Terreno Realty Corp
Form 10-K
February 06, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
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 001-34603
Terreno Realty Corporation
(Exact Name of Registrant as Specified in Its Charter)

Maryland	27-1262675
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
101 Montgomery Street, Suite 200 San Francisco, CA	94104
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (415) 655-4580
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
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 x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	x	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 Rule 12b-2 of the Exchange Act). Yes ¨ No x

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Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price, as reported by the New York Stock Exchange, at which the common equity was last sold, as of June 29, 2018, the last business day of the Registrant's most recently completed second fiscal quarter: $2,146,590,859. (For this computation, the Registrant has excluded the market value of all shares of its common stock reported as beneficially owned by executive officers and directors of the Registrant).

The registrant had 61,118,804 shares of its common stock, $0.01 par value per share, outstanding as of February 6, 2019.

Documents Incorporated by Reference

Part III of this Annual Report on Form 10-K incorporates by reference portions of Terreno Realty Corporation's Proxy Statement for its 2019 Annual Meeting of Stockholders, which the registrant anticipates will be filed with the Securities and Exchange Commission no later than 120 days after the end of its 2018 fiscal year pursuant to Regulation 14A.

Terreno Realty Corporation

Annual Report on Form 10-K
for the Year Ended December 31, 2018

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We caution investors that forward-looking statements are based on management’s beliefs and on assumptions made by, and information currently available to, management. When used, the words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “might”, “plar “project”, “result”, “should”, “will”, “seek”, “target”, “see”, “likely”, “position”, “opportunity”, “outlook”, “potential”, “enthus similar expressions which do not relate solely to historical matters are intended to identify forward-looking statements. These statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors, that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- the factors included in this Annual Report on Form 10-K, including those set forth under the headings “Risk Factors”, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”;
- our ability to identify and acquire industrial properties on terms favorable to us;
- general volatility of the capital markets and the market price of our common stock;
- adverse economic or real estate conditions or developments in the industrial real estate sector and/or in the markets in which we acquire properties;
- our dependence on key personnel and our reliance on third-party property managers;
- our inability to comply with the laws, rules and regulations applicable to companies, and in particular, public companies;
- our ability to manage our growth effectively;
- tenant bankruptcies and defaults on, or non-renewal of, leases by tenants;
- decreased rental rates or increased vacancy rates;
- increased interest rates and operating costs;
- declining real estate valuations and impairment charges;
- our expected leverage, our failure to obtain necessary outside financing, and existing and future debt service obligations;
- our ability to make distributions to our stockholders;
- our failure to successfully hedge against interest rate increases;
- our failure to successfully operate acquired properties;
- risks relating to our real estate redevelopment, renovation and expansion strategies and activities;
- our failure to qualify or maintain our status as a real estate investment trust (“REIT”) and possible adverse changes to tax laws;
- uninsured or underinsured losses and costs relating to our properties or that otherwise result from future litigation;
- environmental uncertainties and risks related to natural disasters;
- financial market fluctuations; and
- changes in real estate and zoning laws and increases in real property tax rates.

PART I

Item 1. Business.

Overview

Terreno Realty Corporation (“Terreno”, and together with its subsidiaries, “we”, “us”, “our”, “our Company” or “the Company acquires, owns and operates industrial real estate in six major coastal U.S. markets: Los Angeles, Northern New Jersey/New York City, San Francisco Bay Area, Seattle, Miami, and Washington, D.C. We invest in several types of industrial real estate, including warehouse/distribution (approximately 92.5% of our total portfolio square footage as of December 31, 2018), flex (including light industrial and research and development, or R&D) (approximately 5.4%) and transshipment (approximately 2.1%). We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate. Infill locations are geographic locations surrounded by high concentrations of already developed land and existing buildings. As of December 31, 2018, we owned a total of 205 buildings aggregating approximately 12.8 million square feet that were approximately 98.4% leased to 454 customers, the largest of which accounted for approximately 3.9% of our total annualized base rent, 16 improved land parcels consisting of approximately 55.2 acres and five properties under redevelopment expected to contain approximately 0.7 million square feet upon completion.

We are an internally managed Maryland corporation and elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Code, commencing with our taxable year ended December 31, 2010.

Our Investment Strategy

We acquire, own and operate industrial properties in six major coastal U.S. markets: Los Angeles, Northern New Jersey/New York City, San Francisco Bay Area, Seattle, Miami, and Washington, D.C.

As described in more detail below, we invest in several types of industrial real estate, including warehouse/distribution, flex (including light industrial and R&D) and transshipment. We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate.

Industrial Facility General Characteristics

Warehouse / distribution (approximately 92.5% of our total portfolio square footage as of December 31, 2018)

- Single and multiple tenant facilities that typically serve tenants greater than 10,000 square feet of space
- Generally less than 20% office space
- Typical clear height from 18 feet to 36 feet
- May include production/manufacturing areas
- Interior access via dock high and/or grade level doors
- Truck court for large and small truck distribution options, possibly including staging for a high volume of truck activity and/or trailer storage

Flex (including light industrial and R&D, approximately 5.4% of our total portfolio square footage as of December 31, 2018)

- Single and multiple tenant facilities that typically serve tenants less than 10,000 square feet of space
- Facilities generally accommodate both office and warehouse/manufacturing activities
- Typically has a larger amount of office space and shallower bay depths than warehouse/distribution facilities
- Parking consistent with increased office use
- Interior access via grade level and/or dock high doors
- Staging for moderate truck activity

- May include a showroom, service center, or assembly/light manufacturing component
- Enhanced landscaping

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Transshipment (approximately 2.1% of our total portfolio square footage as of December 31, 2018)

- Includes truck terminals and other transshipment facilities, which serve both single and multiple tenants
- Typically has a high number of dock high doors, shallow bay depth and lower clear height
- Staging for a high volume of truck activity and trailer storage

In addition, we have approximately 55.2 acres of improved land. Such land is used for truck, trailer and container storage and/or car parking. In the future, we may redevelop some or all of such land.

We selected our target markets by drawing upon the experience of our executive management investing and operating in over 50 global industrial markets located in North America, Europe and Asia, the fundamentals of supply and demand, and in anticipation of trends in logistics patterns resulting from population changes, regulatory and physical constraints, changes in technology, e-commerce, potential long term increases in carbon prices and other factors. We believe that our target markets have attractive long-term investment attributes. We target assets with characteristics that include, but are not limited to, the following:

- Located in high population coastal markets;
- Close proximity to transportation infrastructure (such as sea ports, airports, highways and railways);
- Situated in supply-constrained submarkets with barriers to new industrial development, as a result of physical and/or regulatory constraints;
- Functional and flexible layout that can be modified to accommodate single and multiple tenants;
- Acquisition price at a discount to the replacement cost of the property;
- Potential for enhanced return through re-tenanting or operational or physical improvements; and
- Opportunity for higher and better use of the property over time.

In general, we prefer to utilize local third-party property managers for day-to-day property management. We believe outsourcing property management is cost effective and provides us with operational flexibility and is a source of acquisition opportunities. We may directly manage properties in the future if we determine such direct property management is in our best interest.

We have no current intention to acquire undeveloped or unimproved industrial land or to pursue greenfield ground-up development. However, we may pursue redevelopment, renovation and expansion opportunities of properties that we own, acquire properties and improved land parcels with the intent to redevelop in the near-term, or acquire adjacent land to expand our existing facilities.

We expect that we will continue to acquire the significant majority of our investments as equity interests in individual properties, portfolios of properties or improved industrial land parcels which may be rented without a building in place. We may also acquire industrial properties through the acquisition of other corporations or entities that own industrial real estate. We will opportunistically target investments in debt secured by industrial real estate that would otherwise meet our investment criteria with the intention of ultimately acquiring the underlying real estate. We currently do not intend to target specific percentages of holdings of particular types of industrial properties. This expectation is based upon prevailing market conditions and may change over time in response to different prevailing market conditions.

The properties we acquire may be stabilized (fully leased) or unstabilized (have near term lease expirations or be partially or fully vacant). During the period from February 16, 2010 to December 31, 2018, we have stabilized 69 properties.

We sell properties from time to time when we believe the prospective total return from a property is particularly low relative to its market value or the market value of the property is significantly greater than its estimated replacement cost. Capital from such sales is reinvested into properties that are expected to provide better prospective returns or returned to shareholders. We have disposed of 15 properties since inception in 2010 for an aggregate sales price of approximately $242.5 million and a total gain of approximately $83.7 million.

Competitive Strengths

We believe we distinguish ourselves from our competitors through the following competitive advantages:

- Focused Investment Strategy. We invest exclusively in six major coastal U.S. markets and focus on infill locations. We selected our six target markets based upon the experience of our executive management investing and operating in over 50 global industrial markets located in North America, Europe and Asia, the fundamentals of supply and demand, and in anticipation of trends in logistics patterns resulting from population changes, regulatory and physical

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constraints, changes in technology, e-commerce, potential long term increases in carbon prices and other factors. We have no current intention to acquire undeveloped or unimproved land or pursue greenfield ground-up development, but we may pursue redevelopment, renovation and expansion activities.

- Highly Aligned Compensation Structure. We believe that executive compensation should be closely aligned with long-term stockholder value creation. As a result, the long-term equity incentive compensation of our executive officers is based primarily on our total shareholder return exceeding the total shareholder return of the MSCI U.S. REIT Index (RMS) or the FTSE National Association of Real Estate Investment Trusts (“Nareit”) Equity Industrial Index.

- Commitment to Strong Corporate Governance. We are committed to strong corporate governance, as demonstrated by the following:
- all members of our board of directors serve annual terms;
- we have adopted a majority voting standard in non-contested director elections;
- we have opted out of three Maryland anti-takeover provisions and, in the future, we may not opt back in to these provisions without stockholder approval;
- we designed our ownership limits solely to protect our status as a REIT and not for the purpose of serving as an anti-takeover device; and
- we have no stockholder rights plan. In the future, we will not adopt a stockholder rights plan unless our stockholders approve in advance the adoption of such a plan or, if adopted by our board of directors, we will submit the stockholder rights plan to our stockholders for a ratification vote within 12 months of adoption or the plan will terminate.

Our Financing Strategy

The primary objective of our financing strategy is to maintain financial flexibility with a conservative capital structure using retained cash flows, proceeds from dispositions of properties, long-term debt and the issuance of common and perpetual preferred stock to finance our growth. Over the long term, we intend to:

- limit the sum of the outstanding principal amount of our consolidated indebtedness and the liquidation preference of any outstanding perpetual preferred stock to less than 35% of our total enterprise value;
- maintain a fixed charge coverage ratio in excess of 2.0x;
- maintain a debt-to-adjusted EBITDA ratio below 6.0x;
- limit the principal amount of our outstanding floating rate debt to less than 20% of our total consolidated indebtedness; and
- have staggered debt maturities that are aligned to our expected average lease term (5-7 years), positioning us to re-price parts of our capital structure as our rental rates change with market conditions.

We intend to preserve a flexible capital structure with a long-term goal to maintain our investment grade rating and be in a position to issue additional unsecured debt and additional perpetual preferred stock. Fitch Ratings assigned us an issuer rating of BBB with a stable outlook. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. There can be no assurance that we will be able to maintain our current credit rating. Our credit rating can affect the amount and type of capital we can access, as well as the terms of any financings we may obtain. In the event our current credit rating is downgraded, it may become difficult or expensive to obtain additional financing or refinance existing obligations and commitments. We intend to primarily utilize senior unsecured notes, term loans, credit facilities, dispositions of properties, common stock and perpetual preferred stock. We may also assume debt in connection with property acquisitions which may have a higher loan-to-value.

Our Corporate Structure

We are a Maryland corporation formed on November 6, 2009 and have been publicly held and subject to U.S. Securities and Exchange Commission, or SEC, reporting obligations since 2010. We are not structured as an Umbrella

Partnership Real Estate Investment Trust, or UPREIT, although we could put in place a similar structure to facilitate an acquisition if needed. We currently own our properties indirectly through subsidiaries and may utilize one or more taxable REIT subsidiaries as appropriate.

Our Tax Status

We elected to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ended December 31, 2010. We believe that our organization and method of operation has enabled and will continue to enable us to meet the requirements for qualification and taxation as a REIT for federal income tax purposes. To maintain REIT status we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our net taxable income to our stockholders, excluding net capital gains. As a REIT, we generally will not be subject to federal income tax on REIT taxable income we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state and local taxes on our income or property and the income of our taxable REIT subsidiaries, if any, will be subject to taxation at regular corporate rates. We do not currently own any taxable REIT subsidiaries but may in the future.

