

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarter Ended September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission File Number: 001-38106

PLYMOUTH INDUSTRIAL REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

27-5466153

(I.R.S. Employer Identification No.)

20 Custom House Street, 11th Floor, Boston, MA 02110

(Address of principal executive offices)

(617) 340-3814

(Registrant's telephone number)

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.01 per share	PLYM	New York Stock Exchange

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 (Section 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated Filer Smaller reporting company Emerging growth company

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

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

As of October 30, 2023, the Registrant had outstanding 45,250,184 shares of common stock.

Plymouth Industrial REIT, Inc.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PLYMOUTH INDUSTRIAL REIT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED
(In thousands, except share and per share amounts)

	September 30, 2023	December 31, 2022
Assets		
Real estate properties	\$ 1,570,624	\$ 1,555,846
Less accumulated depreciation	(254,402)	(205,629)
Real estate properties, net	1,316,222	1,350,217
Cash	12,034	11,003
Cash held in escrow	11,143	13,376
Restricted cash	7,095	6,834
Deferred lease intangibles, net	56,316	70,718
Interest rate swaps	34,115	30,115
Other assets	39,585	39,055
Total assets	<u>\$ 1,476,510</u>	<u>\$ 1,521,318</u>
Liabilities, Preferred Stock and Equity		
Liabilities:		
Secured debt, net	\$ 377,714	\$ 389,531
Unsecured debt, net	447,823	447,345
Borrowings under line of credit	65,000	77,500
Accounts payable, accrued expenses and other liabilities	75,112	72,551
Deferred lease intangibles, net	6,604	8,918
Financing lease liability	2,265	2,248
Total liabilities	<u>974,518</u>	<u>998,093</u>
Commitments and contingencies (Note 12)		
Preferred stock, par value \$0.01 per share, 100,000,000 shares authorized, Series A: 0 and 1,955,513 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively (aggregate liquidation preference of \$0 and \$48,888 at September 30, 2023 and December 31, 2022, respectively)		
	—	46,844
Equity:		
Common stock, \$0.01 par value: 900,000,000 shares authorized; 45,250,184 and 42,849,489 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	452	428
Additional paid in capital	654,346	635,068
Accumulated deficit	(191,882)	(194,243)
Accumulated other comprehensive income	33,695	29,739
Total stockholders' equity	<u>496,611</u>	<u>470,992</u>
Non-controlling interest	5,381	5,389
Total equity	<u>501,992</u>	<u>476,381</u>
Total liabilities, preferred stock and equity	<u>\$ 1,476,510</u>	<u>\$ 1,521,318</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

PLYMOUTH INDUSTRIAL REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

(In thousands, except share and per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Rental revenue	\$ 49,736	\$ 47,788	\$ 149,006	\$ 136,120
Management fee revenue and other income	29	2	58	90
Total revenues	<u>49,765</u>	<u>47,790</u>	<u>149,064</u>	<u>136,210</u>
Operating expenses:				
Property	15,754	14,495	47,398	42,369
Depreciation and amortization	22,881	24,860	70,098	71,759
General and administrative	3,297	4,078	10,586	11,776
Total operating expenses	<u>41,932</u>	<u>43,433</u>	<u>128,082</u>	<u>125,904</u>
Other income (expense):				
Interest expense	(9,473)	(8,983)	(28,592)	(23,303)
Earnings (loss) in investment of unconsolidated joint venture	—	—	—	(147)
Loss on extinguishment of debt	(72)	—	(72)	(2,176)
Gain on sale of real estate	12,112	—	12,112	—
(Appreciation) depreciation of warrants	—	—	—	1,760
Total other income (expense)	<u>2,567</u>	<u>(8,983)</u>	<u>(16,552)</u>	<u>(23,866)</u>
Net income (loss)	10,400	(4,626)	4,430	(13,560)
Less: Net income (loss) attributable to non-controlling interest	114	(55)	46	(170)
Net income (loss) attributable to Plymouth Industrial REIT, Inc.	<u>10,286</u>	<u>(4,571)</u>	<u>4,384</u>	<u>(13,390)</u>
Less: Preferred Stock dividends	677	930	2,509	3,949
Less: Series B Preferred Stock accretion to redemption value	—	2,371	—	4,621
Less: Loss on extinguishment/redemption of Series A Preferred Stock	2,021	56	2,023	80
Less: Amount allocated to participating securities	83	62	253	194
Net income (loss) attributable to common stockholders	<u>\$ 7,505</u>	<u>\$ (7,990)</u>	<u>\$ (401)</u>	<u>\$ (22,234)</u>
Net income (loss) per share attributable to common stockholders — basic	<u>\$ 0.17</u>	<u>\$ (0.19)</u>	<u>\$ (0.01)</u>	<u>\$ (0.57)</u>
Net income (loss) per share attributable to common stockholders — diluted	<u>\$ 0.17</u>	<u>\$ (0.19)</u>	<u>\$ (0.01)</u>	<u>\$ (0.57)</u>
Weighted-average common shares outstanding — basic	<u>44,056,855</u>	<u>41,128,421</u>	<u>43,108,039</u>	<u>38,838,811</u>
Weighted-average common shares outstanding — diluted	<u>44,139,603</u>	<u>41,128,421</u>	<u>43,108,039</u>	<u>38,838,811</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

PLYMOUTH INDUSTRIAL REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
UNAUDITED

(In thousands, except share and per share amounts)

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income (loss)	\$ 10,400	\$ (4,626)	\$ 4,430	\$ (13,560)
Other comprehensive income:				
Unrealized gain (loss) on interest rate swaps	2,935	16,476	4,000	32,404
Other comprehensive income	2,935	16,476	4,000	32,404
Comprehensive income (loss)	<u>13,335</u>	<u>11,850</u>	<u>8,430</u>	<u>18,844</u>
Less: Net income (loss) attributable to non-controlling interest	114	(55)	46	(170)
Less: Other comprehensive income (loss) attributable to non-controlling interest	32	194	44	402
Comprehensive income (loss) attributable to Plymouth Industrial REIT, Inc.	<u>\$ 13,189</u>	<u>\$ 11,711</u>	<u>\$ 8,340</u>	<u>\$ 18,612</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

PLYMOUTH INDUSTRIAL REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PREFERRED STOCK AND EQUITY
UNAUDITED

(In thousands, except share and per share amounts)

	Preferred Stock Series A \$0.01 Par Value		Common Stock, \$0.01 Par Value		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Stockholders' Equity	Non- controlling Interest	Total Equity
	Shares	Amount	Shares	Amount						
Balance, January 1, 2023	1,955,513	\$ 46,844	42,849,489	\$ 428	\$ 635,068	\$ (194,243)	\$ 29,739	\$ 470,992	\$ 5,389	\$ 476,381
Repurchase and extinguishment of Series A Preferred Stock	(1,730)	(41)	—	—	—	(2)	—	(2)	—	(2)
Net proceeds from common stock	—	—	—	—	(137)	—	—	(137)	—	(137)
Stock based compensation	—	—	—	—	585	—	—	585	—	585
Restricted shares issued (forfeited)	—	—	181,375	2	(2)	—	—	—	—	—
Dividends and distributions	—	—	—	—	(10,598)	—	—	(10,598)	(110)	(10,708)
Other comprehensive income	—	—	—	—	—	—	(6,989)	(6,989)	(81)	(7,070)
Reallocation of non-controlling interest	—	—	—	—	26	—	—	26	(26)	—
Net loss	—	—	—	—	—	(3,298)	—	(3,298)	(38)	(3,336)
Balance, March 31, 2023	1,953,783	\$ 46,803	43,030,864	\$ 430	\$ 624,942	\$ (197,543)	\$ 22,750	\$ 450,579	\$ 5,134	\$ 455,713
Net proceeds from common stock	—	—	70,000	1	1,384	—	—	1,385	—	1,385
Stock based compensation	—	—	—	—	716	—	—	716	—	716
Dividends and distributions	—	—	—	—	(10,625)	—	—	(10,625)	(110)	(10,735)
Other comprehensive income	—	—	—	—	—	—	8,042	8,042	93	8,135
Reallocation of non-controlling interest	—	—	—	—	(3)	—	—	(3)	3	—
Net loss	—	—	—	—	—	(2,604)	—	(2,604)	(30)	(2,634)
Balance, June 30, 2023	1,953,783	\$ 46,803	43,100,864	\$ 431	\$ 616,414	\$ (200,147)	\$ 30,792	\$ 447,490	\$ 5,090	\$ 452,580
Redemption of Series A Preferred Stock	(1,953,783)	(46,803)	—	—	(19)	(2,021)	—	(2,040)	—	(2,040)
Net proceeds from common stock	—	—	2,130,600	21	48,249	—	—	48,270	—	48,270
Stock based compensation	—	—	—	—	827	—	—	827	—	827
Restricted shares issued (forfeited)	—	—	18,720	—	—	—	—	—	—	—
Dividends and distributions	—	—	—	—	(10,870)	—	—	(10,870)	(110)	(10,980)
Other comprehensive income	—	—	—	—	—	—	2,903	2,903	32	2,935
Reallocation of non-controlling interest	—	—	—	—	(255)	—	—	(255)	255	—
Net income (loss)	—	—	—	—	—	10,286	—	10,286	114	10,400
Balance, September 30, 2023	—	\$ —	45,250,184	\$ 452	\$ 654,346	\$ (191,882)	\$ 33,695	\$ 496,611	\$ 5,381	\$ 501,992

The accompanying notes are an integral part of the condensed consolidated financial statements.

PLYMOUTH INDUSTRIAL REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PREFERRED STOCK AND EQUITY
UNAUDITED

(In thousands, except share and per share amounts)

