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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended March 31, 2024

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

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**Ares Industrial Real Estate Income Trust Inc.**

(Exact name of registrant as specified in its charter)

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Maryland  
(State or other jurisdiction of  
incorporation or organization)

One Tabor Center  
1200 Seventeenth Street, Suite 2900  
Denver, CO  
(Address of principal executive offices)

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

80202  
(Zip code)

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

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

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

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

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

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

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

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

As of May 6, 2024, there were 119,195,038 shares of the registrant's Class T common stock, 19,547,555 shares of the registrant's Class D common stock and 139,064,768 shares of the registrant's Class I common stock outstanding.

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**PART I. FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

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

| (in thousands, except per share data)                                                                                                           | As of                            |                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------|
|                                                                                                                                                 | March 31,<br>2024<br>(unaudited) | December 31,<br>2023 |
| <b>ASSETS</b>                                                                                                                                   |                                  |                      |
| Net investment in real estate properties                                                                                                        | \$ 6,637,318                     | \$ 6,753,978         |
| Investment in unconsolidated joint venture partnership                                                                                          | 20,518                           | 20,511               |
| Investments in real estate debt and securities, at fair value                                                                                   | 242,037                          | 184,755              |
| Cash and cash equivalents                                                                                                                       | 82,797                           | 14,322               |
| Restricted cash                                                                                                                                 | 29,046                           | 620                  |
| Derivative instruments                                                                                                                          | 96,259                           | 83,531               |
| DST Program Loans (includes \$7,635 and \$2,439 at fair value as of March 31, 2024 and December 31, 2023, respectively)                         | 178,114                          | 202,715              |
| Other assets                                                                                                                                    | 75,981                           | 69,072               |
| <b>Total assets</b>                                                                                                                             | <b>\$ 7,362,070</b>              | <b>\$ 7,329,504</b>  |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                   |                                  |                      |
| <b>Liabilities</b>                                                                                                                              |                                  |                      |
| Accounts payable and accrued liabilities                                                                                                        | \$ 88,387                        | \$ 101,013           |
| Debt, net                                                                                                                                       | 3,538,184                        | 3,421,181            |
| Secured financings on investments in real estate debt securities                                                                                | 46,366                           | 42,298               |
| Intangible lease liabilities, net                                                                                                               | 70,516                           | 75,141               |
| Financing obligations, net (includes \$152,208 and \$87,145 at fair value as of March 31, 2024 and December 31, 2023, respectively)             | 1,558,828                        | 1,658,634            |
| Distribution fees payable to affiliates                                                                                                         | 69,130                           | 64,517               |
| Other liabilities                                                                                                                               | 55,323                           | 57,176               |
| <b>Total liabilities</b>                                                                                                                        | <b>5,426,734</b>                 | <b>5,419,960</b>     |
| Commitments and contingencies (Note 14)                                                                                                         |                                  |                      |
| Redeemable noncontrolling interests                                                                                                             | 111,010                          | 114,310              |
| <b>Equity</b>                                                                                                                                   |                                  |                      |
| 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, 125,151 and 162,838 shares issued and outstanding, respectively | 1,252                            | 1,628                |
| Class D common stock, \$0.01 par value per share - 75,000 shares authorized, 20,023 and 20,410 shares issued and outstanding, respectively      | 200                              | 204                  |
| Class I common stock, \$0.01 par value per share - 225,000 shares authorized, 138,897 and 105,358 shares issued and outstanding, respectively   | 1,389                            | 1,054                |
| Additional paid-in capital                                                                                                                      | 2,851,223                        | 2,850,329            |
| Accumulated deficit and distributions                                                                                                           | (1,142,991)                      | (1,094,009)          |
| Accumulated other comprehensive income                                                                                                          | 52,465                           | 35,716               |
| <b>Total stockholders' equity</b>                                                                                                               | <b>1,763,538</b>                 | <b>1,794,922</b>     |
| Noncontrolling interests                                                                                                                        | 60,788                           | 312                  |
| <b>Total equity</b>                                                                                                                             | <b>1,824,326</b>                 | <b>1,795,234</b>     |
| <b>Total liabilities and equity</b>                                                                                                             | <b>\$ 7,362,070</b>              | <b>\$ 7,329,504</b>  |

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 March 31, |                    |
|---------------------------------------------------------------------------------|--------------------------------------|--------------------|
|                                                                                 | 2024                                 | 2023               |
| <b>Revenues:</b>                                                                |                                      |                    |
| Rental revenues                                                                 | \$ 120,264                           | \$ 111,576         |
| Debt-related income                                                             | 5,134                                | 1,068              |
| Total revenues                                                                  | 125,398                              | 112,644            |
| <b>Operating expenses:</b>                                                      |                                      |                    |
| Rental expenses                                                                 | 29,843                               | 27,178             |
| Real estate-related depreciation and amortization                               | 72,230                               | 72,331             |
| General and administrative expenses                                             | 4,475                                | 4,127              |
| Advisory fees                                                                   | 17,007                               | 19,254             |
| Acquisition costs and reimbursements                                            | 554                                  | 8,319              |
| Total operating expenses                                                        | 124,109                              | 131,209            |
| <b>Other income (expenses):</b>                                                 |                                      |                    |
| Equity in income (loss) from unconsolidated joint venture partnership           | 7                                    | (76)               |
| Interest expense                                                                | (55,701)                             | (48,464)           |
| Unrealized gain on financing obligations                                        | 2,005                                | —                  |
| Gain (loss) on derivative instruments                                           | 2,319                                | (1,584)            |
| Gain on sale of real estate property                                            | 37,342                               | —                  |
| Other income and expenses                                                       | 2,571                                | 2,214              |
| Total other income (expenses)                                                   | (11,457)                             | (47,910)           |
| <b>Net loss</b>                                                                 | (10,168)                             | (66,475)           |
| Net loss attributable to redeemable noncontrolling interests                    | 282                                  | 1,672              |
| Net loss (income) attributable to noncontrolling interests                      | 208                                  | (9)                |
| <b>Net loss attributable to common stockholders</b>                             | <b>\$ (9,678)</b>                    | <b>\$ (64,812)</b> |
| Weighted-average shares outstanding—basic                                       | 285,990                              | 313,491            |
| Weighted-average shares outstanding—diluted                                     | 300,758                              | 321,582            |
| Net loss attributable to common stockholders per common share—basic and diluted | <b>\$ (0.03)</b>                     | <b>\$ (0.21)</b>   |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

| (in thousands)                                                                  | For the Three Months Ended March 31, |                    |
|---------------------------------------------------------------------------------|--------------------------------------|--------------------|
|                                                                                 | 2024                                 | 2023               |
| Net loss                                                                        | \$ (10,168)                          | \$ (66,475)        |
| Change from cash flow hedging activities                                        | 18,380                               | (20,308)           |
| Change from activities related to available-for-sale securities                 | 473                                  | (249)              |
| Comprehensive income (loss)                                                     | 8,685                                | (87,032)           |
| Comprehensive income (loss) attributable to redeemable noncontrolling interests | 241                                  | (2,190)            |
| Comprehensive income attributable to noncontrolling interests                   | 195                                  | —                  |
| Comprehensive income (loss) attributable to common stockholders                 | <u>\$ 8,249</u>                      | <u>\$ (84,842)</u> |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

| (in thousands)                                                                                                                                  | Stockholders' Equity |                 |                     |                           | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interests | Total Equity        |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------|---------------------|---------------------------|-----------------------------------------------|--------------------------|---------------------|
|                                                                                                                                                 | Common Stock         |                 | Additional          | Accumulated               |                                               |                          |                     |
|                                                                                                                                                 | Shares               | Amount          | Paid-In Capital     | Deficit and Distributions |                                               |                          |                     |
| <b>FOR THE THREE MONTHS ENDED MARCH 31, 2023</b>                                                                                                |                      |                 |                     |                           |                                               |                          |                     |
| 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 \$1,672 attributable to redeemable noncontrolling interests)                                                        | —                    | —               | —                   | (64,812)                  | —                                             | 9                        | (64,803)            |
| Change from cash flow hedging activities and available-for-sale securities (excludes \$517 attributable to redeemable noncontrolling interests) | —                    | —               | —                   | —                         | (20,040)                                      | —                        | (20,040)            |
| Issuance of common stock                                                                                                                        | 6,886                | 69              | 103,721             | —                         | —                                             | —                        | 103,790             |
| Share-based compensation, net of cancellations                                                                                                  | (49)                 | —               | 629                 | —                         | —                                             | —                        | 629                 |
| Upfront offering costs, including selling commissions, dealer manager fees, and offering costs                                                  | —                    | —               | (2,952)             | —                         | —                                             | —                        | (2,952)             |
| Trailing distribution fees                                                                                                                      | —                    | —               | (979)               | 6,806                     | —                                             | —                        | 5,827               |
| Redemptions of common stock                                                                                                                     | (8,859)              | (89)            | (134,899)           | —                         | —                                             | —                        | (134,988)           |
| Distributions declared (excludes \$1,107 attributable to redeemable noncontrolling interests)                                                   | —                    | —               | —                   | (42,743)                  | —                                             | (9)                      | (42,752)            |
| Redemption value allocation adjustment to redeemable noncontrolling interests                                                                   | —                    | —               | (942)               | —                         | —                                             | —                        | (942)               |
| <b>Balance as of March 31, 2023</b>                                                                                                             | <u>312,522</u>       | <u>\$ 3,125</u> | <u>\$ 3,183,710</u> | <u>\$ (840,246)</u>       | <u>\$ 50,215</u>                              | <u>\$ 312</u>            | <u>\$ 2,397,116</u> |
| <b>FOR THE THREE MONTHS ENDED MARCH 31, 2024</b>                                                                                                |                      |                 |                     |                           |                                               |                          |                     |
| Balance as of December 31, 2023                                                                                                                 | 288,606              | \$ 2,886        | \$ 2,850,329        | \$ (1,094,009)            | \$ 35,716                                     | \$ 312                   | \$ 1,795,234        |
| Net loss (excludes \$282 attributable to redeemable noncontrolling interest)                                                                    | —                    | —               | —                   | (9,678)                   | —                                             | (208)                    | (9,886)             |
| Change from cash flow hedging activities and available-for-sale securities (excludes \$524 attributable to redeemable noncontrolling interest)  | —                    | —               | —                   | —                         | 17,926                                        | 403                      | 18,329              |
| Issuance of common stock                                                                                                                        | 3,333                | 33              | 42,379              | —                         | —                                             | —                        | 42,412              |
| Share-based compensation, net of cancellations                                                                                                  | (74)                 | (1)             | 174                 | —                         | —                                             | —                        | 173                 |
| Upfront offering costs, including selling commissions, dealer manager fees, and offering costs                                                  | —                    | —               | (1,731)             | —                         | —                                             | —                        | (1,731)             |
| Trailing distribution fees                                                                                                                      | —                    | —               | 792                 | 3,596                     | —                                             | (9,001)                  | (4,613)             |
| Redemptions of common stock                                                                                                                     | (7,794)              | (77)            | (102,775)           | —                         | —                                             | —                        | (102,852)           |
| Issuances of OP Units for DST Interests                                                                                                         | —                    | —               | —                   | —                         | —                                             | 128,853                  | 128,853             |
| Distributions declared (excludes \$1,252 attributable to redeemable noncontrolling interests)                                                   | —                    | —               | —                   | (42,900)                  | —                                             | (983)                    | (43,883)            |
| Redemption value allocation adjustment to redeemable noncontrolling interests                                                                   | —                    | —               | 2,290               | —                         | —                                             | —                        | 2,290               |
| Reallocation of stockholders' equity and noncontrolling interests                                                                               | —                    | —               | 59,765              | —                         | (1,177)                                       | (58,588)                 | —                   |
| <b>Balance as of March 31, 2024</b>                                                                                                             | <u>284,071</u>       | <u>\$ 2,841</u> | <u>\$ 2,851,223</u> | <u>\$ (1,142,991)</u>     | <u>\$ 52,465</u>                              | <u>\$ 60,788</u>         | <u>\$ 1,824,326</u> |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