Competition

We believe the current market for industrial real estate acquisitions to be competitive. We compete for real property investments with pension funds and their advisors, bank and insurance company investment accounts, other public and private real estate investment companies, including other REITs, real estate limited partnerships, owner-users, individuals and other entities engaged in real estate investment activities, some of which have greater financial resources than we do. We believe the leasing of real estate to be highly competitive. We experience competition for customers from owners and managers of competing properties. As a result, we may have to provide free rental periods, incur charges for tenant improvements or offer other inducements, all of which may have an adverse impact on our results of operations.

Environmental Matters

The industrial properties that we own and will acquire are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, as owner of a contaminated property, to clean up the property, even if we did not know of or were not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated, and therefore it is possible we could incur these costs even after we sell some of our properties. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner’s ability to borrow using the property as collateral or to sell the property. Under applicable environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the clean-up of that facility if it becomes contaminated and threatens human health or the environment. Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos at one of our properties may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities. An example would be laws that require a business using chemicals to manage them carefully and to notify local officials that the chemicals are being used.

We could be responsible for any of the costs discussed above. The costs to clean up a contaminated property, to defend against a claim, or to comply with environmental laws could be material and could adversely affect the funds available for distribution to our stockholders. We generally obtain “Phase I environmental site assessments”, or ESAs, on each property prior to acquiring it. However, these ESAs may not reveal all environmental costs that might have a material adverse effect on our business, assets, results of operations or liquidity and may not identify all potential environmental liabilities.

In general, we utilize local third-party property managers for day-to-day property management and will rely on these third parties to operate our industrial properties in compliance with applicable federal, state and local environmental laws in their daily operation of the respective properties and to promptly notify us of any environmental contaminations or similar issues. As a result, we may become subject to material environmental liabilities of which we are unaware. We can make no assurances that (1) future laws or regulations will not impose material environmental liabilities on us, or (2) the environmental condition of our industrial properties will not be affected by the condition of the properties in the vicinity of our industrial properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to us. We were not aware of any significant or material exposures as of December 31, 2018 and 2017.

Employees

As of February 6, 2019, we have 23 employees. None of our employees is a member of any union.

Available Information

We maintain an internet website at the following address: http://terreno.com. The information on our website is neither part of nor incorporated by reference in this Annual Report on Form 10-K. We make available, free of charge, on or through our website certain reports and amendments to those reports that we file with or furnish to the SEC in accordance with the Exchange Act. These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and exhibits and amendments to these reports, and Section 16 filings. Our Code of Business Conduct and Ethics is also available on our website. We intend to disclose any amendments or waivers to our Code of Business Conduct and Ethics that apply to any of our executive officers on our website. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. You may also obtain our reports by accessing the EDGAR database at the SEC's website at http://www.sec.gov.

Item 1A. Risk Factors.

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we may currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, operating results and cash flows could be adversely affected. Investors should also refer to our quarterly reports on Form 10-Q and current reports on Form 8-K for any material updates to these risk factors.

Risks Related to Our Business and Our Properties

Our long-term growth will depend, in part, upon future acquisitions of properties, and we may be unable to consummate acquisitions on advantageous terms, the acquired properties may not perform as we expect, or we may be unable to quickly and efficiently integrate our new acquisitions into our existing operations.

We intend to continue to acquire industrial properties in our six target markets. The acquisition of properties entails various risks, including the risks that our investments may not perform as well as we had expected, that we may be unable to quickly and efficiently integrate our new acquisitions into our existing operations and that our cost estimates for bringing an acquired property up to market standards may prove inaccurate. In addition, we cannot assure you of the availability of investment opportunities in our targeted markets at attractive pricing levels or at all. In the event that such opportunities are not available in our targeted markets as we expect, our ability to execute our business plan and realize our projections for growth may be materially adversely affected. Further, we face significant competition for attractive investment opportunities from other well-capitalized real estate investors, including pension funds and their advisors, bank and insurance company investment accounts, other public and private real estate investment companies, including other REITs, real estate limited partnerships, owner-users, individuals and other entities engaged in real estate investment activities, some of which have greater financial resources than we do and a greater ability to borrow funds to acquire properties. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. As a result of competition, we may be unable to acquire properties as we desire or the purchase price may be significantly elevated.

In addition, we expect to finance future acquisitions through a combination of borrowings under our revolving credit facility, term loans, unsecured debt, debt secured by individual properties or pools of properties, the use of retained cash flows and the issuance of a combination of long-term debt and common and perpetual preferred stock, which may not be available at all or on advantageous terms and which could adversely affect our cash flows. Any of the above risks could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock and our preferred stock.

We may make acquisitions that pose integration and other risks that could harm our business.

We may be required to incur debt and expenditures and issue additional shares of our common stock or issue shares of preferred stock to pay for industrial properties that we may acquire, which may dilute our stockholders' ownership interests and may reduce or eliminate our profitability. These acquisitions may also expose us to risks such as:

- the possibility that we may not be able to successfully integrate acquired properties into our operations;

- the possibility that additional capital expenditures may be required;
- the possibility that senior management may be required to spend considerable time negotiating agreements and integrating acquired properties;
- the possible loss or reduction in value of acquired properties;

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- the possibility of pre-existing undisclosed liabilities regarding acquired properties, including but not limited to environmental or asbestos liability, for which our insurance may be insufficient or for which we may be unable to secure insurance coverage;
- the possibility that a concentration of our industrial properties in Los Angeles, the San Francisco Bay Area and Seattle may increase our exposure to seismic activity, especially if these industrial properties are located on or near fault zones; and
- the possibility that we may not meet our estimated forecasts related to stabilized cap rates.

We expect acquisition costs, including capital expenditures required to render industrial properties operational, to increase in the future. If our revenue does not keep pace with these potential acquisition costs, we may not be able to maintain our current or expected earnings as we absorb these additional expenses. There is no assurance we would successfully overcome these risks or any other problems encountered with these acquisitions.

If we cannot obtain additional financing, our growth will be limited.

If adverse conditions in the credit markets — in particular with respect to real estate — materially deteriorate, our business could be materially and adversely affected. Our long-term ability to grow through investments in industrial properties, including our ability to realize our projections for growth, will be limited if we cannot obtain additional financing on favorable terms or at all. In the future, we will rely on equity and debt financing, including issuances of common and perpetual preferred stock, borrowings under our revolving credit facility, term loans, issuances of unsecured debt securities and debt secured by individual properties or pools of properties, to finance our acquisition, redevelopment, renovation and expansion activities and for working capital. If we are unable to obtain equity or debt financing from these or other sources, or to refinance existing indebtedness upon maturity, our financial condition and results of operations would likely be adversely affected. Market conditions may make it difficult to obtain additional financing, and we cannot assure you that we will be able to obtain additional debt or equity financing or that we will be able to obtain it on favorable terms.

In addition, to qualify as a REIT, we are required to distribute at least 90% of our taxable income (determined before the deduction for dividends paid and excluding any net capital gains) each year to our stockholders, and we generally expect to make distributions in excess of such amount. As a result, our ability to retain earnings to fund acquisitions, redevelopment, renovation and expansion, if any, or other capital expenditures will be limited.

The availability and timing of cash distributions is uncertain.

We have made regular quarterly cash distributions (which we also refer to as dividends, in this Annual Report on Form 10-K and in the other documents we file with the SEC) to our stockholders, and we intend to continue to pay regular quarterly cash distributions. However, we bear all expenses incurred by our operations, and the funds generated by our operations, after deducting these expenses, may not be sufficient to cover desired levels of distributions to our stockholders. In addition, our board of directors, in its discretion, may retain any portion of such cash for working capital. Our ability to make distributions to our stockholders also will depend on our levels of retained cash flows, which we intend to use as a source of investment capital. We cannot assure our stockholders that sufficient funds will be available to pay distributions. Our corporate strategy is to fund the payment of quarterly distributions to our stockholders entirely from distributable cash flows. However, we may fund our quarterly distributions to our stockholders from a combination of available cash flows, net of recurring capital expenditures, and proceeds from borrowings and property dispositions. In the event we are unable to consistently fund future quarterly distributions to our stockholders entirely from distributable cash flows, the value of our shares may be negatively impacted.

We depend on key personnel.

Our success depends to a significant degree upon the contributions of certain key personnel, including but not limited to, our chairman and chief executive officer and our president, each of whom would be difficult to replace. If any of our key personnel were to cease employment with us, our operating results could suffer. Our ability to retain our senior management group or to attract suitable replacements should any members of the senior management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flows. Further, such a loss could be negatively perceived in the capital markets. We have not obtained and do not expect to obtain key man life insurance on any of our key personnel.

We also believe that, as we expand, our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, investment, financial and operational personnel. Competition for such personnel is intense, and we cannot assure our stockholders that we will be successful in attracting and retaining such skilled personnel.

Our investments are concentrated in the industrial real estate sector, and our business would be adversely affected by an economic downturn in that sector.

Our investments in real estate assets are concentrated in the industrial real estate sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included a more significant portion of other sectors of the real estate industry.

Events or occurrences that affect areas in which our properties are located may materially adversely impact our financial results.

In addition to general, regional, national and international economic conditions that may materially adversely affect our business and financial results, our operating performance will be materially adversely impacted by adverse economic conditions in the specific markets in which we operate and particularly in the markets in which we have significant concentrations of properties. For example, as of December 31, 2018, approximately 25.3% of our rentable square feet and approximately 49.1% of our improved land parcels were located in Northern New Jersey/New York City, representing a combined percentage of approximately 27.0% of our total annualized base rent, and approximately 19.7% of our rentable square feet and approximately 18.3% of our improved land parcels were located in Los Angeles, representing a combined percentage of approximately 17.6% of our total annualized base rent. See "Item 2 – Properties" in this Annual Report on Form 10-K for additional information regarding our ownership of properties in our markets. Any downturn in the economy in the real estate market or any of our markets and any failure to accurately predict the timing of any economic improvement in these markets could cause our operations and our revenue and cash available for distribution, including cash available to pay distributions to our stockholders, to be materially adversely affected.

We may be unable to renew leases, lease vacant space, including vacant space resulting from tenant defaults, or re-lease space as leases expire.

We cannot assure you that leases at our properties will be renewed or that such properties will be re-leased at net effective rental rates equal to or above the then current average net effective rental rates or at all. In addition, we may be required to grant concessions or fund improvements. If the rental rates for our properties decrease, our tenants do not renew their leases or we do not re-lease a significant portion of our available space, including vacant space resulting from tenant defaults, and space for which leases are scheduled to expire, our financial condition, results of operations, cash flows, cash available for distribution to stockholders, per share trading price of our common stock and our ability to satisfy our debt service obligations could be materially adversely affected. In addition, if we are unable to renew leases or re-lease a property, the resale value of that property could be diminished because the market value of a particular property will depend in part upon the value of the leases of such property.

We face potential adverse effects from the bankruptcies or insolvencies of tenants or from tenant defaults generally.

We are dependent on tenants for our revenues, including certain significant tenants. Moreover, certain of our properties are occupied by a single tenant, and the income produced by these properties depends on the financial stability of that tenant. The bankruptcy or insolvency of the tenants at our properties, or tenant defaults generally, may adversely affect the income produced by our properties. The tenants, particularly those that are highly leveraged, could file for bankruptcy protection or become insolvent in the future. Under bankruptcy law, a tenant cannot be evicted solely because of its bankruptcy. On the other hand, a bankrupt tenant may reject and terminate its lease with us. In such case, our claim against the bankrupt tenant for unpaid and future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and, even so, our claim for unpaid rent would likely not be paid in full. This shortfall could adversely affect our cash flows and results of operations and could cause us to reduce the amount of distributions to stockholders.

A default by a tenant on its lease payments could force us to find an alternative source of revenues to pay any mortgage loan or operating expenses on the property. In the event of a tenant default, we may experience delays in enforcing our rights as landlord and may incur substantial costs, including litigation and related expenses, in protecting our investment and re-leasing our property.

Declining real estate valuations and impairment charges could adversely affect our earnings and financial condition.

We review the carrying value of our properties when circumstances, such as adverse market conditions, indicate potential impairment may exist. We base our review on an estimate of the future cash flows (excluding interest charges) expected to result from the real estate investment's use and eventual disposition. We consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our evaluation indicates that we

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may be unable to recover the carrying value of a real estate investment, an impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair value of the property. These losses would have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. A worsening real estate market may cause us to reevaluate the assumptions used in our impairment analysis. Impairment charges could adversely affect our financial condition, results of operations, cash available for distribution, including cash available for us to pay distributions to our stockholders and per share trading price of our common stock.