	Preferred Stock Series A \$0.01 Par Value		Preferred Stock Series B \$0.01 Par Value		Common Stock, \$0.01 Par Value		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Stockholders' Equity	Non- controlling Interest	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount						
Balance, January 1, 2022	2,023,551	\$ 48,473	4,411,764	\$ 94,437	36,110,659	\$ 361	\$ 532,666	\$ (177,258)	\$ —	\$ 355,769	\$ 4,831	\$ 360,600
Series B Preferred Stock accretion to redemption value	—	—	—	1,500	—	—	(1,500)	—	—	(1,500)	—	(1,500)
Net proceeds from common stock	—	—	—	—	614,800	7	17,116	—	—	17,123	—	17,123
Stock based compensation	—	—	—	—	—	—	442	—	—	442	—	442
Restricted shares issued	—	—	—	—	120,160	—	—	—	—	—	—	—
Dividends and distributions	—	—	—	—	—	—	(9,835)	—	—	(9,835)	(108)	(9,943)
Reallocation of non-controlling interest	—	—	—	—	—	—	(122)	—	—	(122)	122	—
Other comprehensive income	—	—	—	—	—	—	—	—	9,933	9,933	135	10,068
Conversion of common stock warrants	—	—	—	—	139,940	2	3,756	—	—	3,758	—	3,758
Net loss	—	—	—	—	—	—	—	(4,410)	—	(4,410)	(60)	(4,470)
Balance, March 31, 2022	2,023,551	\$ 48,473	4,411,764	\$ 95,937	36,985,559	\$ 370	\$ 542,523	\$ (181,668)	\$ 9,933	\$ 371,158	\$ 4,920	\$ 376,078
Repurchase and extinguishment of Series A Preferred Stock	(16,381)	(392)	—	—	—	—	—	(24)	—	(24)	—	(24)
Conversion of Series B Preferred Stock	—	—	(2,205,882)	(47,970)	2,205,882	22	47,948	—	—	47,970	—	47,970
Series B Preferred Stock accretion to redemption value	—	—	—	750	—	—	(750)	—	—	(750)	—	(750)
Net proceeds from common stock	—	—	—	—	927,900	9	24,375	—	—	24,384	—	24,384
Stock based compensation	—	—	—	—	—	—	538	—	—	538	—	538
Restricted shares issued	—	—	—	—	13,970	—	—	—	—	—	—	—
Dividends and distributions	—	—	—	—	—	—	(10,149)	—	—	(10,149)	(108)	(10,257)
Reallocation of non-controlling interest	—	—	—	—	—	—	(472)	—	—	(472)	472	—
Other comprehensive income	—	—	—	—	—	—	—	—	5,787	5,787	73	5,860
Net loss	—	—	—	—	—	—	—	(4,409)	—	(4,409)	(55)	(4,464)
Balance, June 30, 2022	2,007,170	\$ 48,081	2,205,882	\$ 48,717	40,133,311	\$ 401	\$ 604,013	\$ (186,101)	\$ 15,720	\$ 434,033	\$ 5,302	\$ 439,335
Repurchase and extinguishment of Series A Preferred Stock	(34,743)	(832)	—	—	—	—	—	(56)	—	(56)	—	(56)
Series B Preferred Stock accretion to redemption value	—	—	—	2,371	—	—	(2,371)	—	—	(2,371)	—	(2,371)
Conversion of Series B Preferred Stock	—	—	(2,205,882)	(51,088)	1,915,511	19	36,069	—	—	36,088	—	36,088
Net proceeds from common stock	—	—	—	—	802,547	8	16,804	—	—	16,812	—	16,812
Stock based compensation	—	—	—	—	—	—	518	—	—	518	—	518
Restricted shares issued (forfeited)	—	—	—	—	(1,880)	—	—	—	—	—	—	—
Dividends and distributions	—	—	—	—	—	—	(10,356)	—	—	(10,356)	(108)	(10,464)
Reallocation of non-controlling interest	—	—	—	—	—	—	(230)	—	—	(230)	230	—
Other comprehensive income	—	—	—	—	—	—	—	—	16,282	16,282	194	16,476
Net loss	—	—	—	—	—	—	—	(4,571)	—	(4,571)	(55)	(4,626)
Balance, September 30, 2022	1,972,427	\$ 47,249	—	\$ —	42,849,489	\$ 428	\$ 644,447	\$ (190,728)	\$ 32,002	\$ 486,149	\$ 5,563	\$ 491,712

The accompanying notes are an integral part of the condensed consolidated financial statements.

PLYMOUTH INDUSTRIAL REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(In thousands)

	For the Nine Months Ended September 30,	
	2023	2022
Operating activities		
Net income (loss)	\$ 4,430	\$ (13,560)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	70,098	71,759
Straight line rent adjustment	(1,833)	(3,045)
Intangible amortization in rental revenue, net	(1,820)	(2,632)
Loss on extinguishment of debt	72	2,176
Amortization of debt related costs	1,708	1,597
Appreciation (depreciation) of warrants	—	(1,760)
Stock based compensation	2,128	1,498
(Earnings) loss in investment of unconsolidated joint venture	—	147
Gain on sale of real estate	(12,112)	—
Changes in operating assets and liabilities:		
Other assets	588	1,160
Deferred leasing costs	(4,400)	(4,316)
Accounts payable, accrued expenses and other liabilities	4,400	5,828
Net cash provided by operating activities	63,259	58,852
Investing activities		
Acquisition of real estate properties	—	(197,085)
Real estate improvements	(26,542)	(39,687)
Proceeds from sale of real estate, net	18,231	222
Net cash used in investing activities	(8,311)	(236,550)
Financing activities		
Proceeds from issuance of common stock, net	49,499	58,319
Repayment of secured debt	(12,352)	(19,621)
Proceeds from issuance of unsecured debt	—	150,000
Proceeds from line of credit facility	27,500	203,000
Repayment of line of credit facility	(40,000)	(173,500)
Repurchase of Series A Preferred Stock	(43)	(1,304)
Redemption of Series A Preferred Stock	(48,824)	—
Redemption of Series B Preferred Stock	—	(15,000)
Debt issuance costs	(27)	(1,798)
Dividends and distributions paid	(31,642)	(29,519)
Net cash (used in) provided by financing activities	(55,889)	170,577
Net increase (decrease) in cash, cash held in escrow, and restricted cash	(941)	(7,121)
Cash, cash held in escrow, and restricted cash at beginning of period	31,213	43,374
Cash, cash held in escrow, and restricted cash at end of period	<u>\$ 30,272</u>	<u>\$ 36,253</u>
Supplemental Cash Flow Disclosures:		
Cash paid for interest	\$ 27,450	\$ 20,645
Assumption of cash, cash held in escrow, and restricted cash upon consolidation of investment in joint venture	\$ —	\$ 2,895
Supplemental Non-cash Financing and Investing Activities:		
Dividends declared included in dividends payable	\$ 10,205	\$ 9,427
Distribution payable to non-controlling interest holder	\$ 110	\$ 108
Series B accretion to redemption value	\$ —	\$ 4,621
Real estate improvements included in accounts payable, accrued expenses and other liabilities	\$ 3,981	\$ 5,261
Deferred leasing costs included in accounts payable, accrued expenses and other liabilities	\$ 1,605	\$ 634
Conversion of common stock warrants	\$ —	\$ 3,758
Conversion of Series B Preferred Stock	\$ —	\$ 84,058
Consolidation of net book value of investment in joint venture	\$ —	\$ 5,686
Assumption of other assets upon consolidation of investment in joint venture	\$ —	\$ 638
Assumption of accounts payable, accrued expenses and other liabilities upon consolidation of investment in joint venture	\$ —	\$ 1,955
Assumption of secured debt upon consolidation of investment in joint venture	\$ —	\$ 56,000

The accompanying notes are an integral part of the condensed consolidated financial statements.

Plymouth Industrial REIT, Inc.
Notes to Condensed Consolidated Financial Statements
Unaudited

(all dollar amounts in thousands, except share and per share data)

1. Nature of the Business and Basis of Presentation

Business

Plymouth Industrial REIT, Inc., (the “Company”, “we” or the “REIT”) is a Maryland corporation formed on March 7, 2011. The Company is structured as an umbrella partnership REIT, commonly called an UPREIT, and owns substantially all of its assets and conducts substantially all of its business through its operating partnership, Plymouth Industrial Operating Partnership, L.P., a Delaware limited partnership (the “Operating Partnership”). The Company, as general partner of the Operating Partnership, controls the Operating Partnership and consolidates the assets, liabilities, and results of operations of the Operating Partnership. As of September 30, 2023 and December 31, 2022, the Company owned a 98.9% and 98.9%, respectively, equity interest in the Operating Partnership.

The Company is a real estate investment trust focused on the acquisition, ownership and management of single and multi-tenant industrial properties, including distribution centers, warehouses, light industrial and small bay industrial properties, located in primary and secondary markets within the main industrial, distribution and logistics corridors of the United States. As of September 30, 2023, the Company, through its subsidiaries, owned 156 industrial properties comprising 211 buildings with an aggregate of approximately 34.1 million square feet, and our regional property management office building located in Columbus, Ohio totaling approximately 17,260 square feet.

2. Summary of Significant Accounting Policies

The accounting policies underlying the accompanying unaudited condensed consolidated financial statements are those set forth in the Company's audited financial statements for the years ended December 31, 2022 and 2021. Additional information regarding the Company's significant accounting policies related to the accompanying interim financial statements is as follows:

Basis of Presentation

The Company's interim condensed consolidated financial statements include the accounts of the Company, the Operating Partnership and their subsidiaries. The interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). All significant intercompany transactions have been eliminated in consolidation. These interim condensed consolidated financial statements include adjustments of a normal and recurring nature considered necessary by management to fairly state the Company's financial position and results of operations. These interim condensed consolidated financial statements may not be indicative of financial results for the full year. These interim condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the years ended December 31, 2022 and 2021 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the United States Securities and Exchange Commission on February 23, 2023.

Consolidation

We consolidate all entities that are wholly owned and those in which we own less than 100% but control, as well as any Variable Interest Entities (“VIEs”) in which we are the primary beneficiary. We evaluate our ability to control an entity and whether the entity is a VIE and we are the primary beneficiary through consideration of the substantive terms of the arrangement to identify which enterprise has the power to direct the activities of a VIE that most significantly impacts the entity's economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Investments in entities in which we do not control but over which we have the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities that we do not control and over which we do not exercise significant influence are carried at the lower of cost or fair value, as appropriate. Our ability to correctly assess our influence and/or control over an entity affects the presentation of these investments in our condensed consolidated financial statements.

Plymouth Industrial REIT, Inc.
Notes to Condensed Consolidated Financial Statements
Unaudited

(all dollar amounts in thousands, except share and per share data)

Consolidated VIEs are those for which the Company is considered to be the primary beneficiary of a VIE. The primary beneficiary is the entity that has a controlling financial interest in the VIE, which is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE's performance and (2) the obligation to absorb losses or the right to receive the returns from the VIE that could potentially be significant to the VIE. The Company has determined that the Operating Partnership is a VIE and the Company is the primary beneficiary. The Company's only significant asset is its investment in the Operating Partnership, therefore, substantially all of the Company's assets and liabilities are the assets and liabilities of the Operating Partnership.

Risks and Uncertainties

The state of the overall economy can significantly impact the Company's operational performance and thus impact its financial position. Should the Company experience a significant decline in operational performance, it may affect the Company's ability to make distributions to its stockholders, service debt, or meet other financial obligations.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes significant estimates regarding the allocation of tangible and intangible assets and liabilities for real estate acquisitions, impairments of long-lived assets and stock-based compensation. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management adjusts such estimates when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from those estimates and assumptions.

Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash and restricted cash, which includes tenant security deposits and cash collateral for its borrowings discussed in Note 5, and cash held in escrow for real estate tax, insurance, tenant capital improvements and leasing commissions, in bank deposit accounts, which at times may exceed federally insured limits. As of September 30, 2023, the Company has not realized any losses in such cash accounts and believes it mitigates its risk of loss by depositing its cash and restricted cash in highly rated financial institutions or within accounts that are below the federally insured limits.

The following table presents a reconciliation of cash, cash held in escrow, and restricted cash reported within our condensed consolidated balance sheets to amounts reported within our condensed consolidated statements of cash flows:

	September 30,	December 31,
	2023	2022
Cash	\$ 12,034	\$ 11,003
Cash held in escrow	11,143	13,376
Restricted cash	7,095	6,834
Cash, cash held in escrow, and restricted cash	<u>\$ 30,272</u>	<u>\$ 31,213</u>

Debt Issuance Costs

Debt issuance costs other than those associated with the revolving line of credit facility are reflected as a reduction to the respective loan amounts in the form of a debt discount. Amortization of this expense is included in interest expense in the condensed consolidated statements of operations.

Debt issuance costs amounted to \$10,842 and \$10,815 at September 30, 2023 and December 31, 2022, respectively, and related accumulated amortization amounted to \$7,357 and \$6,175 at September 30, 2023 and December 31, 2022, respectively. At September 30, 2023 and December 31, 2022, the Company has classified net unamortized debt issuance costs of \$1,636 and \$2,306, respectively, related to borrowings under the line of credit to other assets in the condensed consolidated balance sheets.

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Derivative Instruments and Hedging Activities

We record all derivatives on the accompanying condensed consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply, or we elect not to apply hedge accounting.

In accordance with fair value measurement guidance, we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting arrangements on a net basis by the counterparty portfolio. Credit risk is the risk of failure of the counterparty to perform under the terms of the contract. We minimize the credit risk in our derivative financial instruments by entering into transactions with various high-quality counterparties. Our exposure to credit risk at any point is generally limited to amounts recorded as assets on the accompanying condensed consolidated balance sheets.