| (in thousands)                                                                                                            | For the Three Months Ended March 31, |                  |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------|------------------|
|                                                                                                                           | 2024                                 | 2023             |
| <b>Operating activities:</b>                                                                                              |                                      |                  |
| Net loss                                                                                                                  | \$ (10,168)                          | \$ (66,475)      |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities:                                 |                                      |                  |
| Real estate-related depreciation and amortization                                                                         | 72,230                               | 72,331           |
| Amortization of deferred financing costs                                                                                  | 3,012                                | 2,412            |
| (Decrease) increase in financing obligation liability appreciation                                                        | (6,664)                              | 4,734            |
| Equity in (income) loss from unconsolidated joint venture partnership                                                     | (7)                                  | 76               |
| Loss on changes in fair value of interest rate caps                                                                       | 2,829                                | 5,479            |
| Amortization of interest rate cap premiums                                                                                | 2,417                                | 172              |
| Unrealized gain on financing obligations                                                                                  | (2,005)                              | —                |
| Straight-line rent and amortization of above- and below-market leases                                                     | (8,291)                              | (8,820)          |
| Gain on sale of real estate property                                                                                      | (37,342)                             | —                |
| Forfeited investment deposit                                                                                              | —                                    | 7,689            |
| Other                                                                                                                     | 109                                  | 692              |
| Changes in operating assets and liabilities                                                                               |                                      |                  |
| Other assets, accounts payable and accrued expenses and other liabilities                                                 | (2,483)                              | (654)            |
| Cash settlement of accrued performance participation allocation                                                           | —                                    | (77,838)         |
| <b>Net cash provided by (used in) operating activities</b>                                                                | <b>13,637</b>                        | <b>(60,202)</b>  |
| <b>Investing activities:</b>                                                                                              |                                      |                  |
| Real estate acquisitions                                                                                                  | —                                    | (40,109)         |
| Proceeds from disposition of real estate properties                                                                       | 103,731                              | —                |
| Capital expenditures                                                                                                      | (32,688)                             | (64,074)         |
| Investments in debt-related investments                                                                                   | (25,298)                             | —                |
| Investment in unconsolidated joint venture partnership                                                                    | —                                    | (516)            |
| Purchases of available-for-sale debt securities                                                                           | (30,797)                             | —                |
| Collection of principal on available-for-sale debt securities                                                             | 444                                  | 692              |
| Other                                                                                                                     | (1,095)                              | —                |
| <b>Net cash provided by (used in) investing activities</b>                                                                | <b>14,297</b>                        | <b>(104,007)</b> |
| <b>Financing activities:</b>                                                                                              |                                      |                  |
| Proceeds from line of credit                                                                                              | 185,000                              | 205,000          |
| Repayments of line of credit                                                                                              | (72,000)                             | (85,000)         |
| Net proceeds from (repayments of) secured funding agreement                                                               | 4,068                                | —                |
| Proceeds from mortgage note                                                                                               | 176                                  | —                |
| Debt issuance costs paid                                                                                                  | (2,533)                              | (23)             |
| Interest rate cap premiums                                                                                                | —                                    | (3,625)          |
| Proceeds from issuance of common stock, net                                                                               | 19,661                               | 81,049           |
| Proceeds from financing obligations, net                                                                                  | 61,872                               | 93,409           |
| Offering costs paid in connection with issuance of common stock and private placements                                    | (956)                                | (1,673)          |
| Distributions paid to common stockholders, redeemable noncontrolling interest holders and noncontrolling interest holders | (18,393)                             | (16,042)         |
| Distribution fees paid to affiliates                                                                                      | (4,076)                              | (6,987)          |
| Redemptions of common stock                                                                                               | (102,852)                            | (134,988)        |
| Redemptions of redeemable noncontrolling interests                                                                        | (1,000)                              | —                |
| <b>Net cash provided by financing activities</b>                                                                          | <b>68,967</b>                        | <b>131,120</b>   |
| Net increase (decrease) in cash, cash equivalents and restricted cash                                                     | 96,901                               | (33,089)         |
| Cash, cash equivalents and restricted cash, at beginning of period                                                        | 14,942                               | 80,023           |
| <b>Cash, cash equivalents and restricted cash, at end of period</b>                                                       | <b>\$ 111,843</b>                    | <b>\$ 46,934</b> |

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 Ares Commercial Real Estate Management LLC (the “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, 2023, filed with the SEC on March 8, 2024 (“2023 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 conflicts in Ukraine and in the Middle East, 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 three months ended March 31, 2023 have been reclassified to conform to the 2024 presentation.

**Noncontrolling Interests**

Transactions that change our ownership interest in the Operating Partnership are accounted for as equity transactions if we retain our controlling financial interest in the Operating Partnership. Therefore, we adjust the net equity balances in the Operating Partnership to reflect the changes in ownership of the Operating Partnership between us and the other limited partners. These adjustments are based on the respective ownership at the end of each period and are reflected as a reallocation between additional paid-in capital and accumulated other comprehensive income within stockholders’ equity and noncontrolling interests within our equity section on our condensed consolidated balance sheets and our condensed consolidated statements of equity.



### 3. INVESTMENTS IN REAL ESTATE PROPERTIES

As of March 31, 2024 and December 31, 2023, our consolidated investment in real estate properties consisted of 252 and 256 industrial buildings, respectively. Additionally, investment in real estate properties included one building under construction and one building in the pre-construction phase as of both March 31, 2024 and December 31, 2023.

| (in thousands)                                 | As of               |                     |
|------------------------------------------------|---------------------|---------------------|
|                                                | March 31, 2024      | December 31, 2023   |
| Land                                           | \$ 1,288,313        | \$ 1,300,059        |
| Building and improvements (1)                  | 5,437,348           | 5,486,636           |
| Intangible lease assets                        | 496,703             | 498,053             |
| Construction in progress                       | 231,325             | 219,659             |
| Investment in real estate properties           | 7,453,689           | 7,504,407           |
| Less accumulated depreciation and amortization | (816,371)           | (750,429)           |
| Net investment in real estate properties       | <u>\$ 6,637,318</u> | <u>\$ 6,753,978</u> |

(1) Includes site improvements.

#### Dispositions

During the three months ended March 31, 2024, we sold four industrial buildings for aggregate net proceeds of approximately \$103.7 million. We recorded a net gain on sale of approximately \$37.3 million.

#### Intangible Lease Assets and Liabilities

Intangible lease assets and liabilities as of March 31, 2024 and December 31, 2023 included the following:

| (in thousands)                 | As of March 31, 2024 |                          |            | As of December 31, 2023 |                          |            |
|--------------------------------|----------------------|--------------------------|------------|-------------------------|--------------------------|------------|
|                                | Gross                | Accumulated Amortization | Net        | Gross                   | Accumulated Amortization | Net        |
| Intangible lease assets (1)    | \$ 484,206           | \$ (260,546)             | \$ 223,660 | \$ 485,184              | \$ (243,878)             | \$ 241,306 |
| Above-market lease assets (1)  | 12,497               | (6,230)                  | 6,267      | 12,869                  | (5,916)                  | 6,953      |
| Below-market lease liabilities | (129,640)            | 59,124                   | (70,516)   | (129,823)               | 54,682                   | (75,141)   |

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

#### Rental Revenue Adjustments and Depreciation and Amortization Expense

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

| (in thousands)                                            | For the Three Months Ended March 31, |           |
|-----------------------------------------------------------|--------------------------------------|-----------|
|                                                           | 2024                                 | 2023      |
| <b>Increase (Decrease) to Rental Revenue:</b>             |                                      |           |
| Straight-line rent adjustments                            | \$ 4,215                             | \$ 3,098  |
| Above-market lease amortization                           | (440)                                | (553)     |
| Below-market lease amortization                           | 4,516                                | 6,275     |
| <b>Real Estate-Related Depreciation and Amortization:</b> |                                      |           |
| Depreciation expense                                      | \$ 53,758                            | \$ 50,435 |
| Intangible lease asset amortization                       | 18,472                               | 21,896    |

#### 4. INVESTMENTS IN REAL ESTATE DEBT AND SECURITIES

##### Debt-Related Investments

Our debt-related investments consist of floating-rate senior loans secured by real estate, which we acquire for investment purposes.

The following table summarizes our debt-related investments as of March 31, 2024:

| (\$ in thousands)        |               |          |                  | As of March 31, 2024 |                       |            |               |                   |
|--------------------------|---------------|----------|------------------|----------------------|-----------------------|------------|---------------|-------------------|
| Loan Type                | Property Type | Location | Origination Date | Total Commitment     | Outstanding Principal | Fair Value | Interest Rate | Maturity Date (1) |
| Senior                   | Industrial    | TX       | July 2023        | \$ 60,860            | \$ 42,506             | \$ 42,506  | 9.18 %        | Aug 2025          |
| Senior                   | Industrial    | NY       | August 2023      | 113,910              | 100,666               | 100,666    | 8.83          | Sept 2026         |
| Senior                   | Industrial    | TX       | January 2024     | 36,404               | 12,256                | 12,256     | 10.08         | Feb 2027          |
| Total / weighted-average |               |          |                  | \$ 211,174           | \$ 155,428            | \$ 155,428 | 9.02 %        |                   |

(1) The weighted-average remaining term of our debt-related investments was approximately 2.14 years as of March 31, 2024.

The following table summarizes our debt-related investments as of December 31, 2023:

| (\$ in thousands)        |               |          |                  | As of December 31, 2023 |                       |            |               |                   |
|--------------------------|---------------|----------|------------------|-------------------------|-----------------------|------------|---------------|-------------------|
| Loan Type                | Property Type | Location | Origination Date | Total Commitment        | Outstanding Principal | Fair Value | Interest Rate | Maturity Date (1) |
| Senior                   | Industrial    | TX       | July 2023        | \$ 60,860               | \$ 29,700             | \$ 29,700  | 9.21 %        | Aug 2025          |
| Senior                   | Industrial    | NY       | August 2023      | 113,910                 | 99,423                | 99,423     | 8.86          | Sept 2026         |
| Total / weighted-average |               |          |                  | \$ 174,770              | \$ 129,123            | \$ 129,123 | 8.94 %        |                   |

(1) The weighted-average remaining term of our debt-related investments was approximately 2.45 years as of December 31, 2023.

##### Available-for-Sale Debt Securities

As of March 31, 2024 and December 31, 2023, 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 3.65 years as of March 31, 2024. There were no credit losses associated with our available-for-sale debt securities as of March 31, 2024 or December 31, 2023. The following table summarizes our investments in available-for-sale debt securities as of March 31, 2024 and December 31, 2023:

| (\$ in thousands)       | Face Amount (1) | Amortized Cost | Unamortized Discount | Unrealized Gain, Net (2) | Fair Value |
|-------------------------|-----------------|----------------|----------------------|--------------------------|------------|
| As of March 31, 2024    | \$ 87,756       | \$ 85,690      | \$ 2,066             | \$ 919                   | \$ 86,609  |
| As of December 31, 2023 | \$ 57,326       | \$ 55,186      | \$ 2,140             | \$ 446                   | \$ 55,632  |

(1) Face amount is presented net of repayments.

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

## 5. 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 |                   | Maturity Date               | Balance as of  |                   |
|-----------------------------------------------------------|------------------------------------------------|-------------------|-----------------------------|----------------|-------------------|
|                                                           | March 31, 2024                                 | December 31, 2023 |                             | March 31, 2024 | December 31, 2023 |
| Line of credit (1)                                        | 6.12 %                                         | 6.20 %            | March 2025                  | \$ 683,000     | \$ 570,000        |
| Term loan (2)                                             | 3.54                                           | 3.35              | March 2027                  | 550,000        | 550,000           |
| Term loan (3)                                             | 3.47                                           | 3.42              | 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)                          | 4.48                                           | 4.48              | January 2025 - October 2026 | 727,317        | 725,605           |
| Total principal amount / weighted-average (6)             | 4.23 %                                         | 4.17 %            |                             | \$ 3,557,037   | \$ 3,442,325      |
| Less unamortized debt issuance costs                      |                                                |                   |                             | (19,016)       | (21,359)          |
| Add unamortized mark-to-market adjustment on assumed debt |                                                |                   |                             | 163            | 215               |
| Total debt, net                                           |                                                |                   |                             | \$ 3,538,184   | \$ 3,421,181      |
| Gross book value of properties encumbered by debt         |                                                |                   |                             | \$ 2,630,198   | \$ 2,596,052      |

- (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%, each 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 \$150.0 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 March 31, 2024, total commitments for the line of credit were \$1.0 billion and the unused and available portions under the line of credit were both \$317.0 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 \$200.0 million of borrowings and interest rate cap agreements on \$350.0 million of borrowings under the term loan. As of March 31, 2024, 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 under the term loan. As of March 31, 2024, 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%, including the effect of an interest rate swap agreement that fixes Term SOFR for \$367.8 million of borrowings. 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) Comprised of a \$209.3 million mortgage note, a \$408.0 million mortgage note and a \$129.1 million mortgage note. As of March 31, 2024, borrowings under the \$129.1 million mortgage note amounted to \$110.1 million. 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. The effective interest rate of the \$129.1 million mortgage note is calculated based on Term SOFR plus a margin of 3.30%, including the effects of interest rate cap agreements.
- (6) The weighted-average remaining term of our consolidated debt was approximately 2.1 years as of March 31, 2024, excluding any extension options on the line of credit and the floating-rate mortgage notes.

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For the three months ended March 31, 2024 and March 31, 2023, the amount of interest incurred related to our consolidated indebtedness, excluding debt issuance cost amortization and amounts capitalized, was \$45.2 million and \$30.9 million, respectively. For the three months ended March 31, 2024 and March 31, 2023, the amount of interest capitalized was \$5.1 million and \$4.6 million, respectively. See “Note 6” for the amount of interest incurred related to the DST Program (as defined below).

As of March 31, 2024, 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 2024        | \$ —               | \$ —         | \$ 38,000          | \$ 38,000    |
| 2025                     | 683,000            | —            | 985,080            | 1,668,080    |
| 2026                     | —                  | 600,000      | 110,067            | 710,067      |
| 2027                     | —                  | 550,000      | 129,750            | 679,750      |
| 2028                     | —                  | —            | —                  | —            |
| Thereafter               | —                  | —            | 461,140            | 461,140      |
| Total principal payments | \$ 683,000         | \$ 1,150,000 | \$ 1,724,037       | \$ 3,557,037 |

- (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) With respect to our mortgage notes, there is a \$209.3 million mortgage note that matures in July 2025 and the term may be extended pursuant to a one-year extension option, subject to certain conditions. There is also a \$408.0 million mortgage note that matures in January 2025, a \$367.8 million mortgage note that matures in July 2025, and a \$129.1 million mortgage note that matures in October 2026, the terms of all three of which 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 March 31, 2024.

### Master 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 and are carried at the contractual amount, as specified in the Morgan Stanley MRA. Such borrowings are recorded as secured financings on investments in real estate debt securities on the condensed consolidated balance sheets. The terms of the Morgan Stanley MRA provide the lenders the ability to determine the size and terms of the financing provided based upon the particular collateral we have pledged, and may require us to provide additional collateral in the form of cash, securities, and other assets if the market value of such financed investments declines. The Morgan Stanley MRA may be terminated at any time by either party to the agreement, without penalty. The interest rate on the Morgan Stanley MRA borrowings is determined based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of each borrowing.

We have \$46.4 million of borrowings outstanding pursuant to the Morgan Stanley MRA, collateralized by certain of our available-for-sale securities, which are fair valued at \$62.9 million, as of March 31, 2024. Advances under the Morgan Stanley MRA for the three months ended March 31, 2024 accrued interest at a per annum rate equal to the sum of Term SOFR plus a pricing margin of 0.90%. For the three months ended March 31, 2024, the amount of interest incurred related to our secured financings was \$0.7 million, which is recorded as a component of interest expense on the condensed consolidated statements of operations.