We utilize local third-party managers for day-to-day property management for substantially all of our properties.

In general, we prefer to utilize local third-party managers for day-to-day property management, although we may directly manage other properties in the future. To the extent we utilize third-party managers, our cash flows from our industrial properties may be adversely affected if our managers fail to provide quality services. In addition, our managers or their affiliates may manage, and in some cases may own, invest in or provide credit support or operating guarantees to industrial properties that compete with our industrial properties, which may result in conflicts of interest and decisions regarding the operation of our industrial properties that are not in our best interests.

Our real estate redevelopment, renovation or expansion strategies may not be successful.

In connection with our business strategy, we may pursue redevelopment opportunities or construct expansions or improvements of industrial properties that we own. We will be subject to risks associated with our redevelopment, renovation and expansion activities that could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock. Such risks include the expenditure of money and time on projects that do not perform as expected; higher than estimated construction or operating costs, including labor and material costs; failure to obtain, or delays in obtaining, any necessary permits and authorizations; permits and authorizations that are subject to stringent conditions; the inability to complete construction on the timeframe we expect; occupancy and rental rates that may not meet expectations; and the inability to obtain financing on favorable terms or at all to finance redevelopment, renovation and expansion projects.

We may be required to fund future tenant improvements, and we may not have funding for those improvements.

When a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings in the future, it is likely that, in order to attract one or more new tenants, we will be required to expend funds to construct new tenant improvements in the vacated space. We may also be required to fund tenant improvements to retain tenants. Although we intend to manage our cash position or financing availability to pay for any improvements required for re-leasing, we cannot assure our stockholders that we will have adequate sources of funding available to us for such purposes in the future.

Debt service obligations could adversely affect our overall operating results, may require us to sell industrial properties and could adversely affect our ability to make distributions to our stockholders and the market price of our shares of common stock.

Our business strategy contemplates the use of both non-recourse secured debt and unsecured debt to finance long-term growth. As of December 31, 2018, we had total debt, net of deferred financing costs, of approximately $462.1 million, which consisted of revolving credit facility borrowings, term loan borrowings, senior unsecured note borrowings and mortgage loans payable. While over the long term we intend to limit the sum of the outstanding principal amount of our consolidated indebtedness and the liquidation preference of any outstanding shares of preferred stock to less than 35% of our total enterprise value, our governing documents contain no limitations on the amount of debt that we may incur, and our board of directors may change our financing policy at any time without stockholder approval. Over the long-term, we also intend to maintain a fixed charge coverage ratio in excess of 2.0x and a debt-to-adjusted EBITDA ratio below 6.0x and limit the principal amount of our outstanding floating rate debt to less than 20% of our total consolidated indebtedness. Our board of directors may modify or eliminate these limitations at any time without the approval of our stockholders. As a result, we may be able to incur substantial additional debt, including secured debt, in the future. Our existing debt, and the incurrence of additional debt, could subject us to many risks, including the risks that:

- our cash flows from operations will be insufficient to make required payments of principal and interest;
- our debt may increase our vulnerability to adverse economic and industry conditions;

- we may be required to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing cash available for distribution to our stockholders, funds available for operations and capital expenditures, future business opportunities or other purposes;
- the terms of any refinancing will not be as favorable as the terms of the debt being refinanced; and
- the use of leverage could adversely affect our ability to make distributions to our stockholders and the market price of our shares of common stock.

If we do not have sufficient funds to repay existing or future debt, including debt under our credit facility and senior unsecured notes, it may be necessary to refinance the debt through additional debt or additional equity financings. If, at the time of any refinancing, prevailing interest rates or other factors result in higher interest rates on refinancings, increases in interest expense would adversely affect our cash flows, and, consequently, cash available for distribution to our stockholders. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of industrial properties on disadvantageous terms, potentially resulting in losses. We may place mortgages on our properties that we own to secure a revolving credit facility or other debt. To the extent we cannot meet any future debt service obligations, we will risk losing some or all of our industrial properties that may be pledged to secure our obligations to foreclosure. Also, covenants applicable to any existing or future debt could impair our planned investment strategy and, if violated, result in a default.

Higher interest rates could increase debt service requirements on any floating rate debt that we incur and could reduce the amounts available for distribution to our stockholders, as well as reduce funds available for our operations, future business opportunities, or other purposes. In addition, an increase in interest rates could decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions. Adverse economic conditions could cause the terms on which we borrow to be unfavorable. We could be required to liquidate one or more of our industrial properties in order to meet our debt service obligations at times which may not permit us to receive an attractive return on our investments.

Our $250.0 million revolving credit facility, our $150.0 million of term loans, our $250.0 million of senior unsecured notes and certain of our existing mortgage loans payable contain, and we expect that our future indebtedness will contain, covenants that could limit our operations and our ability to make distributions to our stockholders.

We have a credit facility, which consists of a $50.0 million term loan that matures in August 2021, a $100.0 million term loan that matures in January 2022 and a $250.0 million revolving credit facility that matures in October 2022. We also have $250.0 million of senior unsecured notes outstanding. We have agreed to guarantee the obligations of the borrower (a wholly-owned subsidiary) under our revolving credit facility, our term loans and our senior unsecured notes. Our revolving credit facility, our term loans, our senior unsecured notes and certain of our existing mortgage loans payable contain, and we expect that our future indebtedness will contain, financial and operating covenants, such as fixed charge coverage and debt ratios and other limitations that will limit or restrict our ability to make distributions or other payments to our stockholders and may restrict our investment activities. For example, our credit facility restricts distributions if we are in default. The covenants in our debt agreements may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our stockholders or obtain necessary funds. Given the restrictions in our debt covenants on these and other activities, we may be limited in our operating and financial flexibility and in our ability to respond to changes in our business or competitive activities in the future. Failure to meet our financial covenants could result from, among other things, changes in our results of operations, the incurrence of debt or changes in general economic conditions. In addition, the failure of at least one of our chief executive officer and our president or any successors approved by the administrative agent to continue to be active in our day-to-day management constitutes an event of default under our credit facility. We have 120 days under our credit facility to hire a successor executive reasonably satisfactory to the administrative agent in the event that both our chief executive officer and our president or any successors cease to be active in our management. If we violate covenants or if there is an event of default under our credit facility, our senior unsecured notes, our existing mortgage loans payable or in our future agreements, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all which may have a material adverse effect on our cash flows, financial condition and results of operations.

In addition, the note purchase agreements with respect to our existing senior unsecured notes contain, and any unsecured debt agreements we enter into in the future may contain, specific cross-default provisions with respect to specified other indebtedness, giving the unsecured lenders the right to declare a default if we are in default under other loans in some circumstances. Defaults under our debt agreements could materially and adversely affect our financial condition and results of operations.

We may acquire outstanding debt or provide a loan, in each case secured by an industrial property, which will expose us to risks.

We may acquire outstanding debt secured by an industrial property from lenders and investors or provide a loan secured by industrial property if we believe we can acquire ownership of the underlying property through foreclosure, deed-in-lieu of foreclosure or other means. For example, on May 7, 2018, we made a senior secured loan of $55.0 million with a two-year term that bears interest at a fixed annual interest rate of 8.0% and matures in May 2020, which is secured by a portfolio of nine improved land parcels. If we do acquire such debt or provide such a loan, borrowers may seek to assert various defenses to our foreclosure or other actions and we may not be successful in acquiring the underlying property on a timely basis, or at all, in which event we could incur significant costs and experience significant delays in acquiring such properties, all of which could adversely affect our financial performance and reduce our expected returns from such investments. In addition, we may not earn a current return on such investments particularly if the loan that we acquire or provide is in, or goes into, default.

If we provide debtor-in-possession financing or provide a loan, a default by the borrower could adversely affect our cash flows.

We may on a limited basis provide debtor-in-possession financing to a property owner that has filed for bankruptcy, or make a loan secured by real estate that we might otherwise purchase directly. We expect that any such loans would be secured by one or more properties that we intend to acquire and that we would have the option to acquire such property in lieu of the repayment of such loan. For example, on May 7, 2018, we made a senior secured loan of $55.0 million with a two-year term that bears interest at a fixed annual interest rate of 8.0% and matures in May 2020, which is secured by a portfolio of nine improved land parcels. Any default by the borrower under any such loan, including such senior secured loan, could negatively impact our cash flows and our ability to make cash distributions to our stockholders and result in litigation and related expenses. Although we would expect to acquire the secured property upon a borrower’s default, there is no assurance that we will successfully foreclose on a property, and any such foreclosure could result in significant expenses.

Adverse changes in our credit rating could negatively affect our financing activity.

Fitch Ratings assigned us an issuer rating of BBB with a stable outlook. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Our credit rating can affect the amount of capital we can access, as well as the terms and pricing of any debt we may incur. There can be no assurance that we will be able to maintain our current credit rating, and in the event our credit rating is downgraded, we would likely incur higher borrowing costs and may encounter difficulty in obtaining additional financing. Also, a downgrade in our credit rating may trigger additional payments or other negative consequences under our existing and future credit facilities and debt instruments. For example, if our credit rating is downgraded to below investment grade levels, we may not be able to obtain or maintain extensions on certain of our existing debt. Adverse changes in our credit rating could negatively impact our refinancing activities, our ability to manage our debt maturities, our future growth, our financial condition, the market price of our stock and our acquisition activities.

Failure to hedge effectively against interest rate changes may adversely affect results of operations.

We may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as cap contracts and swap agreements. For example, we have executed interest rate caps to hedge the variable cash flows associated with our $150.0 million of variable-rate term loans. These agreements have costs and involve the risks that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such agreements are not legally enforceable. Hedging may reduce overall returns on our investments. Failure to hedge effectively against interest rate changes may materially adversely affect our results of operations.

Our property taxes could increase due to property tax rate changes or reassessment, which would impact our cash flows.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes we pay in the future may increase substantially. If the property taxes we pay increase, our cash flows will be impacted, and our ability to pay expected distributions to our stockholders could be adversely affected.

Actions of our joint venture partners could negatively impact our performance.

While we have no current intention to do so, we may acquire and/or redevelop properties through joint ventures, limited liability companies and partnerships with other persons or entities when warranted by the circumstances. Such partners may share certain approval rights over major decisions. Such investments may involve risks not otherwise present with other methods of investment in real estate. We generally will seek to maintain sufficient control of our partnerships, limited liability companies and joint ventures to permit us to achieve our business objectives; however, we may not be able to do so, and the occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock.

If we invest in a limited partnership as a general partner, we could be responsible for all liabilities of such partnership.

In some joint ventures or other investments we may make, if the entity in which we invest is a limited partnership, we may acquire all or a portion of our interest in such partnership as a general partner. As a general partner, we could be liable for all the liabilities of such partnership. Additionally, we may be required to take our interests in other investments as a non-managing general partner. Consequently, we would be potentially liable for all such liabilities without having the same rights of management or control over the operation of the partnership as the managing general partner or partners may have. Therefore, we may be held responsible for all of the liabilities of an entity in which we do not have full management rights or control, and our liability may far exceed the amount or value of the investment we initially made or then had in the partnership.

The conflict of interest policies we have adopted may not adequately address all of the conflicts of interest that may arise with respect to our activities.

In order to avoid any actual or perceived conflicts of interest with our directors, officers or employees, we have adopted certain policies to specifically address some of the potential conflicts relating to our activities. In addition, our board of directors is subject to certain provisions of Maryland law, which are also designed to eliminate or minimize conflicts. Although under these policies the approval of a majority of our disinterested directors is required to approve any transaction, agreement or relationship in which any of our directors, officers or employees has an interest, there is no assurance that these policies will be adequate to address all of the conflicts that may arise or will address such conflicts in a manner that is favorable to us.

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal controls over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, there can be no guarantee that our internal controls over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal controls over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

Volatility in the capital and credit markets could materially and adversely impact us.

The capital and credit markets have experienced extreme volatility and disruption from time to time, which has at times made it more difficult to borrow money or raise equity capital. Market volatility and disruption could hinder our ability to obtain new debt financing or refinance our maturing debt on favorable terms or at all. In addition, our future access to the equity markets could be limited. Any such financing or refinancing issues could materially and adversely affect us. Market turmoil and tightening of credit, which have occurred in the past, can lead to an increased lack of consumer confidence and widespread reduction of business activity generally, which also could materially and adversely impact us, including our ability to acquire and dispose of assets on favorable terms or at all. Volatility in capital and credit markets may also have a material adverse effect on the market price of our common stock.

