increase to the amount of the previous monthly gross distribution of $0.04542 per share that has been paid since July 31, 2017. Distributions for each month of the third quarter of 2023 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. In certain years and certain individual quarters, total distributions were not fully funded by cash flows from operations. In such cases, the shortfalls were funded from proceeds from our distribution reinvestment plan ("DRIP") or borrowings.

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, 2023 Amount	For the Three Months Ended June 30, 2023 Percentage	For the Three Months Ended June 30, 2022 Amount	For the Three Months Ended June 30, 2022 Percentage
Distributions				
Paid in cash (1)(2)	$ 23,013	53.1 %	$ 21,144	52.7 %
Reinvested in shares	20,355	46.9	18,953	47.3
Total	$ 43,368	100.0 %	$ 40,097	100.0 %
Sources of Distributions				
Cash flows from operating activities (2)	$ —	— %	$ 21,144	52.7 %
Borrowings	23,013	53.1	—	—
DRIP (3)	20,355	46.9	18,953	47.3
Total	$ 43,368	100.0 %	$ 40,097	100.0 %

($ in thousands)	For the Six Months Ended June 30, 2023 Amount	For the Six Months Ended June 30, 2023 Percentage	For the Six Months Ended June 30, 2022 Amount	For the Six Months Ended June 30, 2022 Percentage
Distributions				
Paid in cash (1)(2)	$ 46,210	53.0 %	$ 40,482	52.2 %
Reinvested in shares	41,008	47.0	37,111	47.8
Total	$ 87,218	100.0 %	$ 77,593	100.0 %
Sources of Distributions				
Cash flows from operating activities (2)	$ —	— %	$ 40,482	52.2 %
Borrowings	46,210	53.0	—	—
DRIP (3)	41,008	47.0	37,111	47.8
Total	$ 87,218	100.0 %	$ 77,593	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 11 to the Condensed Consolidated Financial Statements” for further detail regarding the ongoing distribution fees.
(2) Includes distributions paid to holders of OP Units for 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, 2023 and 2022, our NAREIT FFO was $22.4 million and $(19.0) million, respectively, compared to total gross distributions of $43.4 million and $40.1 million, respectively. For the six months ended June 30, 2023 and 2022, our NAREIT FFO was $28.3 million and $(70.2) million, respectively, compared to total gross distributions of $87.2 million and $77.6 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 9 to the Condensed Consolidated Financial Statements” for further detail on our distributions.

Redemptions. Below is a summary of redemptions pursuant to our share redemption program for the six months ended June 30, 2023 and 2022. All eligible redemption requests were fulfilled for the periods presented. Eligible redemption requests are requests submitted in good order by the request submission deadline set forth in the share redemption program. Our board of directors may modify or suspend our current share redemption program if it deems such action to be in the best interest of our stockholders. See Part II, Item 2. "Unregistered Sales of Equity Securities and Use of Proceeds—Share Redemption Program," for detail regarding our share redemption program.

(in thousands, except per share data)	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Number of shares redeemed	18,609	2,219
Aggregate dollar amount of shares redeemed	$ 280,939	$ 31,322
Average redemption price per share	$ 15.10	$ 14.12

For purposes of the share redemption program, redemption requests received in a month are included on the last day of such month because that is the last day the shareholders have rights in the Company. We record these redemptions in our financial statements as having occurred on the first day of the next month following receipt of the redemption request because shares redeemed in a given month are considered outstanding through the last day of the month.

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 2022 Form 10-K. As of June 30, 2023, our critical accounting estimates have not changed from those described in our 2022 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, 2023, 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, 2023, 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 $996.7 million of principal borrowings under five of our mortgage notes. In total, our fixed rate debt represented approximately 68.1% of our total consolidated debt as of June 30, 2023. The impact of interest rate fluctuations on our consolidated 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, 2023, the fair value and the carrying value of our consolidated fixed interest rate debt, excluding the values of hedges, were $1.98 billion and $2.07 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, 2023. Given we generally expect to hold our fixed interest rate debt to maturity or until such debt instruments otherwise open up for prepayment at par, and the amounts due under such debt instruments should be limited to the outstanding principal balance and any accrued and unpaid interest at such time, we do not expect that any resulting change in fair value of our fixed interest rate debt due to market fluctuations in interest rates would have a significant impact on our operating cash flows.

Variable Interest Rate Debt. As of June 30, 2023, our consolidated variable interest rate debt consisted of $280.0 million under our line of credit, $75.0 million under our $600.0 million term loan, and $617.3 million under two of our mortgage notes, which represented 31.9% 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, 2023, we were exposed to market risks related to fluctuations in interest rates on $972.3 million of consolidated borrowings; however, $753.0 million of these borrowings are capped through the use of five 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, 2023, would increase our annual interest expense by approximately $0.8 million, including the effects of our interest rate cap agreements.