### 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

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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 ongoing 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 March 31, 2024, we have four 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 \$32.1 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 March 31, 2024 and December 31, 2023.

| (\$ in thousands)                                     | Number of Contracts | Notional Amount | Balance Sheet Location | Fair Value |
|-------------------------------------------------------|---------------------|-----------------|------------------------|------------|
| <b>As of March 31, 2024</b>                           |                     |                 |                        |            |
| Interest rate swaps designated as cash flow hedges    | 10                  | \$ 1,092,830    | Derivative instruments | \$ 53,216  |
| Interest rate caps not designated as cash flow hedges | 4                   | 707,110         | Derivative instruments | 12,058     |
| Interest rate caps designated as cash flow hedges     | 8                   | 575,000         | Derivative instruments | 30,985     |
| Total derivative instruments                          | 22                  | \$ 2,374,940    |                        | \$ 96,259  |
| <b>As of December 31, 2023</b>                        |                     |                 |                        |            |
| Interest rate swaps designated as cash flow hedges    | 11                  | \$ 1,142,830    | Derivative instruments | \$ 41,091  |
| Interest rate caps not designated as cash flow hedges | 4                   | 707,110         | Derivative instruments | 14,887     |
| Interest rate caps designated as cash flow hedges     | 8                   | 475,000         | Derivative instruments | 27,553     |
| Total derivative instruments                          | 23                  | \$ 2,324,940    |                        | \$ 83,531  |

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

| (in thousands)                                                                                                                                    | For the Three Months Ended March 31, |             |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------|
|                                                                                                                                                   | 2024                                 | 2023        |
| <b>Derivative Instruments Designated as Cash Flow Hedges</b>                                                                                      |                                      |             |
| Gain (loss) recognized in AOCI                                                                                                                    | \$ 28,531                            | \$ (11,253) |
| Amount reclassified from AOCI as a decrease into interest expense                                                                                 | (10,151)                             | (9,055)     |
| Total interest expense presented in the condensed consolidated statements of operations in which the effects of the cash flow hedges are recorded | (55,701)                             | (48,464)    |
| <b>Derivative Instruments Not Designated as Cash Flow Hedges</b>                                                                                  |                                      |             |
| Unrealized loss on derivative instruments recognized in other income (expenses) (1)                                                               | \$ (2,829)                           | \$ (5,480)  |
| Realized gain on derivative instruments recognized in other income (expenses) (2)                                                                 | 5,148                                | 3,896       |

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

## 6. DST PROGRAM

We have a program to raise capital through private placement offerings by selling beneficial interests (“DST Interests”) in specific Delaware statutory trusts (each, a “DST”) 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 DSTs by the Operating Partnership or its affiliates (“DST Properties”). 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 to potential investors.

The following table summarizes our DST Program Loans as of March 31, 2024 and December 31, 2023:

| (\$ in thousands)                        | Outstanding<br>Principal | Unrealized<br>Gain, Net (1) | Book Value        | Weighted-<br>Average<br>Interest Rate | Weighted-Average<br>Remaining Life (Years) |
|------------------------------------------|--------------------------|-----------------------------|-------------------|---------------------------------------|--------------------------------------------|
| <b>As of March 31, 2024</b>              |                          |                             |                   |                                       |                                            |
| DST Program Loans, carried at cost       | \$ 170,479               | \$ N/A                      | \$ 170,479        | 5.13 %                                | 6.47                                       |
| DST Program Loans, carried at fair value | 7,635                    | —                           | 7,635             | 6.32                                  | 10.00                                      |
| Total                                    | <u>\$ 178,114</u>        | <u>\$ —</u>                 | <u>\$ 178,114</u> | <u>5.18 %</u>                         | <u>6.63</u>                                |
| <b>As of December 31, 2023</b>           |                          |                             |                   |                                       |                                            |
| DST Program Loans, carried at cost       | \$ 200,276               | \$ N/A                      | \$ 200,276        | 4.63 %                                | 7.42                                       |
| DST Program Loans, carried at fair value | 2,439                    | —                           | 2,439             | 6.27                                  | 10.00                                      |
| Total                                    | <u>\$ 202,715</u>        | <u>\$ N/A</u>               | <u>\$ 202,715</u> | <u>5.00 %</u>                         | <u>7.45</u>                                |

(1) Represents cumulative unrealized gain or loss on DST Program Loans carried at fair value.

The following table summarizes our financing obligations, net as of March 31, 2024 and December 31, 2023:

| (\$ in thousands)                            | DST<br>Interests Sold (1) | Unamortized<br>Program Costs | Total<br>Appreciation (2) | Unrealized<br>Gain, Net (3) | Book Value          |
|----------------------------------------------|---------------------------|------------------------------|---------------------------|-----------------------------|---------------------|
| <b>As of March 31, 2024</b>                  |                           |                              |                           |                             |                     |
| Financing obligations, carried at cost       | \$ 1,405,550              | \$ (1,531)                   | \$ 2,601                  | \$ N/A                      | \$ 1,406,620        |
| Financing obligations, carried at fair value | 154,392                   | N/A                          | N/A                       | (2,184)                     | 152,208             |
| Total                                        | <u>\$ 1,559,942</u>       | <u>\$ (1,531)</u>            | <u>\$ 2,601</u>           | <u>\$ (2,184)</u>           | <u>\$ 1,558,828</u> |
| <b>As of December 31, 2023</b>               |                           |                              |                           |                             |                     |
| Financing obligations, carried at cost       | \$ 1,559,200              | \$ (1,975)                   | \$ 14,264                 | \$ N/A                      | \$ 1,571,489        |
| Financing obligations, carried at fair value | 87,324                    | N/A                          | N/A                       | (179)                       | 87,145              |
| Total                                        | <u>\$ 1,646,524</u>       | <u>\$ (1,975)</u>            | <u>\$ 14,264</u>          | <u>\$ (179)</u>             | <u>\$ 1,658,634</u> |

(1) DST Interests sold are presented net of upfront fees.

(2) Represents cumulative financing obligation liability appreciation on financing obligations carried at cost.

(3) Represents cumulative unrealized gain or loss on financing obligations carried at fair value.

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The following table presents our DST Program activity for the three months ended March 31, 2024 and 2023:

| (in thousands)                                                         | For the Three Months Ended March 31, |            |
|------------------------------------------------------------------------|--------------------------------------|------------|
|                                                                        | 2024                                 | 2023       |
| DST Interests sold                                                     | \$ 68,435                            | \$ 110,914 |
| DST Interests financed by DST Program Loans                            | 5,196                                | 13,695     |
| Income earned from DST Program Loans (1)                               | 2,396                                | 1,831      |
| (Decrease) increase in financing obligation liability appreciation (2) | (6,664)                              | 4,734      |
| Rent obligation incurred under master lease agreements (2)             | 18,262                               | 14,995     |

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

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

We record DST Interests as financing obligation liabilities for accounting purposes. If we exercise our option to reacquire a DST property by issuing partnership units (“OP Units”) in exchange for DST Interests, we relieve the related financing obligation liability and DST Program Loans and record the issuance of the OP Units as an issuance of equity. During the three months ended March 31, 2024, 9.7 million OP Units were issued in exchange for DST Interests for a net investment of \$128.9 million in accordance with our Umbrella Partnership Real Estate Investment Trust (“UPREIT”) structure. There were no OP Units issued during the three months ended March 31, 2023.

Refer to “Note 11” for detail relating to the fees paid to the Advisor, Ares Wealth Management Solutions, LLC (the “Dealer Manager”) and their affiliates for raising capital through the DST Program.

## 7. FAIR VALUE

We estimate the fair value of our financial assets and liabilities 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 assets and liabilities.

### Fair Value Measurements on a Recurring Basis

The following table presents our financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023:

| (in thousands)                           | Level 1 | Level 2    | Level 3    | Total Fair Value |
|------------------------------------------|---------|------------|------------|------------------|
| <b>As of March 31, 2024</b>              |         |            |            |                  |
| <b>Assets</b>                            |         |            |            |                  |
| Derivative instruments                   | \$ —    | \$ 96,259  | \$ —       | \$ 96,259        |
| Available-for-sale debt securities       | —       | 86,609     | —          | 86,609           |
| Debt-related investments                 | —       | —          | 155,428    | 155,428          |
| DST Program Loans                        | —       | —          | 7,635      | 7,635            |
| Total assets measured at fair value      | \$ —    | \$ 182,868 | \$ 163,063 | \$ 345,931       |
| <b>Liabilities</b>                       |         |            |            |                  |
| Financing obligations                    | \$ —    | \$ —       | \$ 152,208 | \$ 152,208       |
| Total liabilities measured at fair value | \$ —    | \$ —       | \$ 152,208 | \$ 152,208       |
| <b>As of December 31, 2023</b>           |         |            |            |                  |
| <b>Assets</b>                            |         |            |            |                  |
| Derivative instruments                   | \$ —    | \$ 83,531  | \$ —       | \$ 83,531        |
| Available-for-sale debt securities       | —       | 55,632     | —          | 55,632           |
| Debt-related investments                 | —       | —          | 129,123    | 129,123          |
| DST Program Loans                        | —       | —          | 2,439      | 2,439            |
| Total assets measured at fair value      | \$ —    | \$ 139,163 | \$ 131,562 | \$ 270,725       |
| <b>Liabilities</b>                       |         |            |            |                  |
| Financing obligations                    | \$ —    | \$ —       | \$ 87,145  | \$ 87,145        |
| Total liabilities measured at fair value | \$ —    | \$ —       | \$ 87,145  | \$ 87,145        |

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

**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 5" 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.

**Debt-Related Investments.** Our debt-related investments are unlikely to have readily available market quotations. In such cases, we will generally determine the initial value based on the acquisition price of such investments, if we acquire the investment, or the par value of such investment, if we originate the investment. Following the initial measurement, fair value is estimated by utilizing or reviewing certain of the following: (i) market yield data, (ii) discounted cash flow modelling, (iii) collateral asset performance, (iv) local or macro real estate performance, (v) capital market conditions, (vi) debt yield, debt-service coverage and/or loan-to-value ratios, and (vii) borrower financial condition and performance. These inputs are generally considered Level 3. As of March 31, 2024, we had three floating-rate senior loan investments without readily available market quotations.

**DST Program Loans.** The estimate of fair value of DST Program Loans takes into consideration various factors including current market rates and conditions and similar agreements with comparable loan-to-value ratios and credit profiles, as applicable. DST Program Loans with near-term maturities are generally valued at par. The inputs used in estimating the fair value of these financial assets are generally considered Level 3.

**Financing Obligations.** The estimate of fair value of financing obligations takes into consideration various factors including current market rates and conditions, leasing and other activity at the underlying DST Program investments, remaining master lease payments to DST investors, and the current portion of DST Program offerings sold to DST investors. The inputs used in estimating the fair value of these financial liabilities are generally considered Level 3.

The following table presents our financial assets measured at fair value on a recurring basis using Level 3 inputs:

| (in thousands)                         | DST Program Loans | Debt-related investments | Total             |
|----------------------------------------|-------------------|--------------------------|-------------------|
| <b>Balance as of December 31, 2023</b> | \$ 2,439          | \$ 129,123               | \$ 131,562        |
| Purchases and contributions            | 5,196             | 25,298                   | 30,494            |
| Paid-in-kind interest                  | —                 | 1,007                    | 1,007             |
| <b>Balance as of March 31, 2024</b>    | <u>\$ 7,635</u>   | <u>\$ 155,428</u>        | <u>\$ 163,063</u> |

The following table presents our financial liabilities measured at fair value on a recurring basis using Level 3 inputs:

| (in thousands)                           | Financing Obligations |
|------------------------------------------|-----------------------|
| <b>Balance as of December 31, 2023</b>   | \$ 87,145             |
| DST Interests sold, net of upfront fees  | 67,068                |
| Unrealized gain on financing obligations | (2,005)               |
| <b>Balance as of March 31, 2024</b>      | <u>\$ 152,208</u>     |



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The following table presents the quantitative inputs and assumptions used for items categorized in Level 3 of the fair value hierarchy as of March 31, 2024:

| (in thousands)           | Fair Value | Valuation Technique  | Unobservable Inputs                       | Impact to Valuation from an Increase to Input |
|--------------------------|------------|----------------------|-------------------------------------------|-----------------------------------------------|
| <b>Assets:</b>           |            |                      |                                           |                                               |
| Debt-related investments | \$ 155,428 | Yield Method         | Market Yield                              | Decrease                                      |
| DST Program Loans        | 7,635      | Yield Method         | Market Yield                              | Decrease                                      |
| <b>Liabilities:</b>      |            |                      |                                           |                                               |
| Financing obligations    | \$ 152,208 | Discounted Cash Flow | Discount Rate<br>Exit Capitalization Rate | Decrease                                      |

The following table presents the quantitative inputs and assumptions used for items categorized in Level 3 of the fair value hierarchy as of December 31, 2023:

| (in thousands)           | Fair Value | Valuation Technique  | Unobservable Inputs                       | Impact to Valuation from an Increase to Input |
|--------------------------|------------|----------------------|-------------------------------------------|-----------------------------------------------|
| <b>Assets:</b>           |            |                      |                                           |                                               |
| Debt-related investments | \$ 129,123 | Yield Method         | Market Yield                              | Decrease                                      |
| DST Program Loans        | 2,439      | Yield Method         | Market Yield                              | Decrease                                      |
| <b>Liabilities:</b>      |            |                      |                                           |                                               |
| Financing obligations    | \$ 87,145  | Discounted Cash Flow | Discount Rate<br>Exit Capitalization Rate | Decrease                                      |

#### Financial Assets and Liabilities Not Measured At Fair Value

As of March 31, 2024 and December 31, 2023, the fair values of cash and cash equivalents, restricted cash, other assets, and accounts payable and accrued liabilities 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:

| (in thousands)                                                   | Level in<br>Fair Value Hierarchy (1) | As of March 31, 2024  |               | As of December 31, 2023 |               |
|------------------------------------------------------------------|--------------------------------------|-----------------------|---------------|-------------------------|---------------|
|                                                                  |                                      | Carrying<br>Value (2) | Fair<br>Value | Carrying<br>Value (2)   | Fair<br>Value |
| <b>Assets:</b>                                                   |                                      |                       |               |                         |               |
| DST Program Loans (3)                                            | 3                                    | \$ 170,479            | \$ 167,735    | \$ 200,276              | \$ 196,715    |
| <b>Liabilities:</b>                                              |                                      |                       |               |                         |               |
| Line of credit                                                   | 3                                    | \$ 683,000            | \$ 683,000    | \$ 570,000              | \$ 570,000    |
| Term loans                                                       | 3                                    | 1,150,000             | 1,150,000     | 1,150,000               | 1,150,000     |
| Mortgage notes                                                   | 3                                    | 1,724,037             | 1,651,117     | 1,722,325               | 1,647,660     |
| Secured financings on investments in real estate debt securities | 3                                    | 46,366                | 46,366        | 42,298                  | 42,298        |

- (1) The estimate of fair value of DST Program Loans, line of credit, term loans, mortgage notes and secured financings on investments in real estate debt securities takes into consideration various factors including current market rates and conditions and similar agreements with comparable loan-to-value ratios and credit profiles, as applicable. Debt instruments with near-term maturities are generally valued at par.
- (2) The carrying value reflects the principal amount outstanding.
- (3) Comprised of instruments for which we have not elected the fair value option and do not record at fair value on the condensed consolidated balance sheets.