We may not acquire the industrial properties that we have entered into agreements or non-binding letters of intent to acquire.

We have entered into agreements and non-binding letters of intent with third-party sellers to acquire properties as more fully described under the heading “Contractual Obligations” in this Annual Report on Form 10-K. There is no assurance that we will acquire the properties under contract and non-binding letters of intent because the proposed acquisitions are subject to the completion of satisfactory due diligence and various closing conditions, and in the case of properties under non-binding letters of intent, our entry into purchase and sale agreements with respect to the properties. There is no assurance that such proposed acquisitions, if completed, will be completed on the timeframe or terms we expect. If we do not complete the acquisition of the properties under contract or non-binding letters of intent, we will have incurred expenses without our stockholders realizing any benefit from the acquisition of such properties.

We face risks associated with security breaches through cyber-attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems.

We face risks associated with security breaches, whether through cyber-attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, people with access or who gain access to our systems and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of our IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures.

A security breach or other significant disruption involving our IT networks and related systems could significantly disrupt the proper functioning of our networks and systems and significantly disrupt our operations, which could ultimately have a material adverse effect on our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock.

Risks Related to the Real Estate Industry

Our performance and value are subject to general economic conditions and risks associated with our real estate assets.

The investment returns available from investments in real estate depend on the amount of income earned and capital appreciation generated by the properties, as well as the expenses incurred in connection with the properties. If our properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, then our ability to pay distributions to our stockholders could be adversely affected. In addition, there are significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) that generally do not decline when circumstances reduce the income from the property. Income from and the value of our properties may be adversely affected by:

- downturns in national, regional and local economic conditions (particularly increases in unemployment);
- the attractiveness of our properties to potential tenants and competition from other industrial properties;
- changes in supply of or demand for similar or competing properties in an area;
- bankruptcies, financial difficulties or lease defaults by the tenants of our properties;
- adverse capital and credit market conditions, which may restrict our operating activities;
- changes in interest rates, availability and terms of debt financing;
- changes in operating costs and expenses and our ability to control rents;
- changes in, or increased costs of compliance with, governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws, and our potential liability thereunder;
- our ability to provide adequate maintenance and insurance;
- changes in the cost or availability of insurance, including coverage for mold or asbestos;
- unanticipated changes in costs associated with known adverse environmental conditions or retained liabilities for such conditions;
- periods of high or rising interest rates;
- tenant turnover;
- re-leasing that may require concessions or reduced rental rates under the new leases due to reduced demand;
- general overbuilding or excess supply in the market area;
- disruptions in the global supply chain caused by political, regulatory or other factors including terrorism;

- disruptions to political, governmental or regulatory systems, including shutdowns of the government and its agencies; and
- the effects of deflation, including credit market dislocation, weakened consumer demand and a decline in general price levels.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or public perception that any of these events may occur, would result in a general decrease in rents or an increased occurrence of defaults under existing leases, which would materially adversely affect our financial condition and results of operations. Future terrorist attacks may result in declining economic activity, which could reduce the demand for, and the value of, our properties. To the extent that future attacks impact the tenants of our properties, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases. For these and other reasons, we cannot assure our stockholders that we will be profitable or that we will realize growth in the value of our real estate properties.

Investments in real estate properties are subject to risks that could adversely affect our business.

Investments in real estate properties are subject to varying degrees of risk. While we seek to minimize these risks through geographic diversification of our portfolio, market research and our asset management capabilities, these risks cannot be eliminated. Factors that may affect real estate values and cash flows include:

- local conditions, such as oversupply or a reduction in demand;
- technological changes, such as reconfiguration of supply chains, autonomous vehicles, robotics, 3D printing or other technologies;
- the attractiveness of our properties to potential tenants and competition from other available properties;
- increasing costs of maintaining, insuring, renovating and making improvements to our properties;
- our ability to renovate and reposition our properties due to changes in the business and logistical needs of our tenants;
- our ability to control rents and variable operating costs; and
- government regulations and the associated liability under, and changes in, environmental, zoning, usage, tax tariffs and other laws.

Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties.

We compete with other developers, owners and operators of real estate, some of which own properties similar to our properties in the same markets and submarkets in which the properties we own are located. If our competitors offer space at rental rates below current market rates or below the rental rates we will charge the tenants of our properties, we may lose existing or potential tenants, and we may be pressured to reduce our rental rates or offer tenant concessions or favorable lease terms in order to retain tenants when such tenants' leases expire or attract new tenants. In addition, if our competitors sell assets similar to assets we intend to divest in the same markets and/or at valuations below our valuations for comparable assets, we may be unable to divest our assets at all or at favorable pricing or on favorable terms. As a result of these actions by our competitors, our financial condition, cash flows, cash available for distribution, trading price of our common stock and ability to satisfy our debt service obligations could be materially adversely affected.

Real estate investments are not as liquid as other types of assets, which may reduce economic returns to investors.

Real estate investments are not as liquid as other types of investments, and this lack of liquidity may limit our ability to react promptly to changes in economic, financial, investment or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. In addition, we intend to comply with the safe harbor rules relating to the number of properties that can be disposed of in a year, the tax bases and the costs of improvements made to these properties, and meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, our ability at any time to sell assets may be restricted. This lack of liquidity may limit our ability to vary our portfolio promptly in response to changes in economic, financial, investment or other conditions and, as a result, could adversely affect our financial condition, results of operations, cash flows and our ability to pay distributions on, and the market price of, our common stock.

Uninsured or underinsured losses relating to real property may adversely affect our returns.

We will attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, there are certain losses, including losses from floods, hurricanes, fires, earthquakes and other natural disasters, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. In addition, changes in the cost or availability of insurance could expose us to uninsured casualty losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by the amount of any such uninsured loss, and we could experience a significant loss of capital invested and potential revenues in these properties and could potentially remain obligated under any recourse debt associated with the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a property after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property. Any such losses could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock. In addition, we may have no source of funding to repair or reconstruct the damaged property, and we cannot assure that any such sources of funding will be available to us for such purposes in the future.

We own properties in Los Angeles, the San Francisco Bay Area and Seattle, which are located in areas that are known to be subject to earthquake activity. Although we carry replacement-cost earthquake insurance on all of our properties located in areas historically subject to seismic activity, subject to coverage limitations and deductibles that we believe are commercially reasonable, we may not be able to obtain coverage to cover all losses with respect to such properties on economically favorable terms, which could expose us to uninsured casualty losses. We intend to evaluate our earthquake insurance coverage annually in light of current industry practice.

We own properties located in areas which are known to be subject to hurricane and/or flood risk. Although we carry replacement-cost hurricane and/or flood hazard insurance on all of our properties located in areas historically subject to such activity, subject to coverage limitations and deductibles that we believe are commercially reasonable, we may not be able to obtain coverage to cover all losses with respect to such properties on economically favorable terms, which could expose us to uninsured casualty losses. We intend to evaluate our insurance coverage annually in light of current industry practice.

If any of our insurance carriers becomes insolvent, we could be adversely affected.

We carry several different lines of insurance with several large insurance carriers. If any one of these large insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier, and any outstanding claims would be at significant risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential of uncollectible claims due to carrier insolvency would likely adversely affect us.

Contingent or unknown liabilities could adversely affect our financial condition.

We may own or acquire properties that are subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. Additionally, many sellers of real estate are single-purpose entities without any other significant assets. As a result, if a liability were asserted against us based upon ownership of any of these entities or properties, then we might have to pay substantial sums to settle it, which could adversely affect our cash flows. Unknown liabilities with respect to entities or properties acquired might include:

- liabilities for investigation, clean-up or remediation of adverse environmental conditions;
- accrued but unpaid liabilities incurred in the ordinary course of business;
- tax liabilities; and
- claims for indemnification by the general partners, officers and directors and others indemnified by the former owners of the properties.

We may from time to time be subject to litigation that may negatively impact our cash flow, financial condition, results of operations and market price of our common stock.

We may from time to time be a defendant in lawsuits and regulatory proceedings relating to our business. Such litigation and proceedings may result in defense costs, settlements, fines or judgments against us, some of which may not be covered by insurance. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such litigation or proceedings. An unfavorable outcome could negatively impact our cash flow, financial condition, results of operations and trading price of our common stock. Additionally, whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise), which would detract from our management’s ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant, or involve our agreement with terms that restrict the operation of our business. Certain litigation or the resolution of certain litigation may also affect the availability or cost of some of our insurance coverage and could expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract directors, officers and other key employees.

Environmentally hazardous conditions may adversely affect our operating results.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of investigating, removing or remediating hazardous or toxic substances on such property.

Such laws often

impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, each person covered by applicable environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resource or property damage or other costs, including investigation and clean-up costs, resulting from the environmental contamination.
The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination, or otherwise adversely affect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition and ownership of our properties, we may be exposed to such costs. The cost of defending against environmental claims, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to our stockholders.

Environmental laws in the U.S. also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our properties may contain asbestos-containing building materials.

We invest in properties historically used for industrial, manufacturing and commercial purposes. Some of these properties contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. All of these operations create a potential for the release of petroleum products or other hazardous or toxic substances. Some of our properties may be adjacent to or near other properties that have contained or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. In addition, certain of our properties may be on or are adjacent to or near other properties upon which others, including former owners or tenants of such properties, have engaged, or may in the future engage, in activities that may release petroleum products or other hazardous or toxic substances. As needed, we may obtain environmental insurance policies on commercially reasonable terms that provide coverage for potential environmental liabilities, subject to the policy’s coverage conditions and limitations. From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk-adjusted return. In such an instance, we underwrite the costs of environmental investigation, clean-up and monitoring into the cost. Further, in connection with property dispositions, we may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

We generally obtain Phase I environmental site assessments on each property prior to acquiring it and we generally anticipate that the properties that we may acquire in the future may be subject to a Phase I or similar environmental assessment by independent environmental consultants at the time of acquisition. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. Phase I assessments generally include a historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey. Even if none of our environmental assessments of our properties reveal an environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations taken as a whole, we cannot give any assurance that such conditions do not exist or may not arise in the future. Material environmental conditions, liabilities or compliance concerns may go undetected by the environmental assessment or arise after the environmental assessment has been completed. Moreover, there can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the environmental condition of our properties will not be affected by tenants, by the condition of land or operations in the vicinity of such properties (such as releases from underground storage tanks), or by third parties unrelated to us.

Costs of complying with governmental laws and regulations with respect to our properties may adversely affect our income and the cash available for any distributions.

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Tenants' ability to operate and to generate income to pay their lease obligations may be affected by permitting and compliance obligations arising under such laws and regulations. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. Leasing our properties to tenants that engage in industrial, manufacturing, and commercial activities will cause us to be subject to the risk of liabilities under environmental laws and regulations. In addition, the presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such property as collateral for future borrowings.

Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Additionally, the operations of the tenants of our properties, the existing condition of the land, operations in the vicinity of such properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect such properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply and which may subject us to liability in the form of fines or damages for noncompliance. Any material expenditures, fines or damages we must pay will reduce our ability to make distributions and may reduce the value of our common stock. In addition, changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur.

The impacts of climate-related initiatives at the U.S. federal and state levels remain uncertain at this time but could result in increased operating costs.

Government authorities and various interest groups are promoting laws and regulations that could limit greenhouse gas, or GHG, emissions due to concerns over contributions to climate change. The United States Environmental Protection Agency, or EPA, has moved to regulate GHG emissions from large stationary sources, including electricity producers, and mobile sources, through fuel efficiency and other requirements, using its existing authority under the Clean Air Act. Moreover, certain state and regional programs are being implemented to require reductions in GHG emissions. Any additional taxation or regulation of energy use, including as a result of (i) the regulations that EPA has proposed or may propose in the future, (ii) state programs and regulations, or (iii) renewed GHG legislative efforts by future Congresses, could result in increased operating costs that we may not be able to effectively pass on to our tenants. In addition, any increased regulation of GHG emissions could impose substantial costs on our tenants. These costs include, for example, an increase in the cost of the fuel and other energy purchased by our tenants and capital costs associated with updating or replacing their trucks earlier than planned. Any such increased costs could impact the financial condition of our tenants and their ability to meet their lease obligations and to lease or re-lease our properties.

We are exposed to the potential impacts of future climate change and climate-change related risks.