Derivative Instruments. As of June 30, 2023, we had 22 outstanding derivative instruments with a total notional amount of $2.2 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 6 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, 2023. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2023, 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, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 2022 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, 2023 (the “First Quarter 2023 10-Q”), which could materially affect our business, financial condition, and/or future results. The risks described in our 2022 Form 10-K and the First Quarter 2023 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. There have been no material changes to the risk factors disclosed in our 2022 Form 10-K.

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). For purposes of measuring our redemption capacity pursuant to our share redemption program, proceeds from new subscriptions in a month are included in capital inflows on the first day of the next month because that is the first day on which such stockholders have rights in the Company. Also for purposes of measuring our redemption capacity pursuant to our share redemption program, redemption requests received in a month are included in capital outflows on the last day of such month because that is the last day stockholders have rights in the Company. We record these redemptions in our financial statements as having occurred on the first day of the next month following receipt of the redemption request because shares redeemed in a given month are outstanding through the last day of the month. 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, 2023:

(shares in thousands)	Total Number of Shares Redeemed	Average Price Paid per Share Requested (1)	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 (2)
For the Month Ended				
April 30, 2023	2,880	$ 15.03	2,880	—
May 31, 2023	3,449	14.98	3,449	—
June 30, 2023 (3)	3,421	14.90	3,421	—
Total	9,750	$ 14.97	9,750	—

(1) Amount represents the average price paid to investors upon redemption.
(2) We limit the number of shares that may be redeemed per calendar quarter under the program as described above.
(3) Redemption requests accepted in June 2023 are considered redeemed on July 1, 2023 for accounting purposes and, as a result, are not included in the table above. This differs from how we treat capital outflows for purposes of the limitations of our share redemption program. For purposes of measuring our redemption capacity pursuant to our share redemption program, redemption requests received in a month are included in capital outflows on the last day of such month because that is the last day stockholders have rights in the Company and we redeemed $163.9 million of shares of common stock for the three months ended June 30, 2023.

ITEM 5. OTHER INFORMATION

During the three months ended June 30, 2023, none of the Company’s directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company’s securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

Exhibit Number	Description
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	Fifth Amended and Restated Bylaws of Ares Industrial Real Estate Income Trust Inc. Incorporated by reference to Exhibit 3.4 to the Annual Report on Form 10-K filed with the SEC on March 20, 2023.
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 (2023), dated as of April 30, 2023, 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 3, 2023.
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	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, 2023, filed on August 11, 2023, 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.

SIGNATURES

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

		ARES INDUSTRIAL REAL ESTATE INCOME TRUST INC.
August 11, 2023	By:	/s/ JEFFREY W. TAYLOR
		Jeffrey W. Taylor **Partner, Co-President** ***(Principal Executive Officer)***
August 11, 2023	By:	/s/ SCOTT A. SEAGER
		Scott A. Seager **Managing Director, Chief Financial Officer and Treasurer** ***(Principal Financial Officer and Principal Accounting Officer)***

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey W. Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ares Industrial Real Estate Income Trust Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

August 11, 2023

/s/ JEFFREY W. TAYLOR

Jeffrey W. Taylor
Partner, Co-President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Scott A. Seager, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ares Industrial Real Estate Income Trust Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

August 11, 2023

/s/ SCOTT A. SEAGER

Scott A. Seager
Managing Director, Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
Certification of Principal Executive Officer

In connection with the Quarterly Report on Form 10-Q of Ares Industrial Real Estate Income Trust Inc. (the “Company”) for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey W. Taylor, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

August 11, 2023

/s/ JEFFREY W. TAYLOR
Jeffrey W. Taylor
Partner, Co-President
(Principal Executive Officer)

Certification of Principal Financial Officer

In connection with the Quarterly Report on Form 10-Q of Ares Industrial Real Estate Income Trust Inc. (the “Company”) for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott A. Seager, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

August 11, 2023

/s/ SCOTT A. SEAGER
Scott A. Seager
Managing Director, Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 99.1

CONSENT OF INDEPENDENT VALUATION FIRM

We hereby consent to the reference to our name and the description of our role in the valuation process described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Net Asset Value" in Part I, Item 2 of the Quarterly Report on Form 10-Q for the period ended June 30, 2023 of Ares Industrial Real Estate Income Trust Inc. (the "Company"), filed by the Company with the Securities and Exchange Commission on the date hereof, being included or incorporated by reference in the Company's Registration Statement on Form S-8 (File No. 333-228818). In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

	/s/ Altus Group U.S. Inc.
August 11, 2023	Altus Group U.S. Inc.