## 8. EQUITY

### Public Offering

We may conduct a continuous public offering that will not have a predetermined duration, subject to continued compliance with the rules and regulations of the SEC and applicable state laws. On August 4, 2021, the SEC declared 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 (“DRIP”), 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 three months ended March 31, 2024, we raised gross proceeds of approximately \$42.4 million from the sale of approximately 3.2 million shares of our common stock in our ongoing public offering, including proceeds from our distribution reinvestment plan of approximately \$22.4 million.

## Common Stock

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

| (in thousands)                                   | Class T<br>Shares | Class D<br>Shares | Class I<br>Shares | Total<br>Shares |
|--------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>FOR THE THREE MONTHS ENDED MARCH 31, 2023</b> |                   |                   |                   |                 |
| <b>Balance as of December 31, 2022</b>           | 227,265           | 20,577            | 66,702            | 314,544         |
| Issuance of common stock:                        |                   |                   |                   |                 |
| Primary shares                                   | 3,292             | 764               | 1,258             | 5,314           |
| DRIP                                             | 929               | 101               | 330               | 1,360           |
| Stock grants, net of cancellations               | —                 | —                 | 165               | 165             |
| Redemptions                                      | (6,209)           | (624)             | (2,026)           | (8,859)         |
| Conversions                                      | (11,416)          | —                 | 11,416            | —               |
| Forfeitures                                      | —                 | —                 | (2)               | (2)             |
| <b>Balance as of March 31, 2023</b>              | <u>213,861</u>    | <u>20,818</u>     | <u>77,843</u>     | <u>312,522</u>  |
| <b>FOR THE THREE MONTHS ENDED MARCH 31, 2024</b> |                   |                   |                   |                 |
| <b>Balance as of December 31, 2023</b>           | 162,838           | 20,410            | 105,358           | 288,606         |
| Issuance of common stock:                        |                   |                   |                   |                 |
| Primary shares                                   | 753               | 196               | 538               | 1,487           |
| DRIP                                             | 803               | 124               | 766               | 1,693           |
| Stock grants, net of cancellations               | —                 | —                 | 88                | 88              |
| Redemptions                                      | (3,994)           | (468)             | (3,332)           | (7,794)         |
| Conversions                                      | (35,249)          | (239)             | 35,488            | —               |
| Forfeitures                                      | —                 | —                 | (9)               | (9)             |
| <b>Balance as of March 31, 2024</b>              | <u>125,151</u>    | <u>20,023</u>     | <u>138,897</u>    | <u>284,071</u>  |

## Distributions

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

| (in thousands, except per share data) | Amount                           |                                               |                                 |                         |                          |                            |
|---------------------------------------|----------------------------------|-----------------------------------------------|---------------------------------|-------------------------|--------------------------|----------------------------|
|                                       | Declared per<br>Common Share (1) | Common Stock<br>Distributions<br>Paid in Cash | Other Cash<br>Distributions (2) | Reinvested<br>in Shares | Distribution<br>Fees (3) | Gross<br>Distributions (4) |
| <b>2024</b>                           |                                  |                                               |                                 |                         |                          |                            |
| March 31                              | \$ 0.15000                       | \$ 16,820                                     | \$ 2,235                        | \$ 22,484               | \$ 3,596                 | \$ 45,135                  |
| Total                                 | <u>\$ 0.15000</u>                | <u>\$ 16,820</u>                              | <u>\$ 2,235</u>                 | <u>\$ 22,484</u>        | <u>\$ 3,596</u>          | <u>\$ 45,135</u>           |
| <b>2023</b>                           |                                  |                                               |                                 |                         |                          |                            |
| December 31                           | \$ 0.15000                       | \$ 16,483                                     | \$ 1,270                        | \$ 22,196               | \$ 4,987                 | \$ 44,936                  |
| September 30                          | 0.15000                          | 16,825                                        | 1,296                           | 22,550                  | 5,721                    | 46,392                     |
| June 30                               | 0.13625                          | 15,490                                        | 1,177                           | 20,357                  | 6,344                    | 43,368                     |
| March 31                              | 0.13625                          | 15,284                                        | 1,107                           | 20,653                  | 6,806                    | 43,850                     |
| Total                                 | <u>\$ 0.57250</u>                | <u>\$ 64,082</u>                              | <u>\$ 4,850</u>                 | <u>\$ 85,756</u>        | <u>\$ 23,858</u>         | <u>\$ 178,546</u>          |

- (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 distribution fees paid to the Dealer Manager with respect to OP Units and distributions paid to holders of OP Units and other noncontrolling interest holders.
- (3) Distribution fees are paid monthly to 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 reallocated (paid) to, participating broker-dealers and servicing broker-dealers. Refer to "Note 11" for further detail regarding distribution fees.
- (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 pursuant to our share redemption program for the three months ended March 31, 2024 and 2023. 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:

| (in thousands, except per share data)      | For the Three Months Ended March 31, |            |
|--------------------------------------------|--------------------------------------|------------|
|                                            | 2024                                 | 2023       |
| Number of shares redeemed                  | 7,794                                | 8,859      |
| Aggregate dollar amount of shares redeemed | \$ 102,852                           | \$ 134,988 |
| Average redemption price per share         | \$ 13.20                             | \$ 15.24   |

## 9. REDEEMABLE NONCONTROLLING INTERESTS

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

The Operating Partnership issued OP Units to the Advisor and 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 three months ended March 31, 2024 and 2023:

| (\$ and units in thousands)                                                                                                    | For the Three Months Ended March 31, 2024 |              | For the Three Months Ended March 31, 2023 |              |
|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------|-------------------------------------------|--------------|
|                                                                                                                                | \$                                        | Units        | \$                                        | Units        |
| <b>Balance at beginning of the year</b>                                                                                        | \$ 114,310                                | 8,346        | \$ 69,553                                 | 4,532        |
| Settlement of prior year performance participation allocation (1)                                                              | —                                         | —            | 62,667                                    | 4,105        |
| Distributions to redeemable noncontrolling interests                                                                           | (1,252)                                   | —            | (1,107)                                   | —            |
| Net loss attributable to redeemable noncontrolling interests                                                                   | (282)                                     | —            | (1,672)                                   | —            |
| Change from cash flow hedging activities and available-for-sale securities attributable to redeemable noncontrolling interests | 524                                       | —            | (517)                                     | —            |
| Redemption value allocation adjustment to redeemable noncontrolling interests (2)                                              | (2,290)                                   | —            | 942                                       | —            |
| <b>Ending balance</b>                                                                                                          | <u>\$ 111,010</u>                         | <u>8,346</u> | <u>\$ 129,866</u>                         | <u>8,637</u> |

- (1) The performance hurdle was not met for the year ended December 31, 2023 and no performance participation allocation expense was recognized. 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 in cash in the amount of \$77.8 million, and the remainder in 4.1 million Class I OP Units in January 2023 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").
- (2) Represents the adjustment recorded to mark to the redemption value of the redeemable noncontrolling interests, which is equivalent to fair value as of March 31, 2024 and 2023.

## 10. NONCONTROLLING INTERESTS

### OP Units

The following table summarizes the number of OP Units issued and outstanding to third-party investors (excludes interests held by redeemable noncontrolling interest holders):

| (in thousands)                            | For the Three Months Ended March 31, |          |
|-------------------------------------------|--------------------------------------|----------|
|                                           | 2024                                 | 2023     |
| <b>Balance at beginning of the period</b> | —                                    | —        |
| Issuance of units                         | 9,741                                | —        |
| <b>Balance at end of the period</b>       | <b>9,741</b>                         | <b>—</b> |

Subject to certain restrictions and limitations, the holders of OP Units may redeem all or a portion of their OP Units for either: shares of the equivalent class of common stock, cash or a combination of both. If we elect to redeem OP Units for shares of our common stock, we will generally deliver one share of our common stock for each such OP Unit redeemed (subject to any redemption fees withheld), and such shares may, subsequently, only be redeemed for cash in accordance with the terms of our share redemption program. If we elect to redeem OP Units for cash, the cash delivered per unit will equal the then-current NAV per unit of the applicable class of OP Units (subject to any redemption fees withheld), which will equal the then-current NAV per share of our corresponding class of shares. The estimated maximum redemption value of the aggregate outstanding OP Units issued to third party investors as of March 31, 2024 was \$124.5 million. There were no OP Unit redemptions during the three months ended March 31, 2024. As of March 31, 2023, no OP Units had been issued to third-party investors.

## 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 securities offerings and any related amounts payable:

| (in thousands)                                                                 | For the Three Months Ended March 31, |                  | Receivable (Payable) as of |                    |
|--------------------------------------------------------------------------------|--------------------------------------|------------------|----------------------------|--------------------|
|                                                                                | 2024                                 | 2023             | March 31, 2024             | December 31, 2023  |
| Selling commissions and dealer manager fees (1)                                | \$ 352                               | \$ 2,008         | \$ —                       | \$ —               |
| Ongoing distribution fees (1)(2)                                               | 3,746                                | 6,806            | (1,219)                    | (1,549)            |
| Advisory fee—fixed component                                                   | 17,007                               | 19,254           | (5,585)                    | (5,813)            |
| Other expense reimbursements (3)(4)                                            | 3,288                                | 3,339            | (2,774)                    | (2,799)            |
| Property accounting fee (5)                                                    | 843                                  | 824              | (295)                      | 129                |
| DST Program selling commissions, dealer manager fees and distribution fees (1) | 1,418                                | 1,438            | (796)                      | (852)              |
| Other DST Program related costs (4)                                            | 1,038                                | 1,505            | (188)                      | (215)              |
| Development fees (6)                                                           | 292                                  | 691              | (170)                      | (588)              |
| <b>Total</b>                                                                   | <b>\$ 27,984</b>                     | <b>\$ 35,865</b> | <b>\$ (11,027)</b>         | <b>\$ (11,687)</b> |

- (1) All or a portion of these amounts will be retained by, or reallocated (paid) to, participating broker-dealers and servicing broker-dealers.
- (2) The distribution fees are payable monthly in arrears. Additionally, we accrue for future estimated amounts payable related to ongoing distribution fees. The future estimated amounts payable were approximately \$69.1 million and \$64.5 million as of March 31, 2024 and December 31, 2023, respectively.
- (3) Other expense reimbursements include certain expenses incurred for organization and offering, acquisition, and general administrative services provided to us under the Advisory Agreement, including, but not limited to, certain expenses described below after footnote 6, allocated rent paid to both third parties and affiliates of the Advisor, equipment, utilities, insurance, travel and entertainment.
- (4) Includes costs reimbursed to the Advisor related to the DST Program.
- (5) The cost of the property management fee, including the property accounting fee, is generally borne by the tenant or tenants at each real property, either via a direct reimbursement to 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.
- (6) Development fees are included in the total development project costs of the respective properties and are capitalized in construction in progress, which is included in net investment in real estate properties on our condensed consolidated balance sheets. Amounts also include our proportionate share of development acquisition fees relating to our joint venture partnership, which are included in investment in unconsolidated joint venture partnership 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 \$3.1 million and \$3.2 million for the three months ended March 31, 2024 and 2023, respectively, for such compensation expenses reimbursable to the Advisor.

### Performance Participation Allocation

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 March 31, 2024 and 2023; therefore no performance participation allocation expense was recognized in our condensed consolidated statements of operations for the three months ended March 31, 2024 and 2023.