We may be exposed to potential physical risks from possible future changes in climate. Our properties may be exposed to rare catastrophic weather events, such as severe storms or floods. If the frequency of extreme weather events increases due to climate change, our exposure to these events could increase. Some of our properties may be subject to risks from rising sea levels if such rising were to occur. In addition, many state and local governments are adopting or considering adopting regulations requiring that property owners and developers include in their development or redevelopment plans resiliency measures to address climate-change related risks. If such regulations apply to any of our properties, we may be required to incur substantial costs to address such regulations.

Compliance or failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs.

Under the Americans with Disabilities Act and other similar regulations, places of public accommodation must meet certain requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines or the award of damages to private litigants. If we are required to make unanticipated expenditures to comply with the Americans with Disabilities Act and other similar regulations, including removing access barriers, then our cash flows and the amounts available for distributions to our stockholders may be adversely affected. If we are required to make substantial modifications to our properties, whether to comply with the Americans with Disabilities Act and other similar regulations, or other changes in governmental rules and regulations, our financial condition, cash flows, results of operations, the market price of our shares of common stock and our ability to make distributions to our stockholders could be adversely affected.

We may be unable to sell a property if or when we decide to do so, including as a result of uncertain market conditions, which could adversely affect the return on an investment in our common stock.
We expect to hold the various real properties in which we invest until such time as we decide that a sale or other disposition is appropriate given our investment objectives. Our ability to dispose of properties on advantageous terms or at all depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. We cannot predict the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure our stockholders that we will be able to sell such properties at a profit or at all in the future. Accordingly, the extent to which our stockholders will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions.
Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure our stockholders that we will have funds available to correct such defects or to make such improvements. In acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These provisions would restrict our ability to sell a property.
If we sell properties and provide financing to purchasers, defaults by the purchasers would adversely affect our cash flows.
If we decide to sell any of our properties, we presently intend to sell them for cash. However, if we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash distributions to stockholders and result in litigation and related expenses. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.
Risks Related to Our Organizational Structure
Our board of directors may change significant corporate policies without stockholder approval.
Our investment, financing, borrowing and distribution policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, are determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of the board of directors without a vote of our stockholders. In addition, the board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal and regulatory requirements, including the listing standards of the NYSE. A change in these policies could have an adverse effect on our financial condition, results of operations, cash flows, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay distributions to our stockholders.
We could increase the number of authorized shares of stock and issue stock without stockholder approval.
Subject to applicable legal and regulatory requirements, our charter authorizes our board of directors, without stockholder approval, to increase the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series, to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock and to set the preferences, rights and other terms of such classified or unclassified shares. Our board of directors could establish a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.
Certain provisions of Maryland law could inhibit changes in control.
Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting or deterring a third-party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- “Business Combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting shares) or an affiliate of an interested stockholder for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter may impose special appraisal rights and special stockholder voting requirements on these combinations; and

- "Control Share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL by resolution of our board of directors, and in the case of the control share provisions of the MGCL pursuant to a provision in our bylaws. However, in the future, only upon the approval of our stockholders, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, only upon the approval of our stockholders, by amendment to our bylaws, opt in to the control share provisions of the MGCL. Our board of directors has also adopted a resolution prohibiting us from electing to be subject to the provisions of Title 3, Subtitle 8 of the MGCL that would permit our board of directors to classify the board without stockholder approval. Such provisions of Title 3, Subtitle 8 of the MGCL could have an anti-takeover effect. We may only elect to be subject to the classified board provisions of Title 3, Subtitle 8 after first obtaining the approval of our stockholders.
In addition, the provisions of our charter on removal of directors and the advance notice provisions of our bylaws could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interest. Likewise, if our board of directors, with stockholder approval, as applicable, were to opt in to the business combination provisions of the MGCL or the provisions of Title 3, Subtitle 8 of the MGCL, or if the provision in our bylaws opting out of the control share acquisition provisions of the MGCL were rescinded by our board of directors and our stockholders, these provisions of the MGCL could have similar anti-takeover effects.
Our rights and the rights of our stockholders to take action against our directors and officers are limited.
Maryland law provides that a director or officer has no liability in that capacity if he or she satisfies his or her duties to us and our stockholders. Our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter will authorize us to obligate our company, and our bylaws will require us, to indemnify our directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited. In addition, we may be obligated to advance the defense costs incurred by our directors and executive officers, and may, in the discretion of our board of directors, advance the defense costs incurred by our employees and other agents in connection with legal proceedings.
Risks Related to Our Status as a REIT
Failure to qualify as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to stockholders.
We believe that our organization and method of operation has enabled and will continue to enable us to meet the requirements for qualification and taxation as a REIT. However, we cannot assure you that we will qualify as such. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code as to which there are only limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect

to qualification as a REIT for federal income tax purposes or the federal income tax consequences of such qualification.

If we fail to qualify as a REIT in any taxable year, and are unable to obtain relief under certain statutory provisions, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because:

- we would not be allowed a deduction for distributions paid to stockholders in computing our taxable income and would be subject to federal and state income tax at regular corporate rates; and
- we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

In addition, we would no longer be required to pay distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it could adversely affect the value of our common stock.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.

Even if we qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. Any of these taxes would decrease cash available for distributions to stockholders.

REIT distribution requirements could adversely affect our liquidity and may force us to borrow funds or sell assets during unfavorable market conditions.

In order to maintain our REIT status and to meet the REIT distribution requirements, we may need to borrow funds on a short-term basis or sell assets, even if the then-prevailing market conditions are not favorable for these borrowings or sales. To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding capital gains. In addition, we will be subject to corporate income tax to the extent we distribute less than 100% of our net taxable income including any net capital gain. We intend to make distributions to our stockholders to comply with the requirements of the Code for REITs and to minimize or eliminate our corporate income tax obligation to the extent consistent with our business objectives. Our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt service or amortization payments. The insufficiency of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or sell equity securities in order to fund distributions required to maintain our REIT status. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

Dividends payable by REITs generally do not qualify for reduced tax rates.

Currently, the maximum tax rate for qualified dividends payable to individual U.S. stockholders is 20%. Dividends payable by REITs, however, are generally not eligible for such reduced rates. However, for taxable years beginning after December 31, 2017 and before January 1, 2026, new legislation provides for a deduction of up to 20% (subject to certain limitations) on most ordinary REIT dividends and certain trade or business income of non-corporate taxpayers. Additionally, to the extent such dividends are attributable to certain dividends that we receive from a taxable REIT subsidiary (“TRS”), such dividends generally will be eligible for the reduced rates that apply to qualified dividend income. While we currently do not own any interest in a TRS, we may own any such interest in the future. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

We may in the future choose to pay dividends in our stock instead of cash, in which case stockholders may be required to pay income taxes in excess of the cash dividends they receive.

We may, in the future, distribute taxable dividends that are payable in cash and common stock at the election of each stockholder or distribute other forms of taxable stock dividends. Taxable stockholders receiving such dividends or other forms of taxable stock dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or to liquidate otherwise attractive investments.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investments in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the total voting power of the outstanding securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by the securities of one or more TRSs at the close of each calendar quarter. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Our relationship with any TRS will be limited, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. While we currently do not own any interest in a TRS, we may own any such interest in the future. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. A domestic TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Any TRS of ours will pay federal, state and local income tax on its taxable income, and its after-tax net income will be available (but not required) to be distributed to us. We anticipate that the aggregate value of any TRS stock and securities owned by us will be significantly less than 20% of the value of our total assets (including the TRS stock and securities) at the close of each calendar quarter. Furthermore, we will monitor the value of our investments in TRSs for the purpose of ensuring compliance with the foregoing rule. In addition, we will scrutinize all of our transactions with TRSs for the purpose of ensuring that they are entered into on arm's-length terms in order to avoid incurring the 100% excise tax described above. No assurance, however, can be given that we will be able to comply with the 20% limitation on ownership of TRS stock and securities on an ongoing basis so as to maintain our REIT qualification or avoid application of the 100% excise tax imposed on certain non-arm's-length transactions.

The ability of our board of directors to revoke our REIT qualification without stockholder approval may subject us to federal income tax and reduce distributions to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to be qualified as a REIT. If we cease to be a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders and on the market price of our common stock.

Stockholders and prospective investors are urged to consult with their tax advisors regarding the effects of recently enacted tax legislation and other legislative, regulatory and administrative developments.

On December 22, 2017, President Trump signed into law H.R. 1, informally titled the Tax Cuts and Jobs Act (the "TCJA"). The TCJA makes major changes to the Code, including a number of provisions of the Code that affect the taxation of REITs and their stockholders. Among the changes made by the TCJA are permanently reducing the generally applicable corporate tax rate, generally reducing the tax rate applicable to individuals and other non-corporate taxpayers for tax years beginning after December 31, 2017 and before January 1, 2026, eliminating or modifying certain previously allowed deductions (including substantially limiting interest deductibility and, for individuals, the deduction for non-business state and local taxes), and, for taxable years beginning after December 31, 2017 and before January 1, 2026, providing for preferential rates of taxation through a deduction of up to 20% (subject to certain limitations) on most ordinary REIT dividends and certain trade or business income of non-corporate taxpayers. The TCJA also imposes new limitations on the deduction of net operating losses, which may result in us having to make additional taxable distributions to our stockholders in order to comply with REIT distribution requirements or avoid taxes on retained income and gains. The effect of the significant changes made by the TCJA is highly uncertain, and administrative guidance will be required in order to fully evaluate the effect of many provisions. The effect of any technical corrections with respect to the TCJA could have an adverse effect on us or our stockholders. Stockholders and prospective investors should consult their tax advisors regarding the implications of the TCJA on their investment in our common stock.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new federal income tax law, regulation, or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

Risks Related to Our Common Stock

Level of cash distributions, market interest rates and other factors may affect the value of our common stock.

The market value of the equity securities of a REIT is based upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales or refinancings, and upon the real estate market value of the underlying assets. Our common stock may trade at prices that are higher or lower than our net asset value per share. To the extent we retain operating cash flows for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectations with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock. In addition, the price of our common stock will be influenced by the dividend yield on the common stock relative to market interest rates and the dividend yields of other REITs. An increase in market interest rates, which are currently at low levels relative to historical rates but have increased recently, could cause the market price of our common stock to go down. The trading price of the shares of common stock will also depend on many other factors, which may change from time to time, including:

- the market for similar securities;
- the attractiveness of REIT securities in comparison to the securities of other companies, taking into account, among other things, the higher tax rates imposed on dividends paid by REITs;
- government legislation, action or regulation;
- our issuance of debt or preferred equity securities;
- changes in earnings estimates by analysts and our ability to meet analysts' earnings estimates;
- general economic conditions; and
- our financial condition, performance and prospects.

The number of shares of our common stock available for future sale could adversely affect the market price of our common stock and have a dilutive effect to our existing stockholders.

Sales of substantial amounts of shares of our common stock in the public market or the perception that such sales might occur could adversely affect the market price of the shares of our common stock. The issuance and vesting of any restricted stock granted to certain directors, executive officers and other employees under our Amended and

Restated 2010 Equity Incentive Plan, the issuance of our common stock upon the vesting of awards under our Amended and Restated Long-Term Incentive Plan, the issuance of our common stock in connection with property, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the market price of our common stock. Future sales of shares of our common stock may be dilutive to existing stockholders.

The market price and trading volume of our common stock may be volatile.

The market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the price you paid for such shares. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- our financial condition, performance, liquidity and prospects;
- actual or anticipated variations in our quarterly operating results or distributions;
- changes in our funds from operations (as defined by Nareit and discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” elsewhere in this Annual Report on Form 10-K) or earnings;
- publication of research reports about us or the real estate industry;
- changes in earnings estimates by analysts;
- our ability to meet analysts’ earnings estimates;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- the market for similar securities issued by REITs;
- actions by institutional stockholders;
- speculation in the press or investment community;
- our compliance with generally accepted accounting principles;
- our compliance with applicable laws and regulations and the listing requirements of the New York Stock Exchange;
- the realization of any of the other risk factors presented in this Annual Report on Form 10-K; and
- general market, including capital market and real estate market and economic conditions.

Future offerings of debt securities and the incurrence of other future indebtedness, which would be senior to our common stock upon liquidation, and/or preferred stock which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of our common stock.

Upon liquidation, holders of our debt securities and any shares of preferred stock, and lenders with respect to other borrowings, including our existing credit facility and mortgage loans payable, will receive distributions of our available assets prior to the holders of our common stock. In the future we may attempt to increase our capital resources by making additional offerings of debt and equity securities. Additional equity offerings may dilute the holdings of our existing stockholders and/or reduce the market price of our common stock. In addition, future offerings of debt securities or the incurrence of additional other indebtedness may reduce the market price of our common stock. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued in the future, could have a preference on liquidating distributions and a preference on dividend payments that could limit our ability to pay a dividend or make another distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

We may be unable to generate sufficient cash flows from our operations to make distributions to our stockholders at any time in the future.