Earnings (Loss) per Share

The Company follows the two-class method when computing net earnings (loss) per common share as the Company has issued shares that meet the definition of participating securities. The two-class method determines net earnings (loss) per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. See Note 11 for details.

Fair Value of Financial Instruments

The Company applies various valuation approaches in determining the fair value of its financial assets and liabilities within a hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the source of inputs as follows:

Level 1 — Quoted prices for identical instruments in active markets.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 — Significant inputs to the valuation model are unobservable.

The availability of observable inputs can vary among the various types of financial assets and liabilities. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for financial statement disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is categorized is based on the lowest level input that is significant to the overall fair value measurement. Level 3 inputs are applied in determining the fair value of our debt, interest rate swaps and performance stock units discussed in Notes 5, 6 and 10 respectively.

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Financial instruments, including cash, restricted cash, cash held in escrow, accounts receivable, accounts payable, accrued expenses and other current liabilities, are considered Level 1 in fair value hierarchy. The amounts reported on the condensed consolidated balance sheets for these financial instruments approximate their fair value due to their relatively short maturities and prevailing interest rates. Derivative financial instruments are considered Level 2 in the fair value hierarchy as discussed in Note 6.

Leases

For leases in which we are the lessee, a right of use asset and lease liability is recorded on the condensed consolidated balance sheets equal to the present value of the fixed lease payments of the corresponding lease. To determine our operating right of use asset and lease liability, we estimate an appropriate incremental borrowing rate on a fully-collateralized basis for the terms of the leases by utilizing a market-based approach. Since the terms under our ground leases are significantly longer than the terms of borrowings available to us on a fully collateralized basis, the estimate of this rate requires significant judgment, and considers factors such as market-based pricing on longer duration financing instruments.

Revenue Recognition

Minimum rental revenue from real estate operations is recognized on a straight-line basis. The straight-line rent calculation on leases includes the effects of rent concessions and scheduled rent increases, and the calculated straight-line rent income is recognized over the lives of the individual leases. In accordance to ASC 842, we assess the collectability of lease receivables (including future minimum rental payments) both at commencement and throughout the lease term. If our assessment of collectability changes during the lease term, any difference between the revenue that would have been received under the straight-line method and the lease payments that have been collected will be recognized as a current period adjustment to rental revenue. Rental revenue associated with leases where collectability has been deemed less than probable is recognized on a cash basis in accordance with ASC 842.

Segments

The Company has one reportable segment, industrial properties. These properties have similar economic characteristics and meet the other criteria that permit the properties to be aggregated into one reportable segment.

Stock Based Compensation

The Company grants stock-based compensation awards to our employees and directors typically in the form of restricted shares of common stock and performance stock units for certain executive officers and key employees. The Company measures stock-based compensation expense based on the fair value of the awards on the grant date and recognizes the expense ratably over the vesting period. Forfeitures of unvested shares are recognized in the period the forfeiture occurs.

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3. Real Estate Properties, Net

Real estate properties, net consisted of the following at September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Land	\$ 227,599	\$ 231,829
Buildings and improvements	1,196,838	1,141,832
Site improvements	131,714	132,295
Construction in progress	14,473	49,890
	<u>1,570,624</u>	<u>1,555,846</u>
Less: accumulated depreciation	(254,402)	(205,629)
Real estate properties, net	<u>\$ 1,316,222</u>	<u>\$ 1,350,217</u>

Depreciation expense was \$16,943 and \$16,565 for the three months ended September 30, 2023 and 2022, respectively, and \$50,705 and \$47,051 for the nine months ended September 30, 2023 and 2022, respectively.

Acquisition of Properties

There were no acquisitions of properties during the nine months ended September 30, 2023.

Sale of Real Estate

During the nine months ended September 30, 2023, the Company sold a single, 306,000 square foot property located in Chicago, IL for approximately \$19,926, recognizing a net gain of \$12,112.

4. Leases

As a Lessor

We lease our properties to tenants under agreements that are classified as operating leases. We recognize the total minimum lease payments provided for under the leases on a straight-line basis over the lease term. Many of our leases include the recovery of certain operating expenses such as common area maintenance, insurance, real estate taxes and utilities from our tenants. The recovery of such operating expenses is recognized in rental revenue in the condensed consolidated statements of operations. Some of our tenants' leases are subject to changes in the Consumer Price Index ("CPI").

The Company includes accounts receivable and straight-line rent receivables within other assets in the condensed consolidated balance sheets. For the three and nine months ended September 30, 2023 and 2022, rental revenue was derived from various tenants. As such, future receipts are dependent upon the financial strength of the lessees and their ability to perform under the lease agreements.

Rental revenue is comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Income from leases	\$ 36,783	\$ 34,886	\$ 109,163	\$ 98,832
Straight-line rent adjustments	216	1,319	1,833	3,045
Tenant recoveries	12,320	11,042	36,190	31,611
Amortization of above market leases	(158)	(184)	(494)	(548)
Amortization of below market leases	575	725	2,314	3,180
Total	<u>\$ 49,736</u>	<u>\$ 47,788</u>	<u>\$ 149,006</u>	<u>\$ 136,120</u>

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Tenant recoveries included within rental revenue for the three and nine months ended September 30, 2023 and 2022 are variable in nature.

As a Lessee

Operating Leases

As of September 30, 2023, we have five office space operating leases and a single ground operating sublease. The office lease agreements do not contain residual value guarantees or an option to renew. The ground sublease agreement does not contain residual value guarantees and includes multiple options to extend the sublease between nineteen and twenty years for each respective option. The operating leases have remaining lease terms ranging from 0.7 years to 32.3 years, which includes the exercise of a single twenty-year renewal option pertaining to the ground sublease. As of September 30, 2023, total operating right of use assets and lease liabilities were approximately \$5,050 and \$6,059, respectively. The operating lease liability as of September 30, 2023 represents a weighted-average incremental borrowing rate of 4.0% over the weighted-average remaining lease term of 8.4 years. The incremental borrowing rate is our estimated borrowing rate on a fully-collateralized basis for the term of the respective leases.

The following table summarizes the operating lease expense recognized during the three and nine months ended September 30, 2023 and 2022 included in the Company's condensed consolidated statements of operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating lease expense included in general and administrative expense attributable to office leases	\$ 195	\$ 210	\$ 577	\$ 632
Operating lease expense included in property expense attributable to ground sublease	9	9	27	27
Non-cash adjustment due to straight-line rent adjustments	36	28	105	78
Cash paid for amounts included in the measurement of lease liabilities (operating cash flows)	<u>\$ 240</u>	<u>\$ 247</u>	<u>\$ 709</u>	<u>\$ 737</u>

The following table summarizes the maturity analysis of our operating leases, which is discounted by our incremental borrowing rate to calculate the lease liability as included in accounts payable, accrued expenses and other liabilities in the Company's condensed consolidated balance sheets for the operating leases in which we are the lessee (in thousands):

October 1, 2023 - December 31, 2023	\$ 330
2024	1,280
2025	894
2026	803
2027	818
Thereafter	3,491
Total minimum operating lease payments	<u>\$ 7,616</u>
Less imputed interest	(1,557)
Total operating lease liability	<u>\$ 6,059</u>

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Financing Leases

As of September 30, 2023, we have a single finance lease in which we are the sublessee for a ground lease. The Company includes the financing lease right of use asset within real estate properties and the corresponding liability within financing lease liability in the condensed consolidated balance sheets. The ground sublease agreement does not contain a residual value guarantee and includes multiple options to extend the sublease between nineteen and twenty years for each respective option. The lease has a remaining lease term of approximately 32.3 years, which includes the exercise of a single twenty-year renewal option. The financing lease liability as of September 30, 2023 represents a weighted-average incremental borrowing rate of 7.8% over the weighted-average remaining lease term of 32.3 years. The incremental borrowing rate is our estimated borrowing rate on a fully-collateralized basis for the term of the respective lease.

The following table summarizes the financing lease expense recognized during the three and nine months ended September 30, 2023 and 2022 included in the Company's condensed consolidated statements of operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Depreciation/amortization of financing lease right-of-use assets	\$ 7	\$ 7	\$ 20	\$ 21
Interest expense for financing lease liability	45	44	134	132
Total financing lease cost	<u>\$ 52</u>	<u>\$ 51</u>	<u>\$ 154</u>	<u>\$ 153</u>

The following table summarizes the maturity analysis of our financing lease (in thousands):

October 1, 2023 - December 31, 2023	\$ 39
2024	155
2025	170
2026	170
2027	170
Thereafter	6,367
Total minimum financing lease payments	<u>\$ 7,071</u>
Less imputed interest	(4,806)
Total financing lease liability	<u>\$ 2,265</u>

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5. Indebtedness

The following table sets forth a summary of the Company's borrowings outstanding under its respective secured debt, unsecured line of credit and unsecured debt as of September 30, 2023 and December 31, 2022.

Debt	Outstanding Balance at		Interest rate at September 30, 2023	Final Maturity Date
	September 30, 2023	December 31, 2022		
Secured debt:				
AIG Loan	\$ 109,646	\$ 111,758	4.08%	November 1, 2023
Ohio National Life Mortgage	18,572	19,045	4.14%	August 1, 2024
Allianz Loan	61,546	62,388	4.07%	April 10, 2026
Nationwide Loan	15,000	15,000	2.97%	October 1, 2027
Minnesota Life Memphis Industrial Loan ⁽¹⁾	55,244	56,000	3.15%	January 1, 2028
Lincoln Life Gateway Mortgage	28,800	28,800	3.43%	January 1, 2028
Midland National Life Insurance Mortgage	10,717	10,820	3.50%	March 10, 2028
Minnesota Life Loan	19,683	20,019	3.78%	May 1, 2028
Transamerica Loan	59,669	67,398	4.35%	August 1, 2028
Total secured debt	\$ 378,877	\$ 391,228		
Unamortized debt issuance costs, net	(1,308)	(1,985)		
Unamortized premium/(discount), net	145	288		
Total secured debt, net	\$ 377,714	\$ 389,531		
Unsecured debt:				
\$100m KeyBank Term Loan ⁽²⁾	100,000	100,000	3.10% ⁽³⁾⁽⁴⁾	August 11, 2026
\$200m KeyBank Term Loan ⁽²⁾	200,000	200,000	3.13% ⁽³⁾⁽⁴⁾	February 11, 2027
\$150m KeyBank Term Loan ⁽²⁾	150,000	150,000	4.50% ⁽³⁾⁽⁴⁾	May 2, 2027
Total unsecured debt	\$ 450,000	\$ 450,000		
Unamortized debt issuance costs, net	(2,177)	(2,655)		
Total unsecured debt, net	\$ 447,823	\$ 447,345		
Borrowings under line of credit:				
KeyBank unsecured line of credit ⁽²⁾	65,000	77,500	6.98% ⁽³⁾	August 11, 2025
Total borrowings under line of credit	\$ 65,000	\$ 77,500		

- (1) On March 11, 2022, a wholly-owned subsidiary of the Operating Partnership assumed a mortgage (the "Minnesota Life Memphis Industrial Loan") with a balance of \$56,000 in conjunction with our acquisition of all outstanding interests in the entity owning the portfolio in Memphis, Tennessee. The Minnesota Life Memphis Industrial Loan, held by Minnesota Life Insurance Company, matures on January 1, 2028, bears interest at 3.15% and is secured by the properties. The Minnesota Life Memphis Industrial Loan requires monthly installments of interest only through January 1, 2023, and afterwards, monthly installments of principal plus accrued interest through January 1, 2028, at which time a balloon payment is required. The Company has the right to prepay the borrowings outstanding, subject to a prepayment penalty in effect until the loan approaches maturity.
- (2) On May 2, 2022, the Company entered into an amendment to the KeyBank unsecured facility. The credit facility agreement, as amended, expanded the availability on the KeyBank unsecured line of credit up to \$350 million and entered into a new \$150 million unsecured term loan (the "\$150m KeyBank Term Loan"), with an accordion feature that allows the total borrowing capacity under the credit facility to be increased to \$1 billion, subject to certain conditions. The \$150m KeyBank Term Loan matures in May 2027. The maturity date for the KeyBank unsecured line of credit remains unchanged. The amendment also provided for the transition of the reference rate for the KeyBank unsecured line of credit and the \$100m, \$200m, and \$150m KeyBank Term Loans from 1-month LIBOR to Secured Overnight Financing Rate ("SOFR"). Borrowings under the credit agreement, as amended, bear interest at either (1) the base rate (determined as the highest of (a) KeyBank's prime rate, (b) the Federal Funds rate plus 0.50% and (c) the Adjusted Term SOFR for a one month tenor plus 1.0% or (2) SOFR, plus, in either case, a spread (A) between 35 and 90 basis points for revolver base rate loans or between 135 and 190 basis points for revolver SOFR rate loans and (B) between 30 and 85 basis points for term base rate loans or between 130 and 185 basis points for term SOFR rate loans, with the amount of the spread depending on the Company's total leverage ratio.
- (3) For the month of September 2023, the one-month term SOFR for our unsecured debt and borrowings under line of credit was 5.327%. The spread over the applicable rate for the \$100m, \$150m, and \$200m KeyBank Term Loans and KeyBank unsecured line of credit is based on the Company's total leverage ratio plus the 0.1% SOFR index adjustment.
- (4) As of September 30, 2023, the one-month term SOFR for the \$100m, \$150m and \$200m KeyBank Term Loans was swapped to a fixed rate of 1.504%, 2.904%, and 1.527%, respectively.