### Joint Venture Partnerships

For the three months ended March 31, 2024 and March 31, 2023, our joint venture partnership incurred approximately \$0.3 million and \$0.5 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:

| (in thousands, except per share data)                          | For the Three Months Ended March 31, |             |
|----------------------------------------------------------------|--------------------------------------|-------------|
|                                                                | 2024                                 | 2023        |
| Net loss attributable to common stockholders—basic             | \$ (9,678)                           | \$ (64,812) |
| Net loss attributable to redeemable noncontrolling interests   | (282)                                | (1,672)     |
| Net (loss) income attributable to noncontrolling interests     | (208)                                | 9           |
| Net loss attributable to common stockholders—diluted           | \$ (10,168)                          | \$ (66,475) |
| Weighted-average shares outstanding—basic                      | 285,990                              | 313,491     |
| Incremental weighted-average shares outstanding—diluted        | 14,768                               | 8,091       |
| Weighted-average shares outstanding—diluted                    | 300,758                              | 321,582     |
| <b>Net loss per share attributable to common stockholders:</b> |                                      |             |
| Basic                                                          | \$ (0.03)                            | \$ (0.21)   |
| Diluted                                                        | \$ (0.03)                            | \$ (0.21)   |

## 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 Three Months Ended March 31, |         |
|--------------------------------------------------------------------------------------------------|--------------------------------------|---------|
|                                                                                                  | 2024                                 | 2023    |
| <b>Supplemental disclosure of non-cash investing and financing activities:</b>                   |                                      |         |
| Distributions reinvested in common stock                                                         | 22,399                               | 20,733  |
| Increase in DST Program Loans receivable through DST Program capital raising                     | 5,196                                | 13,695  |
| Issuances of OP Units for DST Interests                                                          | 128,853                              | —       |
| Redeemable noncontrolling interests issued as settlement of performance participation allocation | —                                    | 62,667  |
| Increase (decrease) in accrued future ongoing distribution fees                                  | 4,613                                | (5,827) |
| (Decrease) increase in accrued capital expenditures                                              | (11,601)                             | 6,503   |
| Non-cash selling commissions and dealer manager fees                                             | 352                                  | 2,008   |

### Restricted Cash

Restricted cash consists of lender, insurance 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 Three Months Ended March 31, |           |
|--------------------------------------------|--------------------------------------|-----------|
|                                            | 2024                                 | 2023      |
| <b>Beginning of period:</b>                |                                      |           |
| Cash and cash equivalents                  | \$ 14,322                            | \$ 79,524 |
| Restricted cash                            | 620                                  | 499       |
| Cash, cash equivalents and restricted cash | \$ 14,942                            | \$ 80,023 |
| <b>End of period:</b>                      |                                      |           |
| Cash and cash equivalents                  | \$ 82,797                            | \$ 46,431 |
| Restricted cash                            | 29,046                               | 503       |
| Cash, cash equivalents and restricted cash | \$ 111,843                           | \$ 46,934 |

## 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 March 31, 2024, 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 we may acquire in connection with the development of land. We have acquired and may in the future 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 materials. 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 March 31, 2024.

## **15. SUBSEQUENT EVENTS**

### **Renewal of Advisory Agreement**

We, the Operating Partnership and the Advisor previously entered into that certain Amended and Restated Advisory Agreement (2023), effective April 30, 2023 (the "2023 Advisory Agreement"). The term of the 2023 Advisory Agreement continued through April 30, 2024, subject to renewal for an unlimited number of one-year periods. Effective as of April 30, 2024, we, the Operating Partnership and the Advisor renewed the 2023 Advisory Agreement on substantially the same terms through April 30, 2025, by entering into the Amended and Restated Advisory Agreement (2024) (the "2024 Advisory Agreement"). The 2024 Advisory Agreement clarifies the descriptions of certain services that will continue to be provided by the Advisor and certain expenses for which the Advisor may continue to be reimbursed.

### **Dispositions**

Subsequent to March 31, 2024, we sold two industrial properties for a gross sales price of \$23.9 million. Our accounting basis (net of accumulated depreciation and amortization) for these properties as of the disposition date was approximately \$14.0 million.



## 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 securities offerings, the expected use of net proceeds from our securities offerings, our reliance on Ares Commercial Real Estate Management LLC (the “Advisor”) and Ares real estate (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 securities 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, changes in interest rates and the conflicts in Ukraine and in the Middle East;
- 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 offer shares of our common stock on a continuous basis, 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 may file new registration statements to replace existing registration statements. 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 (“Section 1031 Exchanges”) 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 Section 1031 Exchanges. 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 DST Interests. During the three months ended March 31, 2024, we sold \$68.4 million of gross interests related to the DST Program, \$5.2 million of which were financed by DST Program Loans. See “Note 6 to the Condensed Consolidated Financial Statements” for additional detail regarding the DST Program.

During the three months ended March 31, 2024, we raised gross proceeds of approximately \$42.4 million from the sale of approximately 3.2 million shares of our common stock, including shares issued pursuant to our distribution reinvestment plan. See “Note 8 to the Condensed Consolidated Financial Statements” for information concerning our public offering.

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As of March 31, 2024, we directly owned and managed a real estate portfolio that included 252 industrial buildings totaling approximately 53.4 million square feet located in 29 markets throughout the U.S., with 418 customers, and was 93.1% occupied (93.8% leased) with a weighted-average remaining lease term (based on square feet) of approximately 3.9 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 March 31, 2024, we transacted approximately 1.6 million square feet of new and renewal leases, and rent growth on comparable leases averaged 55.0%, calculated using cash basis rental rates (67.5% 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. As of March 31, 2024 our real estate portfolio included:

- 245 industrial buildings totaling approximately 51.3 million square feet comprised our operating portfolio, which includes stabilized properties, and was 96.9% occupied (97.4% leased) with a weighted-average remaining lease term (based on square feet) of approximately 3.9 years; and
- Seven industrial buildings totaling approximately 2.1 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 March 31, 2024, we owned and managed two industrial buildings either under construction or in the pre-construction phase totaling approximately 0.2 million square feet. Unless otherwise noted, these buildings are excluded from the presentation of our portfolio data herein.

As of March 31, 2024, we owned and managed two industrial buildings totaling approximately 0.8 million square feet and three buildings that were either under construction or in the pre-construction phase totaling approximately 1.0 million square feet, through our 8.0% minority ownership interest in our joint venture partnership. Unless otherwise noted, these buildings are excluded from the presentation of our portfolio data herein.

As of March 31, 2024, we had debt security investments designated as available-for-sale securities with a fair value of \$86.6 million and a cumulative unrealized gain of \$0.9 million from the acquisition dates. The weighted-average remaining term of our debt securities, which is based on the fully extended maturity date of the instruments, was approximately 3.65 years as of March 31, 2024.

As of March 31, 2024, we had three debt-related investments comprised of floating-rate senior loans with an aggregate commitment of up to \$211.2 million, with a weighted-average remaining term of 2.14 years and a weighted-average interest rate of 9.02%, calculated based on Term SOFR plus a weighted-average margin of 3.69%. As of March 31, 2024, the outstanding principal amount and fair value were both \$155.4 million.

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 and valuations for certain of our debt-related assets, reviewing annual third-party real property appraisals, 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 in their appraisals 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 investments that are bought or sold during a given calendar year, unconsolidated investments held through joint ventures or partnerships are valued by an independent appraiser at least once per calendar year. For valuations during interim periods, not less than quarterly, either (1) our Advisor or a qualified third party that we engage will determine the estimated fair value of the investments owned by unconsolidated affiliates or (2) we will utilize interim valuations determined pursuant to valuation policies and procedures established 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 \$8.36 billion compares to a GAAP basis of real properties (net of intangible lease liabilities and before accumulated amortization and depreciation) of \$7.32 billion, representing a difference of approximately \$1.0 billion, or 14.2%.

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

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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 March 31, 2024 and December 31, 2023:

| (in thousands)                                                      | As of          |                   |
|---------------------------------------------------------------------|----------------|-------------------|
|                                                                     | March 31, 2024 | December 31, 2023 |
| Investments in industrial properties                                | \$ 8,364,750   | \$ 8,632,800      |
| Investment in unconsolidated joint venture partnership              | 17,885         | 19,277            |
| Investments in real estate debt and securities                      | 242,037        | 184,755           |
| DST Program Loans                                                   | 175,370        | 199,154           |
| Cash and cash equivalents                                           | 82,797         | 14,322            |
| Restricted cash                                                     | 29,046         | 620               |
| Other assets                                                        | 73,322         | 75,208            |
| Line of credit, term loans and mortgage notes                       | (3,557,200)    | (3,442,540)       |
| Secured financings on investments in real estate-related securities | (46,366)       | (42,298)          |
| Financing obligations associated with our DST Program               | (1,453,708)    | (1,569,545)       |
| Other liabilities                                                   | (133,137)      | (144,286)         |
| Accrued performance participation allocation                        | —              | —                 |
| Accrued fixed component of advisory fee                             | (5,585)        | (5,813)           |
| Aggregate Fund NAV                                                  | \$ 3,789,211   | \$ 3,921,654      |
| Total Fund Interests outstanding                                    | 301,785        | 296,513           |

The following table sets forth the NAV per Fund Interest as of March 31, 2024:

| (in thousands, except per Fund Interest data) | Total        | Class T Shares | Class D Shares | Class I Shares (1) | OP Units   |
|-----------------------------------------------|--------------|----------------|----------------|--------------------|------------|
| Monthly NAV                                   | \$ 3,789,211 | \$ 1,571,390   | \$ 251,407     | \$ 1,739,310       | \$ 227,104 |
| Fund Interests outstanding                    | 301,785      | 125,151        | 20,023         | 138,524            | 18,087     |
| NAV Per Fund Interest                         | \$ 12.5560   | \$ 12.5560     | \$ 12.5560     | \$ 12.5560         | \$ 12.5560 |

(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 March 31, 2024, we estimated approximately \$70.3 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 DSTs 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 6 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.

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The valuations of our real properties as of March 31, 2024, 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:

|                                         | <b>Weighted-Average Basis</b> |
|-----------------------------------------|-------------------------------|
| Exit capitalization rate                | 5.8 %                         |
| Discount rate / internal rate of return | 7.2 %                         |
| Average holding period (years)          | 10.0                          |

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:

| <b>Input</b>                                | <b>Hypothetical Change</b> | <b>Increase (Decrease) to the Fair Value of Real Properties</b> |
|---------------------------------------------|----------------------------|-----------------------------------------------------------------|
| Exit capitalization rate (weighted-average) | 0.25% decrease             | 3.0 %                                                           |
|                                             | 0.25% increase             | (2.8)%                                                          |
| Discount rate (weighted-average)            | 0.25% decrease             | 2.0 %                                                           |
|                                             | 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, corporate-level credit facilities, and other secured and unsecured debt 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 March 31, 2024, 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 March 31, 2024 was \$138.8 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 \$138.8 million, or \$0.46 per share, not taking into account all of the other items that impact our monthly NAV, as of March 31, 2024.



## 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 March 31, 2024:

| (in thousands)                                                                                     | As of March 31, 2024 |
|----------------------------------------------------------------------------------------------------|----------------------|
| Total stockholders' equity                                                                         | \$ 1,763,538         |
| Noncontrolling interests                                                                           | 60,788               |
| Total equity under GAAP                                                                            | 1,824,326            |
| Adjustments:                                                                                       |                      |
| Accrued distribution fee (1)                                                                       | 69,130               |
| Redeemable noncontrolling interests (2)                                                            | 111,010              |
| Unrealized net appreciation (depreciation) on real estate and financial assets and liabilities (3) | 1,143,077            |
| Unrealized gain (loss) on investments in unconsolidated joint venture partnership (4)              | (2,633)              |
| Accumulated depreciation and amortization (5)                                                      | 757,247              |
| Other adjustments (6)                                                                              | (112,946)            |
| Aggregate Fund NAV                                                                                 | \$ 3,789,211         |

- (1) Accrued distribution fee represents the accrual for the full cost of the distribution fee for Class T shares, Class D shares and OP Units. 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. Similarly, we accrued a liability for future distribution fees we expect will be paid based on our estimate of how long OP Units will be outstanding, also as an offering cost. 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 under GAAP.
- (3) Our investments in real estate and certain of our financial assets and liabilities, including our debt, certain of our financing obligations, and certain of our DST Program Loans, are presented at their carrying value in our condensed consolidated financial statements. As such, any increases or decreases in the fair market value of our investments in real estate and certain of our financial assets and liabilities are not included in our GAAP results. For purposes of determining our NAV, our investments in real estate, investments in real estate debt and securities, financing obligations, and DST Program Loans are recorded at fair value. Notwithstanding, our property-level mortgages, corporate-level credit facilities and other secured and unsecured debt that are intended to be held to maturity are valued at par (i.e., at their respective outstanding balances).
- (4) Our investment in our unconsolidated joint venture partnership is presented using the equity method of accounting in our condensed consolidated financial statements. As such, certain increases or decreases in the fair market value of the underlying investments or debt instruments associated with the investment in our unconsolidated joint venture partnership 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 instruments 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, (ii) certain interest rate hedges, which are recorded at fair value in accordance with GAAP but are not included for purposes of determining our NAV if intended to be held to maturity, and (iii) other minor adjustments.

## Performance

Our NAV decreased from \$13.23 per share as of December 31, 2023 to \$12.56 per share as of March 31, 2024. The decrease in NAV was primarily driven by the expansion of capital markets assumptions and the impact of interest rate increases.