Our ability to make distributions to our stockholders may be adversely affected by the risk factors described in this Annual Report on Form 10-K. We may not generate sufficient income to make distributions to our stockholders. Our board of directors has the sole discretion to determine the timing, form and amount of any distributions to our stockholders. Our board of directors will make determinations regarding distributions based upon, among other factors, our financial performance, any debt service obligations, any debt covenants, and capital expenditure requirements. Among the factors that could impair our ability to make distributions to our stockholders are:

- our inability to realize attractive returns on our investments;
- unanticipated expenses or reduced revenues that reduce our cash flow or non-cash earnings;
- our debt service obligations; and
- decreases in the value of our industrial properties that we own.

As a result, no assurance can be given that we will be able to make distributions to our stockholders at any time in the future or that the level of any distributions we do make to our stockholders will increase or even be maintained over time, any of which could materially and adversely affect the market price of our shares of common stock.

Our ability to pay dividends is limited by the requirements of Maryland law.

Our ability to pay dividends on our stock is limited by the laws of the State of Maryland. Under applicable Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business, or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter provides otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on our stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences senior to those of our outstanding stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2018, we owned 205 buildings aggregating approximately 12.8 million square feet and 16 improved land parcels consisting of approximately 55.2 acres. The properties are located in Los Angeles, Northern New Jersey/New York City, San Francisco Bay Area, Seattle, Miami, and Washington, D.C. As of December 31, 2018, our properties were approximately 98.4% leased to 454 customers, the largest of which accounted for approximately 3.9% of our total annualized base rent. We own several types of industrial real estate, including warehouse/distribution (approximately 92.5% of our total portfolio square footage as of December 31, 2018), flex (including light industrial and R&D) (approximately 5.4%) and transshipment (approximately 2.1%). See "Item 1 – Our Investment Strategy – Industrial Facility General Characteristics" in this Annual Report on Form 10-K for a general description of these types of industrial real estate. We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate. See our "Consolidated Financial Statements, Schedule III-Real Estate Investments and Accumulated Depreciation" in this Annual Report on Form 10-K, for a detailed listing of our properties.

The following table summarizes by market our investments in real estate as of December 31, 2018:

Market	Number of Buildings	Rentable Square Feet	% of Total		Occupancy % As Of December 31, 2018		Annualized Base Rent (000's)[1]	% of Total		Annualized Base Rent Per Occupied Square Foot	Weighted Average Remaining Lease Term (Years) [2]	Gross Book Value (000's)[3]
Los Angeles	36	2,530,845	19.7	%	98.3	%	$ 20,072	17.3	%	$ 8.07	7.4	$ 386,809
Northern New Jersey/New York City	57	3,252,854	25.3	%	99.2	%	30,331	26.3	%	9.40	4.2	461,783
San Francisco Bay Area	37	1,816,636	14.2	%	95.8	%	19,580	16.9	%	11.25	3.7	287,160
Seattle	25	1,665,625	13.0	%	99.4	%	13,828	11.9	%	8.35	3.9	263,815
Miami	27	1,497,904	11.7	%	100.0	%	12,858	11.1	%	8.58	3.8	175,384
Washington, D.C.	23	2,059,480	16.1	%	97.4	%	19,127	16.5	%	9.54	4.2	270,825
Total/Weighted Average	205	12,823,344	100.0	%	98.4	%	$ 115,796	100.0	%	$ 9.18	4.7	$ 1,845,776

1 Annualized base rent is calculated as contractual monthly base rent per the leases, excluding any partial or full rent abatements, as of December 31, 2018, multiplied by 12.

2 Weighted average remaining lease term is calculated by summing the remaining lease term of each lease as of December 31, 2018, weighted by the respective square footage.

3 Includes approximately 55.2 acres of improved land and five properties under redevelopment expected to contain approximately 0.7 million square feet upon completion as discussed below.

We also own 16 improved land parcels totaling approximately 55.2 acres that are approximately 76.5% leased to 16 tenants. Such land is used for truck, trailer and container storage and/or car parking. In the future, we may redevelop some or all of such land. As of December 31, 2018, we own five properties under redevelopment expected to contain approximately 0.7 million square feet upon completion with a total expected investment of approximately $136.3 million, including redevelopment costs of approximately $49.9 million.

The following table summarizes by market our investments in improved land as of December 31, 2018:

Market	Number of Parcels	Acres	% of Total		Occupancy % As Of December 31, 2018		Annualized Base Rent (000's)[1]	% of Total		Annualized Base Rent Per Occupied Square Foot	Weighted Average Remaining Lease Term (Years) [2]
Los Angeles	5	10.1	18.3	%	68.1	%	$ 1,122	24.4	%	$ 3.82	2.1
Northern New Jersey/New York City	6	27.1	49.1	%	63.5	%	2,130	46.3	%	2.96	6.8
San Francisco Bay Area	2	1.4	2.5	%	100.0	%	202	4.4	%	3.21	1.3
Seattle	—	—	0	%	—		—	0	%	—	—
Miami	2	3.2	5.8	%	100.0	%	393	8.6	%	2.85	3.7
Washington, D.C.	1	13.4	24.3	%	100.0	%	749	16.3	%	1.29	1.0
Total/Weighted Average	16	55.2	100.0	%	76.5	%	$ 4,596	100.0	%	$ 2.56	3.7

1 Annualized base rent is calculated as contractual monthly base rent per the leases, excluding any partial or full rent abatements, as of December 31, 2018, multiplied by 12.

2 Weighted average remaining lease term is calculated by summing the remaining lease term of each lease as of December 31, 2018, weighted by the respective square footage.

The following table summarizes our capital expenditures incurred during the three months and years ended December 31, 2018 and 2017 (dollars in thousands):

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2018	2017	2018	2017
Building improvements	$6,855	$2,742	$17,953	$11,626
Tenant improvements	2,336	2,147	4,312	7,083
Leasing commissions	3,174	2,790	7,937	7,537
Redevelopment and expansion	6,026	—	11,639	—
Total capital expenditures [1]	$18,391	$7,679	$41,841	$26,246

1 Includes approximately $13.7 million and $3.7 million for the three months ended December 31, 2018 and 2017, respectively, and approximately $27.5 million and $13.3 million for the years ended December 31, 2018 and 2017, respectively, related to leasing acquired vacancy, redevelopment construction in progress and renovation and expansion projects (stabilization capital) at 13 and 12 properties for the three months ended December 31, 2018 and 2017, respectively, and 21 and 18 properties for the years ended December 31, 2018 and 2017, respectively.

The following table summarizes the anticipated lease expirations for leases in place at December 31, 2018, without giving effect to renewal options or termination rights, if any, at or prior to the scheduled expirations:

Year	Rentable Square Feet	% of Total Rentable Square Feet		Annualized Base Rent (000's)[3]	% of Total Annualized Base Rent	
2019 [1, 2]	1,162,296	9.1	%	$ 10,419	8.0	%
2020	2,091,594	16.3	%	18,268	14.0	%
2021	2,333,720	18.2	%	20,630	15.8	%
2022	1,675,108	13.1	%	16,459	12.6	%
2023	1,573,489	12.3	%	18,177	13.9	%
Thereafter	3,778,829	29.4	%	46,558	35.7	%
Total	12,615,036	98.4	%	$ 130,511	100.0	%

1 Includes leases that expire on or after December 31, 2018 and month-to-month leases totaling approximately 60,880 square feet.

2 Approximately 1.1 million square feet of leases that were expiring in 2019 were renewed in 2018.

3 Annualized base rent is calculated as monthly base rent per the leases at expiration, excluding any partial or full rent abatements, as of December 31, 2018, multiplied by 12.

Our ability to re-lease or renew expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. As of December 31, 2018, leases representing approximately 9.1% of the total rentable square footage of our portfolio are scheduled to expire during the year ending December 31, 2019. We currently expect that on average, the rental rates we are likely to achieve on any new (re-leased) or renewed leases for our 2019 expirations will be above the rates currently being paid for the same space. Rent changes on new and renewed leases totaling approximately 0.2 million square feet commencing during the three months ended December 31, 2018 were approximately 28.6% higher as compared to the previous rental rates for that same space, and rent changes on new and renewed leases totaling approximately 1.4 million square feet commencing during the year ended December 31, 2018 were approximately 19.2% higher as compared to the previous rental rates for that same space. Our past performance may not be indicative of future results, and we cannot assure you that leases will be renewed or that our properties will be re-leased at all or at rental rates above the current average rental rates. Further, re-leased/renewed rental rates in a particular market may not be consistent with rental rates across our portfolio as a whole and re-leased/renewed rental rates for particular properties within a market may not be consistent with rental rates across our portfolio within a particular market, in each case due to a number of factors, including local real estate conditions, local supply and demand for industrial space, the condition of the property, the impact of leasing incentives, including free rent and tenant improvements and whether the property, or space within the property, has been redeveloped.

Our industrial properties are typically subject to leases on a “triple net basis,” in which tenants pay their proportionate share of real estate taxes, insurance and operating costs, or are subject to leases on a “modified gross basis,” in which tenants pay expenses over certain threshold levels. In addition, approximately 91.6% of our leased space includes fixed rental increases or Consumer Price Index-based rental increases. Lease terms typically range from three to ten years. We monitor the liquidity and creditworthiness of our tenants on an on-going basis by reviewing outstanding accounts receivable balances, and as provided under the respective lease agreements, review the tenant’s financial condition periodically as appropriate. As needed, we hold discussions with the tenant’s management about their business and we conduct site visits of the tenant’s operations.

Our top 20 customers based on annualized base rent as of December 31, 2018 are as follows:

	Customer	Leases	Rentable Square Feet	% of Total Rentable Square Feet		Annualized Base Rent (000’s)[1]	% of Total Annualized Base Rent	
1	United States Government	9	381,431	3.0	%	$ 4,696	3.9	%
2	FedEx Corporation	7	490,779	3.7	%	4,657	3.9	%
3	Amazon.com	2	241,462	1.9	%	3,210	2.7	%
4	Danaher	3	171,707	1.3	%	2,961	2.5	%
5	Northrop Grumman Systems	2	199,866	1.6	%	2,270	1.9	%
6	AmerisourceBergen	1	211,418	1.6	%	2,260	1.9	%
7	XPO Logistics	2	180,717	1.4	%	1,649	1.4	%
8	District of Columbia	3	149,203	1.2	%	1,600	1.3	%
9	Z Gallerie Inc.	1	230,891	1.8	%	1,512	1.3	%
10	YRC	2	61,252	0.5	%	1,337	1.1	%
11	O'Neill Logistics	2	237,692	1.9	%	1,323	1.1	%
12	Miami International Freight Systems	1	192,454	1.5	%	1,245	1.0	%
13	Bar Logistics	2	203,263	1.6	%	1,220	1.0	%
14	Saia Motor Freight Line LLC	1	52,086	0.4	%	1,212	1.0	%
15	L3 Technologies, Inc.	1	135,579	1.1	%	1,180	1.0	%
16	JAM'N Logistics	1	110,336	0.9	%	1,159	1.0	%
17	Space Systems/Loral LLC	2	107,060	0.8	%	1,107	0.9	%
18	McKinstry Co., LLC	4	67,160	0.5	%	1,092	0.9	%
19	Exquisite Apparel Corporation	1	114,061	0.9	%	985	0.7	%
20	Home Depot USA Inc.	1	192,000	1.5	%	930	0.7	%
	Total	48	3,730,417	29.1	%	$ 37,605	31.2	%

1 Annualized base rent is calculated as contractual monthly base rent per the leases, excluding any partial or full rent abatements, as of December 31, 2018, multiplied by 12.

As of December 31, 2018, four properties with a gross investment book value of approximately $114.5 million were encumbered by mortgage loans payable, net of deferred financing costs, totaling approximately $45.8 million, which bear interest at a weighted average fixed annual rate of 4.1%.

Item 3. Legal Proceedings.

We are not involved in any material litigation nor, to our knowledge, is any material litigation threatened against us.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "TRNO". As of January 30, 2019, there were approximately 18,814 holders of record of shares of our common stock. This number does not include stockholders for which shares are held in "nominee" or "street" name.