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Financial Covenant Considerations

The Company is in compliance with all respective financial covenants for our secured and unsecured debt and unsecured line of credit as of September 30, 2023.

Fair Value of Debt

The fair value of our debt and borrowings under line of credit was estimated using Level 3 inputs by calculating the present value of principal and interest payments, using discount rates that best reflect current market interest rates for financings with similar characteristics and credit quality, and assuming each loan is outstanding through its maturity.

The following table summarizes the aggregate principal outstanding under the Company's indebtedness and the corresponding estimate of fair value as of September 30, 2023 and December 31, 2022:

Indebtedness (in thousands)	September 30, 2023		December 31, 2022	
	Principal Outstanding	Fair Value	Principal Outstanding	Fair Value
Secured debt	\$ 378,877	\$ 358,727	\$ 391,228	\$ 372,682
Unsecured debt	450,000	450,000	450,000	450,000
Borrowings under line of credit, net	65,000	65,000	77,500	77,500
Total	893,877	\$ 873,727	918,728	\$ 900,182
Unamortized debt issuance cost, net	(3,485)		(4,640)	
Unamortized premium/(discount), net	145		288	
Total carrying value	\$ 890,537		\$ 914,376	

6. Derivative Financial Instruments

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During 2023 and 2022, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

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The following table sets forth a summary of our interest rate swaps as of September 30, 2023 and December 31, 2022.

Interest Rate Swap Counterparty	Trade Date	Effective Date	Maturity Date	SOFR Interest Strike Rate	Notional Value ⁽¹⁾		Fair Value ⁽²⁾	
					September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Capital One, N.A.	July 13, 2022	July 1, 2022	February 11, 2027	1.527% ⁽³⁾	\$ 200,000	\$ 200,000	\$ 18,258	\$ 17,062
JPMorgan Chase Bank, N.A.	July 13, 2022	July 1, 2022	August 8, 2026	1.504% ⁽³⁾	\$ 100,000	\$ 100,000	\$ 8,258	\$ 7,932
JPMorgan Chase Bank, N.A.	August 19, 2022	September 1, 2022	May 2, 2027	2.904%	\$ 75,000	\$ 75,000	\$ 3,809	\$ 2,565
Wells Fargo Bank, N.A.	August 19, 2022	September 1, 2022	May 2, 2027	2.904%	\$ 37,500	\$ 37,500	\$ 1,901	\$ 1,283
Capital One, N.A.	August 19, 2022	September 1, 2022	May 2, 2027	2.904%	\$ 37,500	\$ 37,500	\$ 1,889	\$ 1,273

(1) Represents the notional value of interest rate swaps effective as of September 30, 2023.

(2) As of September 30, 2023, all our interest rate swaps were in an asset position.

(3) On July 13, 2022, the Company entered into amendments to the \$200,000 and \$100,000 notional interest rate swap agreements with Capital One, N.A. and JPMorgan Chase Bank, N.A., respectively. The amendments transitioned the previous USD-LIBOR floating rates to USD-SOFR CME Term floating rates and were effective as of July 1, 2022.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income ("AOCI") and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings. Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next twelve months, the Company estimates that an additional \$18,286 will be reclassified as a decrease to interest expense.

The following table sets forth the impact of our interest rate swaps on our condensed consolidated financial statements for the three and nine months ended September 30, 2023 and 2022.

Interest Rate Swaps in Cash Flow Hedging Relationships:	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Amount of unrealized gain recognized in AOCI on derivatives	\$ 2,935	\$ 16,476	\$ 4,000	\$ 32,404
Total interest expense presented in the condensed consolidated statements of operations in which the effects of cash flow hedges are recorded	\$ 3,764	\$ 423	\$ 10,030	\$ 1,762

Fair Value of Interest Rate Swaps

The Company's valuation of the interest rate swaps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs including interest rate curves.

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of September 30, 2023, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

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The following tables summarize the Company's interest rate swaps that are accounted for at fair value on a recurring basis as of September 30, 2023 and December 31, 2022.

Balance Sheet Line Item	Fair Value as of September 30, 2023	Fair Value Measurements as of September 30, 2023		
		Level 1	Level 2	Level 3
Interest rate swaps - Asset	\$ 34,115	\$ —	\$ 34,115	\$ —

Balance Sheet Line Item	Fair Value as of December 31, 2022	Fair Value Measurements as of December 31, 2022		
		Level 1	Level 2	Level 3
Interest rate swaps - Asset	\$ 30,115	\$ —	\$ 30,115	\$ —

Non-designated Hedges

The Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges. Changes in the fair value of derivatives not designated in hedging relationships would be recorded directly in earnings.

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations. Specifically, the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness.

As of September 30, 2023, the Company does not have any derivatives in a net liability position. As of September 30, 2023, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at September 30, 2023, it could have been required to settle its obligations under the agreements at their termination value.

7. Common Stock

ATM Program

On February 28, 2023, the Company entered into a distribution agreement with certain sales agents pursuant to which the Company may issue and sell, from time to time, shares of its common stock, with aggregate gross proceeds of \$200,000 through an "at-the-market" equity offering program (the "2023 \$200 Million ATM Program"). The 2023 \$200 Million ATM Program replaced the previous \$200 million ATM program, which was entered on November 9, 2021 ("2021 \$200 Million ATM Program").

For the nine months ended September 30, 2023, the Company issued 2,200,600 shares of its common stock under the 2023 \$200 Million ATM Program for aggregate net proceeds of approximately \$49,518. The Company has approximately \$149,292 available for issuance under the 2023 \$200 Million ATM Program. No shares were issued under the 2021 \$200 Million ATM Program for the nine months ended September 30, 2023.

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Common Stock Dividends

The following table sets forth the common stock dividends that were declared during the nine months ended September 30, 2023 and the year ended December 31, 2022.

	Cash Dividends Declared per Share	Aggregate Amount
2023		
First quarter	\$ 0.2250	\$ 9,682
Second quarter	\$ 0.2250	\$ 9,709
Third quarter	\$ 0.2250	\$ 10,193
Total	\$ 0.6750	\$ 29,584
2022		
First quarter	\$ 0.2200	\$ 8,137
Second quarter	\$ 0.2200	\$ 8,829
Third quarter	\$ 0.2200	\$ 9,426
Fourth quarter	\$ 0.2200	\$ 9,426
Total	\$ 0.8800	\$ 35,818

8. Preferred Stock

Series A Preferred Stock

On September 6, 2023 (“Redemption Date”), the Series A Preferred Stock was redeemed in cash at a redemption price equal to \$25.00 per share, and a dividend in the amount of \$0.34647 per share of Series A Preferred Stock was paid in cash to holders of record at the close of business on August 25, 2023. As of the Redemption Date and through September 30, 2023, the shares of Series A Preferred Stock were no longer outstanding.

The following table sets forth the Series A Preferred Stock dividends that were declared during the nine months ended September 30, 2023 and the year ended December 31, 2022.

	Cash Dividends Declared per Share	Aggregate Amount
2023		
First quarter	\$ 0.468750	\$ 916
Second quarter	\$ 0.468750	\$ 916
Third quarter	\$ 0.346470	\$ 677
Total	\$ 1.283970	\$ 2,509
2022		
First quarter	\$ 0.468750	\$ 949
Second quarter	\$ 0.468750	\$ 945
Third quarter	\$ 0.468750	\$ 930
Fourth quarter	\$ 0.468750	\$ 917
Total	\$ 1.875000	\$ 3,741

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9. Non-Controlling Interests

Operating Partnership Units

In connection with prior acquisitions of real estate property, the Company, through its Operating Partnership, had issued Operating Partnership Units (“OP Units”) to the former owners as part of the acquisition price. The holders of the OP Units are entitled to receive distributions concurrent with the dividends paid on our common stock. The holders of the OP Units can also convert their respective OP Units for the Company’s common stock on a 1-to-1 basis. Upon conversion, the Company adjusts the carrying value of non-controlling interest to reflect its modified share of the book value of the Operating Partnership. Such adjustments are recorded to additional paid-in capital as a reallocation of non-controlling interest on the accompanying condensed consolidated statements of changes in preferred stock and equity.

OP Units outstanding as of September 30, 2023 and December 31, 2022 was 490,299.

The following table sets forth the OP Unit distributions that were declared during the nine months ended September 30, 2023 and the year ended December 31, 2022.

	<u>Cash Distributions Declared per OP Unit</u>	<u>Aggregate Amount</u>
<u>2023</u>		
First quarter	\$ 0.2250	\$ 110
Second quarter	\$ 0.2250	\$ 110
Third quarter	\$ 0.2250	\$ 110
Total	\$ 0.6750	\$ 330
<u>2022</u>		
First quarter	\$ 0.2200	\$ 108
Second quarter	\$ 0.2200	\$ 108
Third quarter	\$ 0.2200	\$ 108
Fourth quarter	\$ 0.2200	\$ 108
Total	\$ 0.8800	\$ 432

The proportionate share of the gain (loss) attributed to the OP Units was \$114 and (\$55) for the three months ended September 30, 2023 and 2022, respectively, and \$46 and (\$170) for the nine months ended September 30, 2023 and 2022, respectively.

10. Incentive Award Plan

Restricted Stock

The following table is a summary of the total restricted shares granted, forfeited and vested for the nine months ended September 30, 2023:

	<u>Shares</u>
Unvested restricted stock at January 1, 2023	280,074
Granted	200,095
Forfeited	—
Vested	(109,326)
Unvested restricted stock at September 30, 2023	370,843

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The Company recorded equity-based compensation expense related to restricted stock in the amount of \$674 and \$538 for the three months ended September 30, 2023 and 2022, respectively, and \$1,950 and \$1,498 for the nine months ended September 30, 2023 and 2022, respectively, which is included in general and administrative expenses in the accompanying condensed consolidated statements of operations. Equity-based compensation expense for shares issued to employees and directors is based on the grant-date fair value of the award and recognized on a straight-line basis over the requisite period of the award. The unrecognized compensation expense associated with the Company's restricted shares of common stock at September 30, 2023 was approximately \$6,127 and is expected to be recognized over a weighted average period of approximately 2.9 years. The fair value of the 200,095 restricted shares granted during the nine months ended September 30, 2023 was approximately \$4,320 with a weighted average fair value of \$21.59 per share.