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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, other secured and unsecured debt 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 March 31, 2024)                                                                                                                                                                      | Trailing<br>Three-Months (1) | Year-to-Date (1) | One-Year<br>(Trailing<br>12-Months) (1) | Three-Year<br>Annualized (1) | Five-Year<br>Annualized (1) | Since NAV<br>Inception<br>Annualized (1)(2)(3) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------|-----------------------------------------|------------------------------|-----------------------------|------------------------------------------------|
| Class T Share Total Return (with Sales Charge)<br>(3)                                                                                                                                       | (8.47)%                      | (8.47)%          | (17.22)%                                | 9.17 %                       | 7.59 %                      | 7.02 %                                         |
| Adjusted Class T Share Total Return (with Sales<br>Charge) (continued inclusion of mark-to-market<br>adjustments for borrowing-related interest rate<br>hedge and debt instruments) (4)     | (8.79)%                      | (8.79)%          | (17.83)%                                | 10.03 %                      | 7.98 %                      | 7.32 %                                         |
| Difference                                                                                                                                                                                  | 0.32 %                       | 0.32 %           | 0.61 %                                  | (0.86)%                      | (0.39)%                     | (0.30)%                                        |
| Class T Share Total Return (without Sales Charge)<br>(3)                                                                                                                                    | (4.16)%                      | (4.16)%          | (13.32)%                                | 10.86 %                      | 8.59 %                      | 7.79 %                                         |
| Adjusted Class T Share Total Return (without<br>Sales Charge) (continued inclusion of mark-to-<br>market adjustments for borrowing-related interest<br>rate hedge and debt instruments) (4) | (4.49)%                      | (4.49)%          | (13.96)%                                | 11.73 %                      | 8.98 %                      | 8.09 %                                         |
| Difference                                                                                                                                                                                  | 0.33 %                       | 0.33 %           | 0.64 %                                  | (0.87)%                      | (0.39)%                     | (0.30)%                                        |
| Class D Share Total Return (3)                                                                                                                                                              | (4.02)%                      | (4.02)%          | (12.83)%                                | 11.43 %                      | 9.13 %                      | 8.71 %                                         |
| Adjusted Class D Share Total Return (continued<br>inclusion of mark-to-market adjustments for<br>borrowing-related interest rate hedge and debt<br>instruments) (4)                         | (4.36)%                      | (4.36)%          | (13.47)%                                | 12.30 %                      | 9.52 %                      | 9.04 %                                         |
| Difference                                                                                                                                                                                  | 0.34 %                       | 0.34 %           | 0.64 %                                  | (0.87)%                      | (0.39)%                     | (0.33)%                                        |
| Class I Share Total Return (3)                                                                                                                                                              | (3.97)%                      | (3.97)%          | (12.62)%                                | 11.76 %                      | 9.54 %                      | 8.76 %                                         |
| Adjusted Class I Share Total Return (continued<br>inclusion of mark-to-market adjustments for<br>borrowing-related interest rate hedge and debt<br>instruments) (4)                         | (4.30)%                      | (4.30)%          | (13.26)%                                | 12.64 %                      | 9.94 %                      | 9.07 %                                         |
| Difference                                                                                                                                                                                  | 0.33 %                       | 0.33 %           | 0.64 %                                  | (0.88)%                      | (0.40)%                     | (0.31)%                                        |

- (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



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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**

Macroeconomic performance during the first quarter of 2024 has shown continued inflationary pressures, higher revisions to future interest rate levels, ongoing regulatory uncertainty and greater geopolitical risks. The publicly traded equity and credit markets delivered positive returns for most asset classes, as the stability of the U.S. banking system and resilient fundamental macroeconomic performance drove improved investor demand and generally reduced risk premiums. Despite the overall improvement in the liquid capital markets, the industrial real estate markets continue to be impacted by certain property-specific and macroeconomic factors. Most notably, the first quarter of 2024 was another period of higher revisions for future market rate expectation amidst generally restrictive credit conditions, especially from regulated lending institutions that are adjusting their business models to increase capital requirements for direct loans. Collectively, these market dynamics pose challenges to industrial real estate values and transaction activity. Although the Federal Reserve has signaled for a potential decrease in interest rates in 2024, heightened inflation has indicated that the interest rates may remain higher than previously expected. There is no certainty that there will be a decrease in interest rates in 2024 and there is no certainty as to the magnitude or pace of potential decreases, especially if inflation accelerates.

We believe that some of these market trends may be offset by the material decline in new industrial real estate development that unfolded throughout 2023 and has continued into 2024. Ultimately, this lack of new future inventory may result in a shortage of contemporary, in demand properties in the years to come. Alongside this burgeoning trend there is a significant amount of unspent capital targeting industrial real estate properties that could support values and elevate transaction activities.

## **RESULTS OF OPERATIONS**

### **Summary of 2024 Activities**

During the three months ended March 31, 2024, we completed the following activities:

- Our NAV decreased to \$12.56 per share as of March 31, 2024 from \$13.23 per share as of December 31, 2023. See “Item 2. Management’s Discussion and Analysis—Performance” above for additional information regarding this decrease.
- We raised \$42.4 million of gross equity capital from our public offerings. Additionally, we raised \$68.4 million of gross capital through private placement offerings by selling DST Interests, \$5.2 million of which were financed by DST Program Loans, net of repayments. We redeemed 7.8 million shares for an aggregate dollar amount of \$102.9 million.
- We leased approximately 1.6 million square feet, which included 0.4 million square feet of new and future leases and 1.2 million square feet of renewals through 20 separate transactions with an average annual base rent of \$8.02 per square foot, representing rent growth of 55.0% on comparable leases, calculated using cash basis rental rates (67.5% when calculated on a GAAP basis).
- We acquired one debt-related investment of a floating-rate senior loan with an aggregate commitment of up to \$36.4 million, with a weighted-average remaining term of 2.90 years and an interest rate of 10.08%, calculated based on Term SOFR plus a margin of 4.75%. As of March 31, 2024, the principal amount and fair value were both \$12.3 million.
- We acquired debt security investments with an aggregate face amount of \$30.9 million with a weighted-average remaining term of 4.90 years. As of March 31, 2024, the amortized cost was \$30.8 million and the fair value was \$30.9 million.
- We issued 9.7 million OP Units in exchange for DST Interests for a net investment of \$128.9 million.
- We disposed of four industrial buildings comprised of approximately 0.6 million square feet for net proceeds of approximately \$103.7 million and recorded a net gain on sale of \$37.3 million related to the sale of these buildings.

**Portfolio Information**

As of March 31, 2024 and December 31, 2023, our owned and managed portfolio was as follows:

| (square feet in thousands)                  | As of          |                   |
|---------------------------------------------|----------------|-------------------|
|                                             | March 31, 2024 | December 31, 2023 |
| <b>Portfolio data:</b>                      |                |                   |
| Total buildings                             | 252            | 256               |
| Total rentable square feet                  | 53,426         | 54,028            |
| Total number of customers                   | 418            | 429               |
| Percent occupied of operating portfolio (1) | 96.9 %         | 97.3 %            |
| Percent occupied of total portfolio (1)     | 93.1 %         | 93.5 %            |
| Percent leased of operating portfolio (1)   | 97.4 %         | 97.7 %            |
| Percent leased of total portfolio (1)       | 93.8 %         | 93.9 %            |

(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 Months Ended March 31, 2024 Compared to Prior Periods

The following table sets forth information regarding our consolidated results of operations for the three months ended March 31, 2024 as compared to the three months ended December 31, 2023, and for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023:

| (in thousands, except per share data)                                           | For the Three Months Ended |                    |                  |               | For the Three Months Ended March 31, |                    |                  |               |
|---------------------------------------------------------------------------------|----------------------------|--------------------|------------------|---------------|--------------------------------------|--------------------|------------------|---------------|
|                                                                                 | March 31, 2024             | December 31, 2023  | Change           | % Change      | 2024                                 | 2023               | Change           | % Change      |
| <b>Revenues:</b>                                                                |                            |                    |                  |               |                                      |                    |                  |               |
| Rental revenues                                                                 | \$ 120,264                 | \$ 118,503         | \$ 1,761         | 1.5 %         | \$ 120,264                           | \$ 111,576         | \$ 8,688         | 7.8 %         |
| Debt-related income                                                             | 5,134                      | 3,825              | 1,309            | 34.2 %        | 5,134                                | 1,068              | 4,066            | NM            |
| Total revenues                                                                  | 125,398                    | 122,328            | 3,070            | 2.5 %         | 125,398                              | 112,644            | 12,754           | 11.3 %        |
| <b>Operating expenses:</b>                                                      |                            |                    |                  |               |                                      |                    |                  |               |
| Rental expenses                                                                 | 29,843                     | 27,619             | 2,224            | 8.1 %         | 29,843                               | 27,178             | 2,665            | 9.8 %         |
| Real estate-related depreciation and amortization                               | 72,230                     | 76,925             | (4,695)          | (6.1)%        | 72,230                               | 72,331             | (101)            | (0.1)%        |
| General and administrative expenses                                             | 4,475                      | 3,742              | 733              | 19.6 %        | 4,475                                | 4,127              | 348              | 8.4 %         |
| Advisory fees                                                                   | 17,007                     | 17,656             | (649)            | (3.7)%        | 17,007                               | 19,254             | (2,247)          | (11.7)%       |
| Acquisition costs and reimbursements                                            | 554                        | 732                | (178)            | (24.3)%       | 554                                  | 8,319              | (7,765)          | (93.3)%       |
| Total operating expenses                                                        | 124,109                    | 126,674            | (2,565)          | (2.0)%        | 124,109                              | 131,209            | (7,100)          | (5.4)%        |
| <b>Other income (expenses):</b>                                                 |                            |                    |                  |               |                                      |                    |                  |               |
| Equity in income (loss) from unconsolidated joint venture partnership           | 7                          | 56                 | (49)             | (87.5)%       | 7                                    | (76)               | 83               | NM            |
| Interest expense                                                                | (55,701)                   | (48,779)           | (6,922)          | (14.2)%       | (55,701)                             | (48,464)           | (7,237)          | (14.9)%       |
| Unrealized gain on financing obligations                                        | 2,005                      | 179                | 1,826            | NM            | 2,005                                | —                  | 2,005            | 100.0 %       |
| Gain on derivative instruments                                                  | 2,319                      | (2,359)            | 4,678            | NM            | 2,319                                | (1,584)            | 3,903            | NM            |
| Gain on sale of real estate property                                            | 37,342                     | —                  | 37,342           | 100.0 %       | 37,342                               | —                  | 37,342           | 100.0 %       |
| Other income and (expenses)                                                     | 2,571                      | 2,945              | (374)            | (12.7)%       | 2,571                                | 2,214              | 357              | 16.1 %        |
| Total other income (expenses)                                                   | (11,457)                   | (47,958)           | 36,501           | (76.1)%       | (11,457)                             | (47,910)           | 36,453           | (76.1)%       |
| <b>Net loss</b>                                                                 | (10,168)                   | (52,304)           | 42,136           | 80.6 %        | (10,168)                             | (66,475)           | 56,307           | 84.7 %        |
| Net (loss) income attributable to redeemable noncontrolling interests           | 282                        | 1,400              | (1,118)          | (79.9)%       | 282                                  | 1,672              | (1,390)          | (83.1)%       |
| Net loss (income) attributable to noncontrolling interests                      | 208                        | (10)               | 218              | NM            | 208                                  | (9)                | 217              | NM            |
| <b>Net loss attributable to common stockholders</b>                             | <b>\$ (9,678)</b>          | <b>\$ (50,914)</b> | <b>\$ 41,236</b> | <b>81.0 %</b> | <b>\$ (9,678)</b>                    | <b>\$ (64,812)</b> | <b>\$ 55,134</b> | <b>85.1 %</b> |
| Weighted-average shares outstanding—basic                                       | 285,990                    | 291,121            | (5,131)          | (1.8)%        | 285,990                              | 313,491            | (27,501)         | (8.8)%        |
| Weighted-average shares outstanding—diluted                                     | 300,758                    | 299,589            | 1,169            | 0.4 %         | 300,758                              | 321,582            | (20,824)         | (6.5)%        |
| Net loss attributable to common stockholders per common share—basic and diluted | <u>\$ (0.03)</u>           | <u>\$ (0.17)</u>   | <u>\$ 0.14</u>   | <u>80.7 %</u> | <u>\$ (0.03)</u>                     | <u>\$ (0.21)</u>   | <u>\$ 0.17</u>   | <u>83.6 %</u> |

NM = Not meaningful

**Total Revenues.** In aggregate, total revenues increased by approximately \$3.1 million, or 2.5%, for the three months ended March 31, 2024, as compared to the previous quarter, and by approximately \$12.8 million, or 11.3%, for the three months ended March 31, 2024, as compared to the same period in 2023, primarily driven by an increase in rental revenues and debt-related income.

**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 \$1.8 million, or 1.5%, for the three months ended March 31, 2024, as compared to the previous quarter, primarily due to leasing activity for the three months ended March 31, 2024, and the associated rent growth on comparable leases, which averaged 67.5%, calculated using GAAP basis rental rates.

Rental revenues increased by \$8.7 million, or 7.8%, for the three months ended March 31, 2024, as compared to the same period in 2023, 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, partially offset by decreases in average occupancy driven by the acquisition of value-add properties and development completions since March 31, 2023. 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 \$2.2 million, or 8.1%, for the three months ended March 31, 2024, as compared to the previous quarter, primarily due to the increase in recoverable property taxes. Total rental expenses increased by \$2.7 million, or 9.8%, for the three months ended March 31, 2024, as compared to the same period in 2023, due to the increase in non-same store expenses resulting from the acquisition and development completion activity since January 1, 2023, as well as the increase in recoverable property taxes related to the same store portfolio. See “Same Store Portfolio Results of Operations” below for further details of the same store expenses.

**Debt-Related Income.** Debt-related income is comprised of interest income and amortization related to our debt-related investments and debt securities. Total debt-related income increased by \$1.3 million, or 34.2%, for the three months ended March 31, 2024, as compared to the previous quarter, and \$4.1 million for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to timing of the additions of debt-related securities and debt-related investments to our portfolio during the three months ended March 31, 2024.

**Real Estate-Related Depreciation and Amortization.** In aggregate, real estate-related depreciation and amortization expense decreased by \$4.7 million, or 6.1%, for the three months ended March 31, 2024, as compared to the previous quarter, primarily due to the disposition of four industrial properties totaling 0.6 million square feet during the three months ended March 31, 2024, as well as the timing of certain depreciation adjustments during the three months ended December 31, 2023 and depreciation write-offs associated with the dispositions occurring during the three months ended March 31, 2024. Real estate-related depreciation and amortization expense decreased by \$0.1 million, or 0.1%, for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to the disposition activity mentioned above, partially offset by our acquisition and development completion activity.

**Other Remaining Operating Expenses.** In aggregate, the remaining operating expenses increased by \$0.1 million for the three months ended March 31, 2024, as compared to the previous quarter. In aggregate, the remaining operating expenses increased by \$9.7 million for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to the following:

- a \$7.8 million decrease in acquisition costs and reimbursements due to the decrease in deployment during the three months ended March 31, 2024 as compared to the same period of the previous year during which we acquired one building for a purchase price of \$49.6 million.