Distribution Policy

We intend to pay regular quarterly distributions when, as and if authorized by our board of directors and declared by us. Our ability to make distributions to our stockholders also will depend on our levels of retained cash flows, which we intend to use as a source of investment capital. In order to qualify for taxation as a REIT, we must distribute to our stockholders an amount at least equal to:

(i) 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gain); plus
(ii) 90% of the excess of our after-tax net income, if any, from foreclosure property over the tax imposed on such income by the Code; less
(iii) the sum of certain items of non-cash income.

Generally, we expect to distribute 100% of our REIT taxable income so as to avoid the income and excise tax on undistributed REIT taxable income. However, we cannot assure you as to our ability to sustain those distributions. The timing and frequency of distributions will be authorized by our board of directors and declared by us based upon a variety of factors, including:

- actual results of operations;
- our level of retained cash flows;
- any debt service requirements;
- capital expenditure requirements for our properties;
- our property dispositions;
- our taxable income;
- the annual distribution requirement under the REIT provisions of the Code;
- our operating expenses;
- restrictions on the availability of funds under Maryland law; and
- other factors that our board of directors may deem relevant.

To the extent that, in respect of any calendar year, cash available for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form of a taxable share distribution or distribution of debt securities. Income as computed for purposes of the tax rules described above will not necessarily correspond to our income as determined for financial reporting purposes.

Distributions to our stockholders generally are taxable to our stockholders as ordinary income; however, because a significant portion of our investments are equity ownership interests in industrial properties, which generate depreciation and other non-cash charges against our income, a portion of our distributions may constitute a tax-free return of capital, although our current intention is to limit the level of such return of capital.

The following table sets forth the cash dividends paid or payable during the years ended December 31, 2018 and 2017:

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For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2018	Common stock	$0.220000	February 6, 2018	March 28, 2018	April 12, 2018
June 30, 2018	Common stock	$0.220000	May 1, 2018	July 6, 2018	July 20, 2018
September 30, 2018	Common stock	$0.240000	August 1, 2018	October 5, 2018	October 19, 2018
December 31, 2018	Common stock	$0.240000	October 31, 2018	December 18, 2018	January 11, 2019
For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2017	Common stock	$0.200000	February 7, 2017	March 28, 2017	April 12, 2017
March 31, 2017	Preferred stock	$0.484375	February 7, 2017	March 10, 2017	March 31, 2017
June 30, 2017	Common stock	$0.200000	May 2, 2017	July 7, 2017	July 21, 2017
June 30, 2017	Preferred stock	$0.484375	May 2, 2017	June 9, 2017	June 30, 2017
September 30, 2017	Common stock	$0.220000	August 1, 2017	October 6, 2017	October 21, 2017
December 31, 2017	Common stock	$0.220000	October 31, 2017	December 29, 2017	January 12, 2018

Performance Graph

The following graph compares the change in the cumulative total stockholder return on our common stock during the period from December 31, 2013 to December 31, 2018 with the cumulative total return of the Standard and Poor's 500 Stock Index, the MSCI U.S. REIT Index (RMS) and the FTSE Nareit Equity Industrial Index. The return shown on the graph is not necessarily indicative of future performance. The comparison assumes that $100 was invested on December 31, 2013 in our common stock and in each of the foregoing indices and assumes reinvestment of dividends, if any.

The performance graph and related information shall not be deemed "soliciting material" or be deemed to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing, except to the extent that the company specifically incorporates it by reference into such filing.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities
None.

Item 6. Selected Financial Data.
The following table sets forth selected financial data derived from our audited consolidated financial statements as of and for the years ended December 31, 2018, 2017, 2016, 2015, and 2014, should be read in conjunction with the consolidated financial statements and notes thereto included in this Annual Report on Form 10-K beginning on page F-1 and with Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (dollars in thousands, except share and per share amounts):

	For the Year Ended December 31,				
	2018	2017	2016	2015	2014
Operating Data					
Total revenues	$151,657	$132,484	$108,418	$95,895	$68,875
Total costs and expenses	102,431	93,435	87,172	82,240	51,567
Gain on sales of real estate investments	28,610	30,654	7,140	10,567	—
Income from operations	63,289	53,095	15,118	14,601	10,718
Net income available to common stockholders, net of redemption of preferred stock and preferred stock dividends	62,888	49,015	11,458	10,958	7,126
Earnings per Common Share - Basic and Diluted:					
Net income available to common stockholders, net of redemption of preferred stock and preferred stock dividends	$1.09	$0.95	$0.26	$0.26	$0.23
Dividends declared per common share	$0.92	$0.84	$0.76	$0.66	$0.57
Dividends declared per preferred share	—	0.97	1.94	1.94	1.94
Basic and Diluted Weighted Average Common Shares Outstanding	57,486,399	51,357,719	44,725,936	42,861,276	30,433,017
Other Data					
Funds from operations [1]	$74,904	$56,070	$38,391	$36,172	$26,097
Basic and diluted FFO per common share [1]	1.30	1.09	0.86	0.84	0.86
Cash flows provided by (used in):					
Operating activities	$77,599	$69,498	$49,241	$42,068	$29,321
Investing activities	(234,957)	(249,118)	(149,629)	(259,664)	(245,526)
Financing activities	149,037	203,942	93,758	45,140	404,207
Balance Sheet Data					
Investments in real estate at cost [2]	$1,845,776	$1,636,930	$1,343,038	$1,179,920	$901,273
Total assets	1,796,504	1,567,871	1,278,981	1,152,138	1,074,735
Total debt	462,097	461,683	415,327	381,475	302,470
Total stockholders' equity	1,247,797	1,027,494	811,805	733,082	747,036

1 See Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures," in this Annual Report on Form 10-K for a reconciliation to net income, net of redemption of preferred stock and preferred stock dividends and a discussion of why we believe funds from operations, or FFO, is a useful supplemental measure of operating performance, ways in which investors might use FFO when assessing our financial performance, and FFO's limitations as a measurement tool.

2 Excludes one property held for sale with a gross book value of approximately $6.3 million as of December 31, 2015 and one property held for sale with a gross book value of approximately $6.9 million as of December 31, 2014.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion in conjunction with the sections of this Annual Report on Form 10-K entitled "Risk Factors", "Forward-Looking Statements", "Business" and our audited consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially

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from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Overview

We acquire, own and operate industrial real estate in six major coastal U.S. markets: Los Angeles, Northern New Jersey/New York City, San Francisco Bay Area, Seattle, Miami, and Washington, D.C. We invest in several types of industrial real estate, including warehouse/distribution (approximately 92.5% of our total portfolio square footage as of December 31, 2018), flex (including light industrial and R&D) (approximately 5.4%) and transshipment (approximately 2.1%). We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate. As of December 31, 2018, we owned 205 buildings aggregating approximately 12.8 million square feet, 16 improved land parcels consisting of approximately 55.2 acres and five properties under redevelopment expected to contain approximately 0.7 million square feet upon completion. As of December 31, 2018, our properties were approximately 98.4% leased to 454 customers, the largest of which accounted for approximately 3.9% of our total annualized base rent. We are an internally managed Maryland corporation and elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year ended December 31, 2010.

Our Investment Strategy

We acquire, own and operate industrial properties in six major coastal U.S. markets: Los Angeles, Northern New Jersey/New York City, San Francisco Bay Area, Seattle, Miami, and Washington, D.C. We invest in several types of industrial real estate, including warehouse/distribution, flex (including light industrial and R&D) and transshipment. We target functional buildings in infill locations that may be shared by multiple tenants and that cater to customer demand within the various submarkets in which we operate.

We selected our target markets by drawing upon the experience of our executive management investing and operating in over 50 global industrial markets located in North America, Europe and Asia, the fundamentals of supply and demand, and in anticipation of trends in logistics patterns resulting from population changes, regulatory and physical constraints, changes in technology, e-commerce, potential long term increases in carbon prices and other factors. We believe that our target markets have attractive long term investment attributes. We target assets with characteristics that include, but are not limited to, the following:

- Located in high population coastal markets;
- Close proximity to transportation infrastructure (such as sea ports, airports, highways and railways);
- Situated in supply-constrained submarkets with barriers to new industrial development, as a result of physical and/or regulatory constraints;
- Functional and flexible layout that can be modified to accommodate single and multiple tenants;
- Acquisition price at a discount to the replacement cost of the property;
- Potential for enhanced return through re-tenanting or operational and physical improvements; and
- Opportunity for higher and better use of the property over time.

In general, we prefer to utilize local third-party property managers for day-to-day property management and as a source of acquisition opportunities. We believe outsourcing property management is cost effective and provides us with operational flexibility. We may directly manage properties in the future if we determine such direct property management is in our best interest.

We have no current intention to acquire undeveloped or unimproved industrial land or to pursue greenfield ground up development. However, we may pursue redevelopment, renovation and expansion opportunities of properties that we own, acquire properties and improved land parcels with the intent to redevelop in the near-term, or acquire adjacent land to expand our existing facilities.

We expect that we will continue to acquire the significant majority of our investments as equity interests in individual properties, portfolios of properties or improved industrial land parcels which may be rented without a building in place. We may also acquire industrial properties through the acquisition of other corporations or entities that own industrial real estate. We will opportunistically target investments in debt secured by industrial real estate that would otherwise meet our investment criteria with the intention of ultimately acquiring the underlying real estate. We currently do not intend to target specific percentages of holdings of particular types of industrial properties. This expectation is based upon prevailing market conditions and may change over time in response to different prevailing market conditions.

The properties we acquire may be stabilized (fully leased) or unstabilized (have near term lease expirations, be partially or fully vacant and may require physical repositioning). During the period from February 16, 2010 to December 31, 2018, we have stabilized 69 properties.
We sell properties from time to time when we believe the prospective total return from a property is particularly low relative to its market value and/or the market value of the property is significantly greater than its estimated replacement cost. Capital from such sales is reinvested into properties that are expected to provide better prospective returns or returned to shareholders. We have disposed of 15 properties since inception in 2010 for an aggregate sales price of approximately $242.5 million and a total gain of approximately $83.7 million.

2018 Developments
Acquisition Activity
During 2018, we acquired 17 industrial buildings containing approximately 1.0 million square feet and five improved land parcels consisting of approximately 19.9 acres for a total purchase price of approximately $219.5 million. The properties and improved land parcels were acquired from unrelated third parties using existing cash on hand, net proceeds from dispositions, net proceeds from the issuance of common stock, and proceeds from borrowings on our revolving credit facility. The following table sets forth the industrial properties and improved land parcels we acquired during 2018:

Property Name	Location	Acquisition Date	Number of Buildings	Square Feet	Purchase Price (in thousands) [1]	Stabilized Cap Rate [2]
Vermont	Torrance, CA	January 31, 2018	1	99,629	$ 17,500	3.3 %
Woodside	Queens, NY	March 6, 2018	1	83,294	25,170	5.7 %
1st Avenue South	Seattle, WA	March 6, 2018	1	234,720	42,000	5.1 %
Wicks Blvd	San Leandro, CA	April 27, 2018	1	11,300	2,600	5.2 %
85 Doremus [3]	Newark, NJ	May 7, 2018	—	—	6,300	5.1 %
East Valley	Renton, WA	May 7, 2018	1	39,005	5,950	5.2 %
Merced [4]	San Leandro, CA	August 2, 2018	4	225,344	36,000	5.2 %
San Clemente	Hayward, CA	September 7, 2018	1	54,000	9,000	4.6 %
Whitney [5]	San Leandro, CA	September 17, 2018	3	128,073	22,790	4.8 %
Commerce	Carlstadt, NJ	October 17, 2018	1	24,000	3,480	5.2 %
Kent 192 [6]	Seattle, WA	October 24, 2018	—	—	12,434	5.6 %
6th Ave	Seattle, WA	October 31, 2018	1	50,270	12,558	5.1 %
Walnut II	Compton, CA	November 7, 2018	1	60,040	11,108	4.8 %
Shoemaker [7]	Santa Fe Springs, CA	November 14, 2018	—	—	6,400	5.4 %
Hotchkiss II	Fremont, CA	December 20, 2018	1	29,214	6,200	5.2 %
Total/Weighted Average			17	1,038,889	$ 219,490	5.0 %

1 Excludes intangible liabilities and mortgage premiums, if any. The total aggregate investment was approximately $227.1 million, including $2.9 million in closing costs and acquisition costs.