Performance Stock Units

On June 15, 2023, the compensation committee of the board of directors approved, and the Company granted, 51,410 Performance Stock Units ("PSUs") under the 2014 Incentive Award Plan to certain executive officers and key employees of the Company. The PSUs are subject to performance-based criteria including the Company's total shareholder return (65%) and total shareholder return compared to the MSCI US REIT Index (35%) over a three-year performance period. Upon conclusion of the performance period, the final number of PSUs vested will range between zero to a maximum of 102,820 PSUs. All vested performance stock units will convert into shares of common stock on a 1-to-1 basis. Compensation expense is charged to earnings ratably from the grant date through to the end of the performance period.

The fair value of the PSUs of \$1,550 was determined using a lattice-binomial option-pricing model based on a Monte Carlo simulation applying Level 3 inputs as described in Note 2. The significant inputs into the model were: grant date of June 15, 2023, volatility of 29.0%, an expected annual dividend of 4.2%, and an annual risk-free interest rate of 4.2%.

The following table summarizes activity related to the Company's unvested PSUs during the nine months ended September 30, 2023. No PSUs were granted for the year ended December 31, 2022.

Unvested Performance Stock Units	Performance Stock Units	Weighted Average Grant Date Fair Value per Unit
Balance at December 31, 2022	—	\$ —
Granted	51,410	\$ 30.15
Vested	—	\$ —
Forfeited	—	\$ —
Balance at September 30, 2023	51,410	\$ 30.15

The Company recorded equity-based compensation expense related to the PSUs in the amount of \$153 and \$0 for the three months ended September 30, 2023 and 2022, respectively, and \$178 and \$0 for the nine months ended September 30, 2023 and 2022, respectively, which is included in general and administrative expenses in the accompanying condensed consolidated statements of operations. The unrecognized compensation expense associated with the Company's PSUs at September 30, 2023 was approximately \$1,372 and is expected to be recognized over a weighted average period of approximately 2.3 years.

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11. Earnings per Share

Net Income (Loss) per Common Share

Basic and diluted earnings per share attributable to common stockholders was calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator				
Net income (loss)	\$ 10,400	\$ (4,626)	\$ 4,430	\$ (13,560)
Less: Net income (loss) attributable to non-controlling interest	114	(55)	46	(170)
Net income (loss) attributable to Plymouth Industrial REIT, Inc.	10,286	(4,571)	4,384	(13,390)
Less: Preferred Stock dividends	677	930	2,509	3,949
Less: Series B Preferred Stock accretion to redemption value	—	2,371	—	4,621
Less: Loss on extinguishment/redemption of Series A Preferred Stock	2,021	56	2,023	80
Less: Amount allocated to participating securities	83	62	253	194
Net income (loss) attributable to common stockholders	<u>\$ 7,505</u>	<u>\$ (7,990)</u>	<u>\$ (401)</u>	<u>\$ (22,234)</u>
Denominator				
Weighted-average common shares outstanding — basic	44,056,855	41,128,421	43,108,039	38,838,811
Effect of dilutive securities				
Add: Stock-based compensation ⁽¹⁾	82,748	—	—	—
Weighted-average common shares outstanding — diluted	<u>44,139,603</u>	<u>41,128,421</u>	<u>43,108,039</u>	<u>38,838,811</u>
Net income (loss) per share — basic and diluted				
Net income (loss) per share attributable to common stockholders — basic	<u>\$ 0.17</u>	<u>\$ (0.19)</u>	<u>\$ (0.01)</u>	<u>\$ (0.57)</u>
Net income (loss) per share attributable to common stockholders — diluted	<u>\$ 0.17</u>	<u>\$ (0.19)</u>	<u>\$ (0.01)</u>	<u>\$ (0.57)</u>

(1) During the three months ended September 30, 2023, there were approximately 1,196 unvested restricted shares of common stock on a weighted average basis that were not included in the computation of diluted earnings per share as including these shares would be anti-dilutive. During the three months ended September 30, 2022 and the nine months ended September 30, 2023 and 2022, all unvested restricted shares of common stock were deemed to be anti-dilutive due to the net loss attributable to common stockholders.

The Company uses the two-class method of computing earnings per common share in which participating securities are included within the basic earnings per share (“EPS”) calculation. The amount allocated to participating securities is according to dividends declared (whether paid or unpaid). The restricted stock does not have any participatory rights in undistributed earnings. The unvested shares of restricted stock are accounted for as participating securities as they contain nonforfeitable rights to dividends. PSUs, which are subject to vesting based on the Company achieving certain total shareholder return thresholds over a three-year performance period, are included as contingently issuable shares in the calculation of diluted EPS when the total shareholder return thresholds are achieved at or above the threshold levels specific in the award agreements, assuming the reporting period is the end of the performance period, and the effect is dilutive.

In periods where there is a net loss attributable to common stockholders, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company’s potential dilutive securities for the three months ended September 30, 2023 include the 370,843 shares of restricted common stock and the 51,410 PSUs. The restricted common shares and PSUs have been excluded from the computation of diluted net income (loss) per share attributable to common stockholders for the three months ended September 30, 2022 and the nine months ended September 30, 2023 and 2022 as the effect of including them would reduce the net loss per share.

Plymouth Industrial REIT, Inc.
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12. Commitments and Contingencies

Employment Agreements

The Company has entered into employment agreements with the Company's Chief Executive Officer, President and Chief Investment Officer, Chief Financial Officer, and Executive Vice President Asset Management. As approved by the compensation committee of the Board of Directors the agreements provide for base salaries ranging from \$300 to \$600 annually with discretionary cash performance awards. The agreements contain provisions for equity awards, general benefits, and termination and severance provisions, consistent with similar positions and companies.

Legal Proceedings

The Company is not currently party to any material legal proceedings. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company expenses, as incurred, the costs related to such legal proceedings.

Contingent Liability

Under the terms of the Plymouth MIR JV II LLC agreement executed July 6, 2023, the majority partner has the right to require us to purchase its 98% interest in the 297,583 square foot property located in Atlanta, GA at the greater of the property's then-current fair market value, or, 150% of aggregate capital contributions made by the majority partner. Such right can be executed by the majority partner no sooner than June 1, 2025, and no later than August 29, 2025. As of September 30, 2023, the projected fair market value of the property at the date the put option is exercisable is expected to exceed the 150% of the aggregate capital contributions made by the majority partner, and as such, there is no contingent liability to recognize.

13. Subsequent Events

On November 1, 2023, the Company repaid in full the outstanding principal and interest balance of approximately \$110,019 on the AIG Loan using proceeds from the KeyBank unsecured line of credit.

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

Cautionary Note Regarding Forward-Looking Statements

We make statements in this Quarterly Report on Form 10-Q that are forward-looking statements, which are usually identified by the use of words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “seeks,” “should,” “will,” and variations of such words or similar expressions. Our forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by our forward-looking statements are reasonable, we can give no assurance that our plans, intentions, expectations, strategies or prospects will be attained or achieved and you should not place undue reliance on these forward-looking statements. Additionally, unforeseen factors emerge from time to time, and we cannot predict which factors will arise or their ultimate impact on our business or the extent to which any such factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Furthermore, actual results may differ materially from those described in the forward-looking statements and may be affected by a variety of risks and factors including, without limitation:

- the uncertainty and economic impact of pandemics, epidemics or other public health emergencies or fear of such events, such as the outbreak of COVID-19, including, without limited, its impact on the Company's ability to pay common stock dividends and/or the amount and frequency of the dividends;
- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- potential defaults on or non-renewal of leases by tenants;
- potential bankruptcy or insolvency of tenants;
- acquisition risks, including failure of such acquisitions to perform in accordance with projections;
- the timing of acquisitions and dispositions;
- potential natural disasters such as earthquakes, wildfires or floods;
- national, international, regional and local economic conditions;
- the general level of interest rates;
- potential changes in the law or governmental regulations that affect us and interpretations of those laws and regulations, including changes in real estate and zoning or REIT tax laws, and potential increases in real property tax rates;
- financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;
- lack of or insufficient amounts of insurance;
- our ability to maintain our qualification as a REIT;
- litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and
- possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us.

Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following discussion and analysis is based on, and should be read in conjunction with our unaudited financial statements and notes thereto for the periods ended September 30, 2023 and 2022 included elsewhere in this Quarterly Report, as well as information contained in our Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 10-K”) filed with the United States Securities and Exchange Commission (the “SEC”) on February 23, 2023, including the audited historical financial statements and related notes thereto as of and for the years ended December 31, 2022 and 2021 contained therein, which is accessible on the SEC's website at www.sec.gov.

Overview

We are a full service, vertically integrated real estate investment company focused on the acquisition, ownership, and management of single and multi-tenant industrial properties, including distribution centers, warehouses, light industrial and small bay industrial properties, located in primary and secondary markets within the main industrial, distribution and logistics corridors of the United States. Our mission is to provide tenants with cost effective space that is functional, flexible and safe.

As of September 30, 2023, the Company, through its subsidiaries, owned 156 industrial properties comprising 211 buildings with an aggregate of approximately 34.1 million square feet, and our property management office building located in Columbus, Ohio, totaling approximately 17,260 square feet.

We are also evaluating diversifying our portfolio of real estate assets to include the origination or acquisition of mortgage, bridge or mezzanine loans, all of which would be collateralized by properties that meet investment criteria that are substantially the same as our real estate portfolio or that are complementary to our existing assets. The Company believes expanding its investment strategy to include these types of real estate-related assets will enable it to deploy its capital efficiently to continue to grow at times when acquisitions of industrial properties are limited due either to availability or cost.

We seek to generate attractive risk-adjusted returns for our stockholders through a combination of dividends and capital appreciation.

Factors That May Influence Future Results of Operations

Business and Strategy

Our core investment strategy is to acquire industrial properties located in primary and secondary markets across the U.S, as well as select sub-markets across the U.S. We expect to acquire these properties through third-party purchases and structured sale-leasebacks where we believe we can achieve attractive initial yields and strong ongoing cash-on-cash returns.

Our target markets are located in primary and secondary markets, as well as select sub-markets, because we believe these markets tend to have less occupancy and rental rate volatility and less buyer competition relative to gateway markets. We also believe that the systematic aggregation of such properties will result in a diversified portfolio that will produce sustainable risk-adjusted returns. Future results of operations may be affected, either positively or negatively, by our ability to effectively execute this strategy.

We also intend to continue pursuing joint venture arrangements with institutional partners which could provide management fee income as well as residual profit-sharing income. Such joint ventures may involve investing in industrial assets that would be characterized as opportunistic or value-add investments. These may involve development or redevelopment strategies that may require significant up-front capital expenditures, lengthy lease-up periods and result in inconsistent cash flows. As such, these properties' risk profiles and return metrics would likely differ from the non-joint venture properties that we target for acquisition.

Rental Revenue and Tenant Recoveries

We receive income primarily from rental revenue from our properties. The amount of rental revenue generated by the Company's portfolio depends principally on the occupancy levels and lease rates at our properties, our ability to lease currently available space and space that becomes available as a result of lease expirations and on the rental rates at our properties. As of September 30, 2023, the Company's portfolio was approximately 97.6% occupied. Our occupancy rate is impacted by general market conditions in the geographic areas which our properties are located and the financial condition of tenants in our target markets.

Scheduled Lease Expirations

Our ability to re-lease space subject to expiring leases will impact our results of operations and will be affected by economic and competitive conditions in the markets in which we operate and by the desirability of our individual properties. During the period from October 1, 2023 through to December 31, 2025, an aggregate of 38.8% of the annualized base rent leases in the Company's portfolio are scheduled to expire, which we believe will provide us an opportunity to adjust below market leases to reflect current market conditions.