**Other Income and Expenses.** In aggregate, the remaining items that comprise our net income (loss) had a \$36.6 million impact on our net income (loss) for the three months ended March 31, 2024, as compared to the previous quarter, primarily due to the following:

- the \$37.3 million net gain on disposition of real estate properties related to the sale of four industrial properties during the three months ended March 31, 2024, while we had no dispositions in the previous quarter; and
- the \$2.3 million of gain on derivative instruments for the three months ended March 31, 2024, as compared to the \$2.4 million of loss on derivative instruments for the previous quarter, due to the changes in market expectations of future interest rate changes.

Partially offset by:

- an increase in interest expense of \$6.9 million, or 14.2%, for the three months ended March 31, 2024 as compared to the previous quarter, primarily due to (i) a \$3.3 million increase in interest expense related to increased borrowings on our line of credit, as well as increased interest rates on certain variable rate debt; (ii) a \$3.8 million increase in the amortization of the value of our financing obligations for the three months ended March 31, 2024; and (iii) a \$1.4 million increase in the amortization of our interest rate cap premiums; partially offset by a \$2.2 million increase in the cash settlements related to our interest rate cap agreements.

In aggregate, the remaining items that comprise our net income (loss) had a \$36.5 million impact on our net income (loss) for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to the following:

- the \$37.3 million net gain on disposition of real estate properties related to the sale of four industrial properties during the three months ended March 31, 2024, while we had no dispositions in the same quarter of the previous year;
- a \$3.9 million increase in our gain on derivative instruments for the three months ended March 31, 2024, as compared to the same period of the previous year, due to the changes in market expectations of future interest rate changes; and
- a \$2.0 million increase in our unrealized gain on financing obligations for the three months ended March 31, 2024, as compared to the same period of the previous year, primarily due to the increase in the fair value of the financing obligations for which we have elected the fair value option.

Partially offset by:

- an increase in interest expense of \$7.2 million, or 14.9%, for the three months ended March 31, 2024 as compared to the same quarter of the previous year, primarily due to (i) a \$14.3 million increase in interest expense related to increased borrowings on our line of credit, as well as increased interest rates on certain variable rate debt; (ii) a \$3.3 million increase of master lease payments recorded as interest expense associated with our DST Program; and (iii) a \$2.6 million increase in the amortization of our interest rate cap premiums; partially offset by (i) an \$11.4 million decrease in the amortization of the value of our financing obligations for the three months ended March 31, 2024; and (ii) a \$4.2 million increase in the cash settlements related to our interest rate cap agreements.

### **Same Store Portfolio Results of Operations**

Property net operating income (“NOI”) is a supplemental non-GAAP measure of our property operating results. We define property NOI as rental 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 property NOI to be an appropriate supplemental performance measure. We believe property NOI provides useful information to our investors regarding our results of operations because property 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, gains on sale of properties, other income and expense and noncontrolling interests. However, property 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 property NOI may not be comparable to that of other real estate companies as they may use different methodologies for calculating property 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 March 31, 2024 as compared to the three months ended December 31, 2023 presented below included 242 buildings totaling approximately 50.5 million square feet owned as of October 1, 2023, which represented 94.4% of total rentable square feet, 96.7% of total rental revenues, and 96.9% of net operating income for the three months ended March 31, 2024. The same store operating portfolio for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023 presented below included 236 buildings totaling approximately 49.1 million square feet owned as of January 1, 2023, which represented 91.8% of total rentable square feet, 93.1% of total rental revenues, and 93.3% of net operating income for the three months ended March 31, 2024.

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The following table reconciles GAAP net income (loss) to same store property NOI for the three months ended March 31, 2024 as compared to the three months ended December 31, 2023, and the three months ended March 31, 2024 as compared to the three months ended March 31, 2023:

| (in thousands)                                               | For the Three Months Ended |                   |           |          | For the Three Months Ended March 31, |             |           |          |
|--------------------------------------------------------------|----------------------------|-------------------|-----------|----------|--------------------------------------|-------------|-----------|----------|
|                                                              | March 31, 2024             | December 31, 2023 | Change    | % Change | 2024                                 | 2023        | Change    | % Change |
| Net loss attributable to common stockholders                 | \$ (9,678)                 | \$ (50,914)       | \$ 41,236 | 81.0 %   | \$ (9,678)                           | \$ (64,812) | \$ 55,134 | 85.1 %   |
| Debt-related income                                          | (5,134)                    | (3,825)           | (1,309)   | (34.2)%  | (5,134)                              | (1,068)     | (4,066)   | NM       |
| Real estate-related depreciation and amortization            | 72,230                     | 76,925            | (4,695)   | (6.1)%   | 72,230                               | 72,331      | (101)     | (0.1)%   |
| General and administrative expenses                          | 4,475                      | 3,742             | 733       | 19.6 %   | 4,475                                | 4,127       | 348       | 8.4 %    |
| Advisory fees                                                | 17,007                     | 17,656            | (649)     | (3.7)%   | 17,007                               | 19,254      | (2,247)   | (11.7)%  |
| Acquisition costs and reimbursements                         | 554                        | 732               | (178)     | (24.3)%  | 554                                  | 8,319       | (7,765)   | (93.3)%  |
| Equity in loss from unconsolidated joint venture partnership | (7)                        | (56)              | 49        | 87.5 %   | (7)                                  | 76          | (83)      | NM       |
| Interest expense                                             | 55,701                     | 48,779            | 6,922     | 14.2 %   | 55,701                               | 48,464      | 7,237     | 14.9 %   |
| Unrealized gain on financing obligations                     | (2,005)                    | (179)             | (1,826)   | NM       | (2,005)                              | —           | (2,005)   | 100.0 %  |
| (Gain) loss on derivative instruments                        | (2,319)                    | 2,359             | (4,678)   | NM       | (2,319)                              | 1,584       | (3,903)   | NM       |
| Gain on sale of real estate property                         | (37,342)                   | —                 | (37,342)  | 100.0 %  | (37,342)                             | —           | (37,342)  | 100.0 %  |
| Other income and expenses                                    | (2,571)                    | (2,945)           | 374       | 12.7 %   | (2,571)                              | (2,214)     | (357)     | (16.1)%  |
| Net loss attributable to redeemable noncontrolling interests | (282)                      | (1,400)           | 1,118     | 79.9 %   | (282)                                | (1,672)     | 1,390     | 83.1 %   |
| Net (loss) income attributable to noncontrolling interests   | (208)                      | 10                | (218)     | NM       | (208)                                | 9           | (217)     | NM       |
| Net operating income                                         | \$ 90,421                  | \$ 90,884         | \$ (463)  | (0.5)%   | \$ 90,421                            | \$ 84,398   | \$ 6,023  | 7.1 %    |
| Less: Non-same store property NOI                            | 2,772                      | 2,542             | 230       | 9.0 %    | 6,072                                | 1,666       | 4,406     | NM       |
| Same store property NOI                                      | \$ 87,649                  | \$ 88,342         | \$ (693)  | (0.8)%   | \$ 84,349                            | \$ 82,732   | \$ 1,617  | 2.0 %    |

NM = Not meaningful

The following table includes a breakout of our results for our same store portfolio for rental revenues, rental expenses and property NOI for the three months ended March 31, 2024 as compared to the three months ended December 31, 2023, and for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023:

| (in thousands)                      | For the Three Months Ended |                   |          |          | For the Three Months Ended |                |          |          |
|-------------------------------------|----------------------------|-------------------|----------|----------|----------------------------|----------------|----------|----------|
|                                     | March 31, 2024             | December 31, 2023 | Change   | % Change | March 31, 2024             | March 31, 2023 | Change   | % Change |
| <b>Rental revenues:</b>             |                            |                   |          |          |                            |                |          |          |
| Same store operating properties     | \$ 116,312                 | \$ 114,972        | \$ 1,340 | 1.2 %    | \$ 111,913                 | \$ 109,199     | \$ 2,714 | 2.5 %    |
| Other properties                    | 3,952                      | 3,531             | 421      | 11.9 %   | 8,351                      | 2,377          | 5,974    | NM       |
| Total rental revenues               | 120,264                    | 118,503           | 1,761    | 1.5 %    | 120,264                    | 111,576        | 8,688    | 7.8 %    |
| <b>Rental expenses:</b>             |                            |                   |          |          |                            |                |          |          |
| Same store operating properties     | (28,663)                   | (26,630)          | (2,033)  | (7.6)%   | (27,564)                   | (26,467)       | (1,097)  | (4.1)%   |
| Other properties                    | (1,180)                    | (989)             | (191)    | (19.3)%  | (2,279)                    | (711)          | (1,568)  | NM       |
| Total rental expenses               | (29,843)                   | (27,619)          | (2,224)  | (8.1)%   | (29,843)                   | (27,178)       | (2,665)  | (9.8)%   |
| <b>Net operating income:</b>        |                            |                   |          |          |                            |                |          |          |
| Same store operating properties     | 87,649                     | 88,342            | (693)    | (0.8)%   | 84,349                     | 82,732         | 1,617    | 2.0 %    |
| Other properties                    | 2,772                      | 2,542             | 230      | 9.0 %    | 6,072                      | 1,666          | 4,406    | NM       |
| Total property net operating income | \$ 90,421                  | \$ 90,884         | \$ (463) | (0.5)%   | \$ 90,421                  | \$ 84,398      | \$ 6,023 | 7.1 %    |

NM = Not meaningful

**Rental Revenues.** Non-same store rental revenues increased by \$0.4 million, or 11.9%, for the three months ended March 31, 2024 as compared to the previous quarter, as a result of rental rate growth. Same store rental revenues increased by \$1.3 million, or 1.2%, for the three months ended March 31, 2024 as compared to the previous quarter, primarily due to rental rate growth, as well as an increase in recovery revenue, partially offset by a small decrease in average occupancy of same store properties.

Non-same store rental revenues increased by \$6.0 million for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to the addition of four industrial buildings that we have acquired since January 1, 2023, as well as three value-add properties that were acquired during 2022 and stabilized during 2023. Same store rental revenues increased by \$2.7 million, or 2.5%, for the three months ended March 31, 2024 as compared to the same period in 2023, primarily due to increases in rental rates of same store properties, partially offset by a small decrease to average occupancy.

**Rental Expenses.** Non-same store rental expenses increased by \$0.2 million, or 19.3%, for the three months ended March 31, 2024, as compared to the previous quarter, primarily due to an increase in recoverable property taxes. Same store rental expenses increased

\$2.0 million, or 7.6%, for the three months ended March 31, 2024, as compared to the previous quarter, primarily due to an increase in recoverable property taxes and certain utility costs, partially offset by a reduction of certain utility costs.

Non-same store rental expenses increased by \$1.6 million for the three months ended March 31, 2024 as compared to the same period in 2023, primarily due to the growth of our portfolio, as described above. Same store rental expenses increased by \$1.1 million, or 4.1%, for the three months ended March 31, 2024 as compared to the same period in 2023, primarily due to an increase in property taxes, as well as certain repair and maintenance costs.

#### **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. By excluding gains or losses on the sale of assets, we believe FFO provides a helpful additional measure of our consolidated operating performance on a comparative basis. 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) increase (decrease) in financing obligation liability appreciation, and (iv) forfeited investment deposits, as applicable.

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.



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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 March 31, |             |
|-----------------------------------------------------------------------------|--------------------------------------|-------------|
|                                                                             | 2024                                 | 2023        |
| GAAP net loss                                                               | \$ (10,168)                          | \$ (66,475) |
| Weighted-average shares outstanding—diluted                                 | 300,758                              | 321,582     |
| GAAP net loss per common share—diluted                                      | \$ (0.03)                            | \$ (0.21)   |
| Adjustments to arrive at FFO:                                               |                                      |             |
| Real estate-related depreciation and amortization                           | 72,230                               | 72,331      |
| Our share of adjustment above from unconsolidated joint venture partnership | 47                                   | —           |
| Gain on sale of real estate property                                        | (37,342)                             | —           |
| NAREIT FFO                                                                  | \$ 24,767                            | \$ 5,856    |
| NAREIT FFO per common share—diluted                                         | \$ 0.08                              | \$ 0.02     |
| Adjustments to arrive at AFFO:                                              |                                      |             |
| Unrealized loss on financial instruments (1)                                | 824                                  | 5,480       |
| (Decrease) increase in financing obligation liability appreciation          | (6,664)                              | 4,734       |
| Forfeited investment deposit                                                | —                                    | 7,689       |
| AFFO                                                                        | \$ 18,927                            | \$ 23,759   |

- (1) Unrealized loss on changes in fair value of financial instruments relates to mark-to-market changes on our derivatives not designated as cash flow hedges and financing obligations for which we have elected the fair value option.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

Our primary sources of capital for meeting our cash requirements are net proceeds from our securities 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 March 31, 2024, we had outstanding line of credit, term loan and mortgage note borrowings with varying maturities for an aggregate principal amount of \$3.6 billion, with \$38.0 million becoming payable within the next 12 months. As of March 31, 2024, we had \$139.2 million of future minimum lease payments related to the properties in our DST Program due in the next 12 months. As of March 31, 2024, we had \$35.8 million of projected development costs to be incurred within the next 12 months. We expect to be able to pay our interest expense and rent obligations over the next 12 months and beyond through operating cash flows and/or borrowings. 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 securities offerings, 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 securities 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 three months ended March 31, 2024, we raised \$42.4 million of gross equity capital from our public offering and redemptions of common stock amounted to \$102.9 million. As of March 31, 2024, we had cash and cash equivalents of \$82.8 million and leverage of 40.8%, calculated as our total borrowings outstanding, including secured financings on investments in real estate-related securities, 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 and debt-related investments not associated with the DST Program, 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 2024. As of March 31, 2024, we owned and managed a real estate portfolio that included 252 industrial buildings totaling approximately 53.4 million square feet, with a diverse roster of 418 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 93.1% occupied (93.8% leased) with a weighted-average remaining lease term (based on square feet) of 3.9 years.