The table below reflects certain data about our new and renewed leases with terms of greater than six months executed in the nine months ended September 30, 2023.

Period	Type	Square Footage	% of Total Square Footage	Expiring Rent	New Rent	% Change	Tenant Improvements \$/SF/YR	Lease Commissions \$/SF/YR	
Nine Months Ended September 30, 2023									
	Renewals	3,280,867	70.8%	\$ 3.76	\$ 4.35	15.7%	\$ 0.11	\$ 0.14	
	New Leases	1,352,909	29.2%	\$ 3.76	\$ 4.96	31.9%	\$ 0.34	\$ 0.36	
	Total/weighted average	4,633,776	100%	\$ 3.76	\$ 4.53	20.5%	\$ 0.18	\$ 0.20	

Conditions in Our Markets

The Company's portfolio is located in various primary and secondary markets within the main industrial distribution and logistics corridors of the United States. Positive or negative changes in economic or other conditions, adverse weather conditions and natural disasters in these markets are likely to affect our overall performance.

Property Expenses

Our rental expenses generally consist of utilities, real estate taxes, insurance and repair and maintenance costs. For the majority of the Company's portfolio, property expenses are controlled, in part, by either the triple net provisions or modified gross lease expense reimbursement provisions in tenant leases. However, the terms of our tenant leases vary and in some instances the leases may provide that we are responsible for certain property expenses. Accordingly, our overall financial results will be impacted by the extent to which we are able to pass-through property expenses to our tenants.

Critical Accounting Policies

Our financial statements are prepared in accordance with GAAP. The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes significant estimates regarding the allocation of tangible and intangible assets or business acquisitions, impairments of long-lived assets and stock-based compensation. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management adjusts such estimates when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from those estimates and assumptions.

Our critical accounting policies are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Judgments and Estimates" in our Annual Report on Form 10-K filed with the SEC on February 23, 2023, and the notes to the financial statements appearing elsewhere in this Quarterly Report on Form 10-Q. Accordingly, we believe the policies set forth in our 2022 10-K are critical to fully understand and evaluate our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected. During the nine months ended September 30, 2023, there were no material changes to our critical accounting policies.

Results of Operations (dollars in thousands)

Our consolidated results of operations are often not comparable from period to period due to the effect of property acquisitions and dispositions completed during the comparative reporting periods. Our Total Portfolio represents all of the properties owned during the reported periods. To eliminate the effect of changes in our Total Portfolio due to acquisitions, dispositions and other, and to highlight the operating results of our on-going business, we have separately presented the results of our Same Store Properties Portfolio and Acquisitions, Dispositions and Other.

For the three and nine months ended September 30, 2023 and 2022, we define the Same Store Portfolio as a subset of our Total Portfolio and includes properties that were wholly owned by us for the entire period presented. We define Acquisitions, Dispositions and Other as any properties that were acquired, sold, placed into service or held for development or repurposing during the period from January 1, 2022 through September 30, 2023.

Three Months Ended September 30, 2023, Compared to Three Months Ended September 30, 2022

The following table summarizes the results of operations for our Same Store Portfolio, our Acquisitions, Dispositions and Other and total portfolio for the three months ended September 30, 2023 and 2022 (dollars in thousands):

	Same Store Portfolio				Acquisitions, Dispositions and Other				Total Portfolio			
	Three Months Ended September 30,		Change		Three Months Ended September 30,		Change		Three Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%	2023	2022	\$	%
Revenue:												
Rental revenue	\$ 41,812	\$ 40,104	\$ 1,708	4.3%	\$ 7,924	\$ 7,684	\$ 240	3.1%	\$ 49,736	\$ 47,788	\$ 1,948	4.1%
Management fee revenue and other income	—	—	—	—	29	2	27	(1,350%)	29	2	27	(1,350%)
<i>Total revenues</i>	<u>41,812</u>	<u>40,104</u>	<u>1,708</u>	<u>4.3%</u>	<u>7,953</u>	<u>7,686</u>	<u>267</u>	<u>3.5%</u>	<u>49,765</u>	<u>47,790</u>	<u>1,975</u>	<u>4.1%</u>
Property expenses	13,116	11,660	1,456	12.5%	2,638	2,835	(197)	(6.9%)	15,754	14,495	(1,259)	8.7%
Depreciation and amortization									22,881	24,860	(1,979)	(8.0%)
General and administrative									3,297	4,078	(781)	(19.2%)
<i>Total operating expenses</i>									<u>41,932</u>	<u>43,433</u>	<u>(1,501)</u>	<u>(3.5%)</u>
Other income (expense):												
Interest expense									(9,473)	(8,983)	(490)	5.5%
Loss on extinguishment of debt									(72)	—	(72)	0.0%
Gain on sale of real estate									12,112	—	12,112	0.0%
<i>Total other income (expense)</i>									<u>2,567</u>	<u>(8,983)</u>	<u>11,550</u>	<u>128.6%</u>
Net income (loss)									<u>\$ 10,400</u>	<u>\$ (4,626)</u>	<u>\$ 15,026</u>	<u>324.8%</u>

Rental revenue: Rental revenue increased by \$1,948 to \$49,736 for the three months ended September 30, 2023 as compared to \$47,788 for the three months ended September 30, 2022. This was primarily related to a net increase of \$240 within Acquisitions, Dispositions and Other primarily due to an increase in rental revenue from acquisitions, an increase of \$1,708 from Same Store Portfolio primarily from an increase in rent income of \$1,872 due to scheduled rent steps and leasing activities, an increase of \$909 in tenant reimbursements, partially offset by a decrease in non-cash rent adjustments of \$1,073 for the three months ended September 30, 2023.

Property expenses: Property expenses increased \$1,259 for the three months ended September 30, 2023 to \$15,754 as compared to \$14,495 for the three months ended September 30, 2022. This was primarily due to property expenses for the Same Store Portfolio increasing approximately \$1,456 driven primarily by an increase in real estate taxes and operating expenses, partially offset by a net decrease of \$197 within Acquisitions, Dispositions and Other due to property expenses related to acquisitions.

Depreciation and amortization: Depreciation and amortization expense decreased by \$1,979 to \$22,881 for the three months ended September 30, 2023 as compared to \$24,860 for the three months ended September 30, 2022, primarily due to a net decrease of \$1,421 for the Same Store Portfolio and \$558 within Acquisitions, Dispositions and Other due to full depreciation and amortization of certain assets during the three months ended September 30, 2023.

General and administrative: General and administrative expenses decreased approximately \$781 to \$3,297 for the three months ended September 30, 2023 as compared to \$4,078 for the three months ended September 30, 2022. The decrease is attributable primarily to decreased compensation and professional expenses of \$1,031, partially offset by an increase in non-cash stock compensation of \$309.

Interest expense: Interest expense increased by approximately \$490 to \$9,473 for the three months ended September 30, 2023, as compared to \$8,983 for the three months ended September 30, 2022. The increase is primarily due to increased interest rates on the borrowings under the line of credit during the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The schedule below is a comparative analysis of the components of interest expense for the three months ended September 30, 2023 and 2022.

	Three Months Ended September 30,	
	2023	2022
Changes in accrued interest	\$ (50)	\$ 676
Amortization of debt related costs	570	565
Total change in accrued interest and amortization of debt related costs	520	1,241
Cash interest paid	9,235	8,057
Capitalized interest	(282)	(315)
Total interest expense	<u>\$ 9,473</u>	<u>\$ 8,983</u>

Gain on sale of real estate: Gain on sale of real estate of \$12,112 represents the gain realized on the sale of real estate for the three months ended September 30, 2023. There was no gain/loss on sales of real estate during the three months ended September 30, 2022.

Loss on extinguishment of debt: Loss on extinguishment of debt of \$72 for the three months ended September 30, 2023 was due to the partial repayment of the Transamerica Loan.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

The following table summarizes the results of operations for our Same Store Portfolio, our Acquisitions, Dispositions and Other and total portfolio for the nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Same Store Portfolio				Acquisitions, Dispositions and Other				Total Portfolio			
	Nine Months Ended September 30,		Change		Nine Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%	2023	2022	\$	%
Revenue:												
Rental revenue	\$ 125,299	\$ 121,516	\$ 3,783	3.1%	\$ 23,707	\$ 14,604	\$ 9,103	62.3%	\$ 149,006	\$ 136,120	\$ 12,886	9.5%
Management fee revenue and other income	—	—	—	—	58	90	(32)	(35.6%)	58	90	(32)	(35.6%)
<i>Total revenues</i>	<u>125,299</u>	<u>121,516</u>	<u>3,783</u>	<u>3.1%</u>	<u>23,765</u>	<u>14,694</u>	<u>9,071</u>	<u>61.7%</u>	<u>149,064</u>	<u>136,210</u>	<u>12,854</u>	<u>9.4%</u>
Property expenses	39,458	36,902	2,556	6.9%	7,940	5,467	2,473	45.2%	47,398	42,369	5,029	11.9%
Depreciation and amortization									70,098	71,759	(1,661)	(2.3%)
General and administrative									10,586	11,776	(1,190)	(10.1%)
<i>Total operating expenses</i>									<u>128,082</u>	<u>125,904</u>	<u>2,178</u>	<u>1.7%</u>
Other income (expense):												
Interest expense									(28,592)	(23,303)	(5,289)	22.7%
Earnings (loss) in investment of unconsolidated joint venture									—	(147)	147	(100%)
Loss on extinguishment of debt									(72)	(2,176)	2,104	(96.7%)
(Appreciation) depreciation of warrants									—	1,760	(1,760)	(100%)
Gain on sale of real estate									12,112	—	12,112	0.0%
<i>Total other income (expense)</i>									<u>(16,552)</u>	<u>(23,866)</u>	<u>7,314</u>	<u>(30.6%)</u>
Net income (loss)									<u>\$ 4,430</u>	<u>\$ (13,560)</u>	<u>\$ 17,990</u>	<u>(132.7%)</u>

Rental revenue: Rental revenue increased by \$12,886 to \$149,006 for the nine months ended September 30, 2023 as compared to \$136,120 for the nine months ended September 30, 2022. This was primarily related to a net increase of \$9,103 within Acquisitions, Dispositions and Other primarily due to an increase in rental revenue from acquisitions, an increase of \$3,783 from Same Store Portfolio primarily from an increase in rent income of \$4,741 due to scheduled rent steps and leasing activities, an increase of \$2,451 in tenant reimbursements, partially offset by a decrease in non-cash rent adjustments of \$3,409 for the nine months ended September 30, 2023.

Property expenses: Property expenses increased \$5,029 for the nine months ended September 30, 2023 to \$47,398 as compared to \$42,369 for the nine months ended September 30, 2022. This was primarily due to a net increase of \$2,473 within Acquisitions, Dispositions and Other due to property expenses related to acquisitions. Property expenses for the Same Store Portfolio increased approximately \$2,556 driven by an increase in real estate taxes and operating expenses, partially offset by a decrease in utilities.

Depreciation and amortization: Depreciation and amortization expense decreased by \$1,661 to \$70,098 for the nine months ended September 30, 2023 as compared to \$71,759 for the nine months ended September 30, 2022, primarily due to a net increase of \$3,692 within Acquisitions, Dispositions and Other, offset by a decrease of \$5,353 for the Same Store Portfolio due to full depreciation and amortization of certain assets during the nine months ended September 30, 2023.

General and administrative: General and administrative expenses decreased approximately \$1,190 to \$10,586 for the nine months ended September 30, 2023 as compared to \$11,776 for the nine months ended September 30, 2022. The decrease is attributable primarily to decreased compensation and professional expenses of \$1,584, partially offset by an increase in non-cash stock compensation of \$629.

Interest expense: Interest expense increased by approximately \$5,289 to \$28,592 for the nine months ended September 30, 2023, as compared to \$23,303 for the nine months ended September 30, 2022. The increase is primarily due to increased interest rates on the borrowings under the line of credit during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The schedule below is a comparative analysis of the components of interest expense for the nine months ended September 30, 2023 and 2022.

	Nine Months Ended September 30,	
	2023	2022
Changes in accrued interest	\$ 402	\$ 1,582
Amortization of debt related costs	1,708	1,597
Total change in accrued interest and amortization of debt related costs	2,110	3,179
Cash interest paid	27,450	20,645
Capitalized interest	(968)	(521)
Total interest expense	<u>\$ 28,592</u>	<u>\$ 23,303</u>

Earnings (loss) in investment of unconsolidated joint venture: Earnings (loss) in investment of unconsolidated joint venture represents the Company's pro-rata share of the net loss recognized by the former MIR JV, which was consolidated into the Company's condensed consolidated financial statements following the Company's acquisition of the remaining 80% interest in the MIR JV from the MIR JV Partner on March 11, 2022.

Gain on sale of real estate: Gain on sale of real estate of \$12,112 represents the gain realized on the sale of real estate for the nine months ended September 30, 2023. There was no gain/loss on sales of real estate during the nine months ended September 30, 2022.

Loss on extinguishment of debt: Loss on extinguishment of debt of \$73 for the nine months ended September 30, 2023 was due to the partial repayment of the Transamerica Loan.

(Appreciation) depreciation of warrants: (Appreciation) depreciation of warrants represents the change in the fair market value of our common stock warrants. For the nine months ended September 30, 2022, the Company recorded depreciation of warrants of \$1,760. During Q1 2022, all common stock warrants were fully exercised on a cash-less basis and no warrants remained outstanding as of September 30, 2023.

Supplemental Earnings Measures (dollars in thousands)

Investors in and industry analysts following the real estate industry utilize supplemental earnings measures such as net operating income ("NOI"), earnings before interest, taxes, depreciation and amortization for real estate ("EBITDA_{re}"), funds from operations ("FFO"), core funds from operations ("Core FFO") and adjusted funds from operations ("AFFO") as supplemental operating performance measures of an equity REIT. Historical cost accounting for real estate assets in accordance with accounting principles generally accepted in the United States of America ("GAAP") implicitly assumes that the value of real estate assets diminishes predictably over time through depreciation. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors prefer to supplement operating results that use historical cost accounting with measures such as NOI, EBITDA_{re}, FFO, Core FFO and AFFO, among others. We provide information related to NOI, EBITDA_{re}, FFO, Core FFO and AFFO both because such industry analysts are interested in such information, and because our management believes NOI, EBITDA_{re}, FFO, Core FFO and AFFO are important performance measures. NOI, EBITDA_{re}, FFO, Core FFO and AFFO are factors used by management in measuring our performance. Neither NOI, EBITDA_{re}, FFO, Core FFO or AFFO should be considered as a substitute for net income, or any other measures derived in accordance with GAAP. Neither NOI, EBITDA_{re}, FFO, Core FFO or AFFO represents cash generated from operating activities in accordance with GAAP and neither should be considered as an alternative to cash flow from operating activities as a measure of our liquidity, nor is either indicative of funds available for our cash needs, including our ability to make cash distributions.

NOI

We consider net operating income, or NOI, to be an appropriate supplemental measure to net income in that it helps both investors and management understand the core operations of our properties. We define NOI as total revenue (including rental revenue and tenant reimbursements) less property-level operating expenses. NOI excludes depreciation and amortization, general and administrative expenses, impairments, gain/loss on sale of real estate, interest expense, and other non-operating items.

The following is a reconciliation from historical reported net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP, to NOI:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
NOI:				
Net income (loss)	\$ 10,400	\$ (4,626)	\$ 4,430	\$ (13,560)
General and administrative	3,297	4,078	10,586	11,776
Depreciation and amortization	22,881	24,860	70,098	71,759
Interest expense	9,473	8,983	28,592	23,303
(Earnings) loss in investment of unconsolidated joint venture	—	—	—	147
Loss on extinguishment of debt	72	—	72	2,176
Gain on sale of real estate	(12,112)	—	(12,112)	—
Appreciation (depreciation) of warrants	—	—	—	(1,760)
Management fee revenue and other income	(29)	(2)	(58)	(90)
NOI	\$ 33,982	\$ 33,293	\$ 101,608	\$ 93,751

EBITDAre

We define earnings before interest, taxes, depreciation and amortization for real estate in accordance with the standards established by the National Association of Real Estate Investment Trusts (“NAREIT”). EBITDAre represents net income (loss), computed in accordance with GAAP, before interest expense, tax, depreciation and amortization, gains or losses on the sale of rental property, appreciation (depreciation) of warrants, loss on impairments, and loss on extinguishment of debt. We believe that EBITDAre is helpful to investors as a supplemental measure of our operating performance as a real estate company as it is a direct measure of the actual operating results of our industrial properties. The following table sets forth a reconciliation of our historical net loss to EBITDAre for the periods presented:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
EBITDAre:				
Net income (loss)	\$ 10,400	\$ (4,626)	\$ 4,430	\$ (13,560)
Depreciation and amortization	22,881	24,860	70,098	71,759
Interest expense	9,473	8,983	28,592	23,303
Loss on extinguishment of debt	72	—	72	2,176
Gain on sale of real estate	(12,112)	—	(12,112)	—
Appreciation (depreciation) of warrants	—	—	—	(1,760)
EBITDAre	\$ 30,714	\$ 29,217	\$ 91,080	\$ 81,918

FFO

Funds from operations, or FFO, is a non-GAAP financial measure that is widely recognized as a measure of REIT operating performance. We consider FFO to be an appropriate supplemental measure of our operating performance as it is based on a net income analysis of property portfolio performance that excludes non-cash items such as depreciation. The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time. Since real estate values rise and fall with market conditions, presentations of operating results for a REIT, using historical accounting for depreciation, could be less informative. In December 2018, NAREIT issued a white paper restating the definition of FFO. The purpose of the restatement was not to change the fundamental definition of FFO, but to clarify existing NAREIT guidance. The restated definition of FFO is as follows: Net Income (calculated in accordance with GAAP), excluding: (i) Depreciation and amortization related to real estate, (ii) Gains and losses from the sale of certain real estate assets, (iii) Gain and losses from change in control, and (iv) Impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity.

We define FFO consistent with the NAREIT definition. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect FFO on the same basis. Other equity REITs may not calculate FFO as we do, and, accordingly, our FFO may not be comparable to such other REITs' FFO. FFO should not be used as a measure of our liquidity and is not indicative of funds available for our cash needs, including our ability to pay dividends. Core FFO represents FFO reduced by dividends paid (or declared) to holders of our preferred stock, acquisition and transaction related expenses for transactions not completed, and certain non-cash operating expenses such as impairment on real estate lease, appreciation (depreciation) of warrants and loss on extinguishment of debt. As with FFO, our reported Core FFO may not be comparable to other REITs' Core FFO, should not be used as a measure of our liquidity, and is not indicative of our funds available for our cash needs, including our ability to pay dividends.

The following table sets forth a reconciliation of our historical net loss to FFO and Core FFO for the periods presented:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
FFO:				
Net income (loss)	\$ 10,400	\$ (4,626)	\$ 4,430	\$ (13,560)
Gain on sale of real estate	(12,112)	—	(12,112)	—
Depreciation and amortization	22,881	24,860	70,098	71,759
Depreciation and amortization from unconsolidated joint venture	—	—	—	268
FFO:	<u>\$ 21,169</u>	<u>\$ 20,234</u>	<u>\$ 62,416</u>	<u>\$ 58,467</u>
Preferred stock dividends	(677)	(930)	(2,509)	(3,949)
Acquisition expenses	—	51	85	201
Appreciation (depreciation) of warrants	—	—	—	(1,760)
Loss on extinguishment of debt	72	—	72	2,176
Core FFO	<u>\$ 20,564</u>	<u>\$ 19,355</u>	<u>\$ 60,064</u>	<u>\$ 55,135</u>

AFFO

Adjusted funds from operations, or AFFO, is presented in addition to Core FFO. AFFO is defined as Core FFO, excluding certain non-cash operating revenues and expenses, capitalized interest and recurring capitalized expenditures. Recurring capitalized expenditures include expenditures required to maintain and re-tenant our properties, tenant improvements and leasing commissions. AFFO further adjusts Core FFO for certain other non-cash items, including the amortization or accretion of above or below market rents included in revenues, straight line rent adjustments, non-cash equity compensation and non-cash interest expense.

We believe AFFO provides a useful supplemental measure of our operating performance because it provides a consistent comparison of our operating performance across time periods that is comparable for each type of real estate investment and is consistent with management's analysis of the operating performance of our properties. As a result, we believe that the use of AFFO, together with the required GAAP presentations, provide a more complete understanding of our operating performance.

As with Core FFO, our reported AFFO may not be comparable to other REITs' AFFO, should not be used as a measure of our liquidity, and is not indicative of our funds available for our cash needs, including our ability to pay dividends.

The following table sets forth a reconciliation of FFO attributable to common stockholders and unit holders to AFFO.

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
AFFO:				
Core FFO	\$ 20,564	\$ 19,355	60,064	\$ 55,135
Amortization of debt related costs	570	565	1,708	1,597
Non-cash interest expense	(50)	676	402	1,582
Stock compensation	827	518	2,128	1,498
Capitalized interest	(282)	(315)	(968)	(521)
Straight line rent	(216)	(1,319)	(1,833)	(3,045)
Above/below market lease rents	(417)	(541)	(1,820)	(2,632)
Recurring capital expenditures ⁽¹⁾	(1,965)	(1,985)	(4,863)	(5,440)
AFFO:	<u>\$ 19,031</u>	<u>\$ 16,954</u>	<u>\$ 54,818</u>	<u>\$ 48,174</u>

(1) Excludes non-recurring capital expenditures of \$8,132 and \$20,157 for the three months ended September 30, 2023 and 2022, respectively, and \$24,185 and \$42,960 for the nine months ended September 30, 2023 and 2022, respectively.

Cash Flow (dollars in thousands)

A summary of our cash flows for the nine months ended September 30, 2023 and 2022 are as follows:

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 63,259	\$ 58,852
Net cash used in investing activities	\$ (8,311)	\$ (236,550)
Net cash (used in) provided by financing activities	\$ (55,889)	\$ 170,577

Operating activities: Net cash provided by operating activities for the nine months ended September 30, 2023 increased approximately \$4,407 compared to the nine months ended September 30, 2022. The increase was primarily attributable to incremental operating cash flows from developments placed in service between Q4 2022 and Q3 2023 and Same Store properties.

Investing activities: Net cash used in investing activities for the nine months ended September 30, 2023 decreased approximately \$228,239 compared to the nine months ended September 30, 2022 primarily due to property acquisitions completed during the first nine months in 2023 totaling \$0 as opposed to \$197,085 during the first nine months of 2022, a decrease in capital expenditures of \$13,145, partially offset by an increase in net proceeds from the sale of real estate of \$18,009.

Financing activities: Net cash (used in) provided by financing activities for the nine months ended September 30, 2023 decreased \$226,466 compared to the nine months ended September 30, 2022. The change was predominantly driven by a decrease of \$8,820 in net proceeds from the issuance of common stock, a decrease in debt issuance costs of \$1,771, a decrease of \$1,261 in repurchase and extinguishment of Series A Preferred Stock, a decrease of \$184,731 in net proceeds from secured and unsecured debt and the line of credit, offset by an increase of \$2,123 in dividends paid, and an increase of \$33,824 in redemption of preferred stock.