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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 dispositions 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 securities 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 Three Months Ended March 31, |             | Change     |
|-----------------------------------------------------------------------|--------------------------------------|-------------|------------|
|                                                                       | 2024                                 | 2023        |            |
| Total cash provided by (used in):                                     |                                      |             |            |
| Operating activities                                                  | \$ 13,637                            | \$ (60,202) | \$ 73,839  |
| Investing activities                                                  | 14,297                               | (104,007)   | 118,304    |
| Financing activities                                                  | 68,967                               | 131,120     | (62,153)   |
| Net increase (decrease) in cash, cash equivalents and restricted cash | \$ 96,901                            | \$ (33,089) | \$ 129,990 |

Cash flows from operating activities during the three months ended March 31, 2024 increased by approximately \$73.8 million as compared to the same period in 2023, primarily as a result of (i) the partial cash settlement of the 2022 performance participation allocation owed in the amount of \$77.8 million during the first quarter of 2023, while there was no 2023 performance participation allocation owed or settled during the first quarter of 2024; and (ii) an \$11.4 million decrease in the amortization of the value of our financing obligations; partially offset by a \$15.8 million increase in interest expense related to our consolidated indebtedness as a result of increased borrowings and the effect of increased interest rates on certain variable rate debt.

Cash provided by investing activities during the three months ended March 31, 2024 increased by approximately \$118.3 million as compared to the same period in 2023, primarily due to (i) the \$103.7 million of net proceeds from the sale of four industrial properties during the three months ended March 31, 2024; (ii) a net decrease in acquisition activity of \$40.1 million, which was driven by the closing of the acquisition of one building for a purchase price of \$49.6 million during the three months ended March 31, 2023, while there were no real property acquisitions during the first quarter of 2024; and (iii) a net decrease in capital expenditure activity of \$31.4 million related to decreased development activity during the three months ended March 31, 2024; partially offset by (i) the purchase of \$30.8 million of available-for-sale debt securities during the three months ended March 31, 2024; and (ii) the purchase of \$25.3 million of debt-related investments during the three months ended March 31, 2024.

Cash provided by financing activities during the three months ended March 31, 2024 decreased by approximately \$62.2 million as compared to the same period in 2023, primarily driven by (i) a \$60.8 million decrease in capital raised through our public offering, net of offering costs paid; (ii) a decrease in net proceeds from financing obligations associated with the DST Program of \$31.5 million; partially offset by the \$32.1 million decrease in redemptions of our common stock.

## **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 March 31, 2024, 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 \$683.0 million outstanding under our line of credit with an effective interest rate of 6.12%, which includes the effect of three interest rate cap agreements on \$150.0 million of these borrowings. Additionally, as of March 31, 2024, we had \$1.2 billion outstanding under our term loans with an effective interest rate of 3.50%, which includes the effect of the interest rate swap agreements and interest rate cap agreements. The unused and available portions under our line of credit were both \$317.0 million as of March 31, 2024. Our \$1.0 billion line of credit matures in March 2025 and may be extended pursuant to two one-year extension options, subject to continuing compliance with certain financial covenants and other customary conditions. Our \$550.0 million term loan matures in March 2027 and our \$600.0 million term loan matures in May 2026. Our line of credit and term loan borrowings are available for general corporate purposes including, but not limited to, the acquisition and operation of permitted investments by us. Refer to “Note 5 to the Condensed

Consolidated Financial Statements” for additional information regarding our line of credit and term loans.

**Mortgage Notes.** As of March 31, 2024, we had property-level borrowings of approximately \$1.7 billion of principal outstanding with a weighted-average remaining term of 2.3 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 3.96%. Refer to “Note 5 to the Condensed Consolidated Financial Statements” for additional information regarding the mortgage notes.

**Debt Covenants.** Our line of credit, term loan and mortgage note agreements contain various property-level covenants, including customary affirmative and negative covenants. In addition, the agreements governing our line of credit and term loans contain certain corporate level financial covenants, including leverage ratio, fixed charge coverage ratio, and tangible net worth thresholds. These covenants may limit our ability to incur additional debt, to make borrowings under our line of credit, or to pay distributions. We were in compliance with all of our debt covenants as of March 31, 2024.

**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 debt and securities, as determined in accordance with our valuation procedures. We had leverage of 40.8% as of March 31, 2024. Our management expects that as we deploy capital going forward, our leverage will near approximately 50%. Due to the recent increase in interest rates and increased market volatility, 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 March 31, 2024, we had \$1.5 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 three months ended March 31, 2024, aggregate gross proceeds raised from our public offering, including proceeds raised through our distribution reinvestment plan, were \$42.4 million (\$42.2 million net of direct selling costs).

**Distributions.** We intend to continue to accrue and make distributions on a regular basis. For the three months ended March 31, 2024, 30.2% of our total gross distributions were paid from cash flows from operating activities, as determined on a GAAP basis, and 69.8% of our total gross distributions were funded from sources other than cash flows from operating activities, as determined on a GAAP basis; specifically, 49.8% were funded with proceeds from shares issued pursuant to our distribution reinvestment plan and 20.0% 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, the net proceeds from shares sold in our securities offerings and from our sale of DST Interests. 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 second quarter of 2024, 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 of the second quarter of 2024, or April 30, 2024, May 31, 2024 and June 28, 2024 (each a “Distribution Record Date”). The distributions were authorized 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. Distributions for each month of the second quarter of 2024 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.

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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 DRIP) for the quarters ended as of the dates indicated below:

| (\$ in thousands)                    | For the Three Months Ended March 31, 2024 |            | For the Three Months Ended March 31, 2023 |            |
|--------------------------------------|-------------------------------------------|------------|-------------------------------------------|------------|
|                                      | Amount                                    | Percentage | Amount                                    | Percentage |
| <b>Distributions</b>                 |                                           |            |                                           |            |
| Paid in cash (1)                     | \$ 22,651                                 | 50.2 %     | \$ 23,197                                 | 52.9 %     |
| Reinvested in shares                 | 22,484                                    | 49.8       | 20,653                                    | 47.1       |
| Total (2)                            | \$ 45,135                                 | 100.0 %    | \$ 43,850                                 | 100.0 %    |
| <b>Sources of Distributions</b>      |                                           |            |                                           |            |
| Cash flows from operating activities | \$ 13,637                                 | 30.2 %     | \$ —                                      | — %        |
| Borrowings                           | 9,014                                     | 20.0       | 23,197                                    | 52.9       |
| DRIP (3)                             | 22,484                                    | 49.8       | 20,653                                    | 47.1       |
| Total (2)                            | \$ 45,135                                 | 100.0 %    | \$ 43,850                                 | 100.0 %    |

- (1) Includes other cash distributions consisting of: (i) distributions paid to noncontrolling interest holders; and (ii) ongoing distribution fees relating to Class T shares, Class D shares, and OP Units. 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 March 31, 2024 and 2023, our NAREIT FFO was \$24.8 million and \$5.9 million, respectively, compared to total gross distributions of \$45.1 million and \$43.9 million, respectively. FFO is a non-GAAP operating metric and should not be used as a liquidity measure. However, management believes the relationship between FFO and distributions may be meaningful for investors to better understand the sustainability of our operating performance compared to distributions made. Refer to “Additional Measures of Performance” above for the definition of FFO, as well as a detailed reconciliation of our GAAP net income (loss) to FFO.

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

**Redemptions.** Below is a summary of redemptions pursuant to our share redemption program for the three months ended March 31, 2024 and 2023. 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 Three Months Ended<br>March 31, |            |
|--------------------------------------------|-----------------------------------------|------------|
|                                            | 2024                                    | 2023       |
| Number of shares redeemed                  | 7,794                                   | 8,859      |
| Aggregate dollar amount of shares redeemed | \$ 102,852                              | \$ 134,988 |
| Average redemption price per share         | \$ 13.20                                | \$ 15.24   |

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 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 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 2023 Form 10-K. As of March 31, 2024, our critical accounting estimates have not changed from those described in our 2023 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 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 March 31, 2024, our consolidated debt outstanding consisted of borrowings under our line of credit, term loans and mortgage notes. In addition, we plan to purchase or originate variable rate debt investments, which can offset interest rate risk associated with our variable interest rate consolidated debt.

**Fixed Interest Rate Debt.** As of March 31, 2024, our fixed interest rate debt consisted of \$200.0 million under our \$550.0 million term loan and \$525.0 million of borrowings 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 48.4% of our total consolidated debt as of March 31, 2024. 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 March 31, 2024, the fair value and the carrying value of our consolidated fixed interest rate debt, excluding the values of hedges, were \$1.65 billion and \$1.72 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 March 31, 2024. 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 March 31, 2024, our consolidated variable interest rate debt consisted of \$683.0 million under our line of credit, \$350.0 million under our \$550.0 million term loan, and \$727.3 million under three of our mortgage notes, which represented 51.6% 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 March 31, 2024, we were exposed to market risks related to fluctuations in interest rates on \$1.84 billion of consolidated borrowings; however, \$1.3 billion of these borrowings are capped through the use of eleven 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 March 31, 2024, would increase our annual interest expense by approximately \$1.6 million, including the effects of our interest rate cap agreements. In addition, we have originated variable rate debt-related investments with aggregate commitments of \$211.2 million and aggregate outstanding principal of \$155.4 million as of March 31, 2024, which can offset the interest rate risk associated with our variable rate borrowings.

**Derivative Instruments.** As of March 31, 2024, we had 22 outstanding derivative instruments with a total notional amount of \$2.4 billion outstanding and effective. These derivative instruments were comprised of interest rate swaps and interest rate caps that were designed to mitigate the risk of future interest rate increases by either providing a fixed interest rate or capping the variable interest rate for a limited, pre-determined period of time. See “Note 5 to the Condensed Consolidated Financial Statements” for further detail on our derivative instruments. We are exposed to credit risk of the counterparty to our interest rate cap and swap agreements in the event of non-performance under the terms of the agreements. If we were not able to replace these caps or swaps in the event of non-performance by the counterparty, we would be subject to variability of the interest rate on the amount outstanding under our debt that is fixed or capped through the use of the swaps or caps, respectively.

**Variable Interest Rate Debt Investments.** In the case of a significant increase in interest rates, additional debt service payments due from our borrowers may strain the operating cash flows of the real estate assets underlying our mortgages and, potentially, contribute to non-performance or, in severe cases, default, which may be mitigated by borrower purchased interest rate caps. Alternatively, in the case of a significant decrease in interest rates, our debt-related investments could be adversely impacted and interest income from our debt-related investments could decrease substantially, which could reduce the effectiveness of our interest rate risk strategy, as described above.

## **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 March 31, 2024. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2024, 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 three months ended March 31, 2024 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 2023 Form 10-K, which could materially affect our business, financial condition, and/or future results. The risks described in our 2023 Form 10-K 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 2023 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, subject to any carry-over capacity and net redemptions described below.



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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 our securities offerings (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 debt and 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 securities offerings and our sale of DST Interests, 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



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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 March 31, 2024, for which all eligible redemption requests were redeemed in full:

| (shares in thousands)      | Total Number of<br>Shares Redeemed | Average Price Paid<br>per Share Requested (1) | Total Number of Shares<br>Redeemed as Part of<br>Publicly Announced<br>Plans or Programs | Maximum Number of<br>Shares That May Yet Be<br>Redeemed Under the<br>Plans or Programs (2) |
|----------------------------|------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>For the Month Ended</b> |                                    |                                               |                                                                                          |                                                                                            |
| January 31, 2024           | 1,999                              | \$ 13.44                                      | 1,999                                                                                    | —                                                                                          |
| February 29, 2024          | 2,361                              | 13.22                                         | 2,361                                                                                    | —                                                                                          |
| March 31, 2024 (3)         | 3,434                              | 13.04                                         | 3,434                                                                                    | —                                                                                          |
| Total                      | 7,794                              | \$ 13.20                                      | 7,794                                                                                    | —                                                                                          |

(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 share redemption program as described above.

(3) Redemption requests accepted in March 2024 are considered redeemed on April 1, 2024 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 \$125.5 million of shares of common stock for the three months ended March 31, 2024.

## ITEM 5. OTHER INFORMATION

During the three months ended March 31, 2024, 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            | <a href="#">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.</a>                                                                                                                                                                                                                                                                                                                 |
| 3.2            | <a href="#">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.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 3.3            | <a href="#">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.</a>                                                                                                                                                                                                                                                                                                                                                                                     |
| 3.4            | <a href="#">Sixth Amended and Restated Bylaws of Ares Industrial Real Estate Income Trust Inc. Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on December 14, 2023.</a>                                                                                                                                                                                                                                                                                                                                                                         |
| 4.1            | <a href="#">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.</a>                                                                                                                                                                                                                                                                                                                                                                       |
| 4.2            | <a href="#">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.</a>                                                                                                                                                                                                                                                                                                                                                                                                    |
| 31.1*          | <a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 31.2*          | <a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 32.1**         | <a href="#">Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 99.1*          | <a href="#">Consent of Altus Group U.S. Inc.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 99.2           | <a href="#">Net Asset Value Calculation and Valuation Procedures. Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K filed with the SEC on December 15, 2023.</a>                                                                                                                                                                                                                                                                                                                                                                                                     |
| 101            | The following materials from Ares Industrial Real Estate Income Trust Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed on May 10, 2024, 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.

May 10, 2024

By:

/s/ JEFFREY W. TAYLOR

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

May 10, 2024

By:

/s/ SCOTT A. SEAGER

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

**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.

May 10, 2024

/s/ JEFFREY W. TAYLOR

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

**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.

May 10, 2024

/s/ SCOTT A. SEAGER

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

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**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 March 31, 2024, 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.

May 10, 2024

/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 March 31, 2024, 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.

May 10, 2024

/s/ SCOTT A. SEAGER

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

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**CONSENT OF INDEPENDENT VALUATION ADVISOR**

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 March 31, 2024 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.

May 10, 2024

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/s/ Altus Group U.S. Inc.Altus Group U.S. Inc.

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