Liquidity and Capital Resources

We intend to make reserve contributions as necessary to aid our objective of preserving capital for our investors by supporting the maintenance and viability of properties we acquire in the future. If reserves and any other available income become insufficient to cover our operating expenses and liabilities, it may be necessary to obtain additional funds by borrowing, refinancing properties or liquidating our investments.

Our short-term liquidity requirements consist primarily of funds to pay for operating expenses and other expenditures directly associated with our properties, including:

- property expenses that are not borne by our tenants under our leases;
- principal and interest expense on outstanding indebtedness;
- general and administrative expenses; and
- capital expenditures for tenant improvements and leasing commissions.

We intend to satisfy our short-term liquidity requirements through our existing cash, cash flow from operating activities and the net proceeds of any potential future offerings.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, recurring and non-recurring capital expenditures and scheduled debt maturities. We intend to satisfy our long-term liquidity needs through cash flow from operations, long-term secured and unsecured borrowings, future issuances of equity and debt securities, property dispositions and joint venture transactions, and, in connection with acquisitions of additional properties, the issuance of OP units.

As of September 30, 2023, we had available liquidity of approximately \$308.2 million, comprised of \$23.2 million in cash and cash equivalents and \$285.0 million of borrowing capacity on our KeyBank unsecured line of credit. The Company anticipates it will have sufficient liquidity and access to capital resources to meet its current obligations and to meet any scheduled debt maturities.

Existing Indebtedness as of September 30, 2023

The following is a schedule of our indebtedness as of September 30, 2023 (\$ in thousands):

Debt	Outstanding Balance	Interest rate at September 30, 2023	Final Maturity Date
Secured debt:			
AIG Loan	\$ 109,646	4.08%	November 1, 2023
Ohio National Life Mortgage	18,572	4.14%	August 1, 2024
Allianz Loan	61,546	4.07%	April 10, 2026
Nationwide Loan	15,000	2.97%	October 1, 2027
Minnesota Life Memphis Industrial Loan	55,244	3.15%	January 1, 2028
Lincoln Life Gateway Mortgage	28,800	3.43%	January 1, 2028
Midland National Life Insurance Mortgage	10,717	3.50%	March 10, 2028
Minnesota Life Loan	19,683	3.78%	May 1, 2028
Transamerica Loan	59,669	4.35%	August 1, 2028
Total secured debt	\$ 378,877		
Unamortized debt issuance costs, net	(1,308)		
Unamortized premium/(discount), net	145		
Secured debt, net	\$ 377,714		
Unsecured debt:			
\$100m KeyBank Term Loan	100,000	3.10% ⁽¹⁾⁽²⁾	August 11, 2026
\$200m KeyBank Term Loan	200,000	3.13% ⁽¹⁾⁽²⁾	February 11, 2027
\$150m KeyBank Term Loan	150,000	4.50% ⁽¹⁾⁽²⁾	May 2, 2027
Total unsecured debt	\$ 450,000		
Unamortized debt issuance costs, net	(2,177)		
Unsecured debt, net	\$ 447,823		
Borrowings under line of credit:			
KeyBank unsecured line of credit	65,000	6.98% ⁽¹⁾	August 11, 2025
Total borrowings under line of credit	\$ 65,000		

(1) For the month of September 2023, the one-month term SOFR for our unsecured debt and borrowings under line of credit was 5.327%. The spread over the applicable rate for the \$100m, \$150m, and \$200m KeyBank Term Loans and KeyBank unsecured line of credit is based on the Company's total leverage ratio plus the 0.1% SOFR index adjustment.

(2) As of September 30, 2023, the one-month term SOFR for the \$100m, \$150m and \$200m KeyBank Term Loans was swapped to a fixed rate of 1.504%, 2.904%, and 1.527%, respectively.

The KeyBank unsecured line of credit contains certain financial covenants including limitations on total leverage, unsecured interest coverage and fixed charge coverage charges ratios. Our access to borrowings may be limited if we fail to meet any of these covenants. We are in compliance with our financial covenants as of September 30, 2023, and we anticipate that we will be able to operate in compliance with our financial covenants for the next twelve months.

Stock Issuances (dollars in thousands)

Universal Shelf S-3 Registration Statement

On June 11, 2021, the Company and Operating Partnership filed a shelf registration statement on Form S-3 ("2021 \$750 Million S-3 Filing") with the U.S. Securities and Exchange Commission ("SEC") registering an aggregate of \$750,000 of securities, consisting of an indeterminate amount of common stock, preferred stock, depository shares, warrants, rights to purchase our common stock and debt securities. As of September 30, 2023, the Company has \$532,693 available for issuance under the 2021 \$750 Million S-3 Filing.

ATM Program

On February 28, 2023, the Company entered into a distribution agreement with certain sales agents pursuant to which the Company may issue and sell, from time to time, shares of its common stock, with aggregate gross proceeds of \$200,000 through an "at-the-market" equity offering program (the "2023 \$200 Million ATM Program"). The 2023 \$200 Million ATM Program replaced the previous \$200 Million ATM program, which was entered on November 9, 2021 ("2021 \$200 Million ATM Program").

For the nine months ended September 30, 2023, the Company has issued 2,200,600 shares of its common stock under the 2023 \$200 Million ATM Program for aggregate net proceeds of approximately \$49,518. The Company has approximately \$149,292 available for issuance under the 2023 \$200 Million ATM Program. No shares were issued under the 2021 \$200 Million ATM Program for the nine months ended September 30, 2023.

Off-Balance Sheet Arrangements

As of September 30, 2023, we have no off-balance sheet arrangements.

Inflation

Prior to 2021, the rate of inflation was low and had minimal impact on the performance of our industrial properties in the markets in which we operate, however, recently inflation has increased and may remain at an elevated level or increase further. The majority of our leases are either triple net or provide for tenant reimbursement for costs related to real estate taxes and operating expenses. In addition, most of the leases provide for fixed rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and tenant payment of taxes and expenses described above. We do not believe that inflation has had a material impact on our historical financial position or results of operations.

Interest Rate Risk (dollars in thousands)

The Company uses interest rate swap agreements as a derivative instrument to manage interest rate risk and is recognized on the condensed consolidated balance sheets at fair value. As of September 30, 2023, all our outstanding variable rate debt, with the exception of the KeyBank unsecured line of credit, was fixed with interest rate swaps through maturity. We recognize all derivatives within the condensed consolidated balance sheets at fair value. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income, which is a component of stockholders' equity. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. As of September 30, 2023, the Company had entered into five interest rate swap agreements.

The following table details our outstanding interest rate swaps as of September 30, 2023 (\$ in thousands):

Interest Rate Swap Counterparty	Trade Date	Effective Date	Maturity Date	SOFR Interest Strike Rate	Notional Value ⁽¹⁾	Fair Value ⁽²⁾
					September 30, 2023	
Capital One, N.A.	July 13, 2022	July 1, 2022	February 11, 2027	1.527% ⁽³⁾	\$ 200,000	\$ 18,258
JPMorgan Chase Bank, N.A.	July 13, 2022	July 1, 2022	August 8, 2026	1.504% ⁽³⁾	\$ 100,000	\$ 8,258
JPMorgan Chase Bank, N.A.	August 19, 2022	September 1, 2022	May 2, 2027	2.904%	\$ 75,000	\$ 3,809
Wells Fargo Bank, N.A.	August 19, 2022	September 1, 2022	May 2, 2027	2.904%	\$ 37,500	\$ 1,901
Capital One, N.A.	August 19, 2022	September 1, 2022	May 2, 2027	2.904%	\$ 37,500	\$ 1,889

(1) Represents the notional value of interest rate swaps effective as of September 30, 2023.

(2) As of September 30, 2023, all our interest rate swaps were in an asset position.

(3) On July 13, 2022, the Company entered into amendments to the \$200,000 and \$100,000 notional interest rate swap agreements with Capital One, N.A. and JPMorgan Chase Bank, N.A., respectively. The amendments transitioned the previous USD-LIBOR floating rates to USD-SOFR CME Term floating rates and are effective as of July 1, 2022.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of September 30, 2023, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

During the next twelve months, the Company estimates that an additional \$18,286 will be reclassified as a decrease to interest expense. No assurance can be given that any future hedging activities by us will have the desired beneficial effect on our results of operations or financial condition.

At September 30, 2023, we had \$515,000 of outstanding variable rate debt. As of September 30, 2023, all our outstanding variable debt, with the exception of the KeyBank unsecured line of credit which had balance of \$65,000, was fixed with interest rate swaps through maturity. The KeyBank unsecured line of credit was subject to a weighted average interest rate of 6.90% during the nine months ended September 30, 2023. Based on the variable rate borrowings for our KeyBank unsecured line of credit outstanding during the nine months ended September 30, 2023, we estimate that had the average interest rate on our weighted average borrowings increased by 25 basis points for the nine months ended September 30, 2023, our interest expense for the quarter would have increased by approximately \$45. This estimate assumes the interest rate of each borrowing is raised by 25 basis points. The impact on future interest expense as a result of future changes in interest rates will depend largely on the gross amount of our borrowings at that time.

The Financial Conduct Authority announced it intended to stop compelling banks to submit rates for the calculation of LIBOR after June 30, 2023. As a result, in the U.S., the Federal Reserve Board and the Federal Reserve Bank of New York identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative rate for USD LIBOR in debt and derivative financial instruments. As of September 30, 2023, our interest rate swaps are indexed to SOFR.

For fixed rate debt, changes in interest rates generally affect the fair value of the debt, but not our earnings or cash flows. The interest rate risk and changes in fair market value of fixed rate debt generally do not have a significant impact on us until we are required to refinance such debt. See Note 5 to the Condensed Consolidated Financial Statements for a discussion of the maturity dates of our various fixed rate debt.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (amounts in thousands)

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. The primary market risk we are exposed to is interest rate risk. We have used derivative financial instruments to manage, or hedge, interest rate risks related to some of our borrowings, primarily through interest rate swaps. For additional detail, refer to Interest Rate Risk section within Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” above.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2023, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2023 that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

The nature of our business exposes our properties, us and our Operating Partnership to the risk of claims and litigation in the normal course of business. Other than routine litigation arising out of the ordinary course of business, we are not presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us.

ITEM 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our annual report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 23, 2023. For a full description of these risk factors, please refer to "Item 1A. Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2022.

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

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

- | | |
|------|--|
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | The financial information from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2023 formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Changes in Preferred Stock and Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements. |
| 104 | Cover Page Interactive Data File formatted in Inline XBRL and contained in Exhibit 101. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on our behalf by the undersigned, hereunto duly authorized.

PLYMOUTH INDUSTRIAL REIT, INC.

By: /s/ Jeffrey E. Witherell
Jeffrey E. Witherell,
Chief Executive Officer and
Chairman of the Board of Directors

By: /s/ Anthony Saladino
Anthony Saladino,
Chief Financial Officer

Dated: November 2, 2023

Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey E. Witherell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Plymouth Industrial REIT, Inc.;
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 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.

Date: November 2, 2023

/s/ JEFFREY E. WITHERELL
Jeffrey E. Witherell
*Chief Executive Officer and
Chairman of the Board of Directors*

Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Anthony Saladino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Plymouth Industrial REIT, Inc.;
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 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.

Date: November 2, 2023

/s/ ANTHONY SALADINO
Anthony Saladino
Chief Financial Officer

Certification pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Plymouth Industrial REIT, Inc. (the "Registrant") for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jeffrey E. Witherell, Chairman of the Board, Chief Executive Officer and Director of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

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 Registrant.

Date: November 2, 2023

/s/ JEFFREY E. WITHERELL
Jeffrey E. Witherell
*Chief Executive Officer and
Chairman of the Board of Directors*

Certification pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Plymouth Industrial REIT, Inc. (the "Registrant") for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Anthony Saladino, the Chief Financial Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

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 Registrant.

Date: November 2, 2023

/s/ ANTHONY SALADINO
Anthony Saladino
Chief Financial Officer