2 Stabilized cap rates are calculated, at the time of acquisition, as annualized cash basis net operating income for the property stabilized to market occupancy (generally 95%) divided by the total acquisition cost for the property. Total acquisition cost basis for the property includes the initial purchase price, the effects of marking assumed debt to market, buyer's due diligence and closing costs, estimated near-term capital expenditures and leasing costs necessary to achieve stabilization. We define cash basis net operating income for the property as net operating income excluding straight-line rents and amortization of lease intangibles. These stabilized cap rates are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control, including risks related to our ability to meet our estimated forecasts related to stabilized cap rates and those risk factors contained in this Annual Report on

Form 10-K.

3 Represents an improved land parcel containing approximately 3.5 acres.

4 Also includes an improved land parcel containing approximately 1.2 acres.

5 Also includes an improved land parcel containing approximately 0.2 acres.

6 Represents an improved land parcel containing approximately 12.7 acres that is under redevelopment and upon completion is expected to contain an approximately 220,000 square foot industrial building. The total expected investment will be approximately $33.9 million.

[7] Represents an improved land parcel containing approximately 2.3 acres.

Redevelopment Activity

As of December 31, 2018, we have five properties under redevelopment that will contain approximately 0.7 million square feet upon completion with a total expected investment of approximately $136.3 million, including redevelopment costs, capitalized interest and other costs of approximately $49.9 million as follows:

Property Name	Total Expected Investment (in thousands) [1]	Amount Spent to Date (in thousands)	Estimated Amount Remaining to Spend (in thousands)	Estimated Stabilized Cap Rate [2]		Estimated Completion Quarter
1775 NW 70th Avenue	$ 10,181	$ 9,779	$ 402	5.3	%	Q1 2019
1st Avenue South	63,675	47,704	15,971	5.1	%	Q3 2020
10100 NW 25th Street	13,231	11,251	1,980	5.3	%	Q2 2019
6th Avenue South	15,302	12,784	2,518	5.1	%	Q4 2019
Kent 192	33,875	13,177	20,698	5.6	%	Q4 2020
Total/Weighted Average	$ 136,264	$ 94,695	$ 41,569	5.3	%	

[1] Total expected investment for the property includes the initial purchase price, buyer's due diligence and closing costs, estimated near-term redevelopment expenditures, capitalized interest and leasing costs necessary to achieve stabilization.

[2] Estimated stabilized cap rates are calculated as annualized cash basis net operating income for the property stabilized to market occupancy (generally 95%) divided by the total acquisition cost for the property. We define cash basis net operating income for the property as net operating income excluding straight-line rents and amortization of lease intangibles. These estimated stabilized cap rates are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control, including risks related to our ability to meet our estimated forecasts related to stabilized cap rates and those risk factors contained in this Annual Report on Form 10-K.

During 2018, we completed redevelopment of our Woodside property in Queens, New York. We executed a ten-year lease with a leading e-commerce firm stabilizing the approximately 83,000 square foot redevelopment property. The total expected investment was approximately $32.1 million with an estimated stabilized cap rate of 6.3%.

Disposition Activity

During the year ended December 31, 2018, we sold four properties for an aggregate sales price of approximately $82.1 million, resulting in a total gain of approximately $28.6 million. We sold one property located in the Washington, D.C. market for a sales price of approximately $20.3 million, resulting in a gain of approximately $3.3 million, two properties located in the Miami market for an aggregate sales price of approximately $28.6 million, resulting in an aggregate gain of approximately $13.1 million, and one property located in the Los Angeles market for a sales price of approximately $33.2 million, resulting in a gain of approximately $12.2 million.

The following summarizes the condensed results of operations of the properties sold during the year ended December 31, 2018 for the years ended December 31, 2018, 2017 and 2016 (in thousands):

For the Year Ended
December 31,

	2018	2017	2016
Rental revenues	$2,495	$4,127	$4,532
Tenant expense reimbursements	346	574	738
Property operating expenses	(613)	(1,075)	(1,083)
Depreciation and amortization	(737)	(1,513)	(1,732)
Income from operations	$1,491	$2,113	$2,455

ATM Program

We have an at-the-market equity offering program (the “$250 Million ATM Program”) pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to $250.0 million in amounts and at times as we determine from time to time. Prior to the implementation of the $250 Million ATM Program, we had a $200.0 million ATM program (the “$200 Million ATM Program”) which was substantially utilized as of June 30, 2018 and which is no longer active, and a $150.0 million ATM program, which was fully utilized as of June 30, 2017. We intend to use the net proceeds from the offering of the shares under the $250 Million ATM Program, if any, for general corporate purposes, which may include future acquisitions and repayment of indebtedness, including borrowings under our revolving credit facility. During 2018, we issued an aggregate of 5,492,707 shares of common stock at a weighted average offering price of $38.04 per share under the $250 Million ATM Program and the $200 Million ATM Program, resulting in net proceeds of approximately $205.9 million and paying total compensation to the applicable sales agents of approximately $3.0 million. As of December 31, 2018, we had shares of common stock having an aggregate offering price of up to $129.9 million available for issuance under the $250 Million ATM Program.

Senior Secured Loan

On May 7, 2018, we made a senior secured loan of $55.0 million with a two-year term that bears interest at a fixed annual interest rate of 8.0% and matures in May 2020 (the “Senior Secured Loan”). The Senior Secured Loan is secured by a portfolio of nine improved land parcels primarily located in Newark and Kearny, New Jersey. One of the properties securing the Senior Secured Loan may be put to us as partial repayment of the Senior Secured Loan. This property, and two of the other properties, may be called by us as partial or full repayment of the Senior Secured Loan at previously agreed upon values. In addition, per the terms of the Senior Secured Loan, the borrower may repay the loan at any time with either cash or deeds in lieu, with the deeds subject to our approval. As of December 31, 2018, the borrower has offered repayment with deeds in lieu on two of the three option properties for an aggregate purchase price of approximately $39.1 million. As of February 6, 2019, we have one outstanding contract to acquire one of the option properties for approximately $25.0 million and one non-binding letter of intent to acquire one of the option properties for approximately $14.1 million. There is no assurance that we will acquire the properties under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence and various closing conditions, and with respect to the property under non-binding letter of intent, our entry into a purchase and sale agreement. As of December 31, 2018, there was approximately $54.5 million, net of deferred loan fees of approximately $0.5 million, outstanding on the Senior Secured Loan and approximately $0.4 million of interest receivable outstanding on the Senior Secured Loan.

Share Repurchase Program

On October 31, 2018, our Board of Directors approved an extension of the share repurchase program authorizing us to repurchase up to 3,000,000 shares (previously 2,000,000 shares) of our outstanding common stock from time to time through December 31, 2020. Purchases made pursuant to the program, if any, will be made in either the open market or in privately negotiated transactions as permitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchases will be determined by us in our discretion and will be subject to economic and market conditions, stock price, applicable legal requirements and other factors. The program may be suspended or discontinued at any time. As of December 31, 2018, we have not repurchased any shares of stock pursuant to our share repurchase authorization.

Dividend and Distribution Activity

The following table sets forth the cash dividends paid or payable per share during the year ended December 31, 2018:

For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2018	Common stock	$ 0.22	February 6, 2018	March 28, 2018	April 12, 2018

June 30, 2018	Common stock	$ 0.22	May 1, 2018	July 6, 2018	July 20, 2018
September 30, 2018	Common stock	$ 0.24	August 1, 2018	October 5, 2018	October 19, 2018
December 31, 2018	Common stock	$ 0.24	October 31, 2018	December 18, 2018	January 11, 2019

Recent Developments

Contractual Commitments

As of February 6, 2019, we have two outstanding contracts with third-party sellers to acquire two industrial properties and one non-binding letter of intent with a third party seller to acquire one industrial property as further described under the heading “Contractual Obligations” in this Annual Report on Form 10-K. There is no assurance that we will acquire the properties under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence and various closing conditions, and with respect to the property under non-binding letter of intent, our entry into a purchase and sale agreement.

Outlook

Current operating conditions in our six markets are excellent, the best we have seen since our initial public offering. We believe that on average, the rental rates we are likely to achieve on new or renewed leases for our 2019 expirations will be above the rates currently being paid for the same space. However, new speculative development continues. This new development will slow potential rent growth from what it would be without such new development. Macroeconomic conditions, while uncertain and impossible to accurately predict, appear less favorable to us than last year.

We see attractive acquisition opportunities today; however, our acquisition volume will be dependent on both the quality and pricing of the opportunity set and the price of our stock relative to our net asset value (NAV). Those conditions, not knowable in advance, will determine our results. We entered 2019 with our balance sheet well positioned for potential growth.

Over the intermediate term of the next three to four years, although there can be no assurance, we expect to grow our portfolio to approximately $4.0 billion of assets up from approximately $2.6 billion as of December 31, 2018 as measured by our total market capitalization. We expect, although there can be no assurance, that this will utilize approximately $3.0 billion of equity up from approximately $2.1 billion as of December 31, 2018. We expect this to enhance our operating efficiency, increase our shareholder liquidity and maintain our investment grade credit rating. We remain mindful, however, that it is per share, rather than aggregate, results that matter.

We believe in the long-term operating prospects of our functional, infill coastal assets. We believe in sound balance sheet management. We believe in the benefits of our market-leading corporate governance and exceptionally aligned executive management compensation. As a result, we are enthusiastic about the future and our ability to potentially produce superior results for our shareholders over time.

We contribute positively to the environment by owning and operating facilities in infill locations close to population centers thereby minimizing vehicle miles traveled and the concomitant use of fuel and production of airborne particulate matter pollution. Further, we do no greenfield development of properties; sustainability for us means never building on a site that has not previously been commercially developed. During redevelopment of our facilities, we recycle the majority of the building materials from existing buildings and focus on modern design solutions to reduce our impact on the environment. When releasing vacant space, we seek to reduce our carbon footprint by upgrading existing facilities with energy efficient lighting and heating.

Our outlook is subject to the risks set forth in this Annual Report on Form 10-K, including the risks set form in “Item 1A - Risk Factors”.

Inflation

Although the U.S. economy has been experiencing relatively modest inflation rates recently, and a wide variety of industries and sectors are affected differently by changing commodity prices, inflation has increased construction costs but has not had a significant impact on our operating costs. Most of our leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation. In addition, approximately 69.0% of our total rentable square feet expire within five years which enables us to seek to replace existing leases with new leases at the then-existing market rate.

Supplemental Material U.S. Federal Income Tax Considerations

The following discussion updates the disclosures under "Material U.S. Federal Income Tax Considerations" in the prospectus dated February 9, 2018 contained in our Registration Statement on Form S-3 filed with the SEC on February 9, 2018 and contained in the prospectus supplement dated May 31, 2018, as previously updated by the disclosures under "Supplemental Material U.S. Federal Income Tax Considerations" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 1, 2018.

On December 13, 2018, the Department of the Treasury and the Internal Revenue Service issued proposed regulations under Sections 1471-1474 of the Code (commonly referred to as FATCA), which proposed regulations eliminate FATCA withholding on gross proceeds and thus implicate certain tax-related disclosures contained in the prospectus. While these regulations have not yet been finalized, taxpayers are generally entitled to rely on the proposed regulations (subject to certain limited exceptions). Accordingly, the discussion under "Material U.S. Federal Income Tax Considerations-Additional U.S. Federal Income Tax Withholding Rules" on pages 36 and 37 of the prospectus is replaced with the following paragraph:

The Foreign Account Tax Compliance Act, or FATCA, imposes withholding taxes on dividends made to "foreign financial institutions" and certain other non-U.S. entities unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign non-financial entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. If the payee is a foreign financial institution, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertakes to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent them from complying with these reporting and other requirements. Investors in jurisdictions that have entered into "intergovernmental agreements" may, in lieu of the foregoing requirements, be required to report such information to their home jurisdictions. Prospective investors should consult their tax advisors regarding this legislation.

Financial Condition and Results of Operations

We derive substantially all of our revenues from rents received from tenants under existing leases on each of our properties. These revenues include fixed base rents and recoveries of certain property operating expenses that we have incurred and that we pass through to the individual tenants. Approximately 91.6% of our leased space includes fixed rental increases or Consumer Price Index-based rental increases. Lease terms typically range from three to ten years.

Our primary cash expenses consist of our property operating expenses, which include: real estate taxes, repairs and maintenance, management expenses, insurance, utilities, general and administrative expenses, which include compensation costs, office expenses, professional fees and other administrative expenses, acquisition costs, which include third-party costs paid to brokers and consultants, and interest expense, primarily on our mortgage loans, revolving credit facility, term loans and senior unsecured notes.

Our consolidated results of operations often are not comparable from period to period due to the impact of property acquisitions at various times during the course of such periods. The results of operations of any acquired property are included in our financial statements as of the date of its acquisition.

The following analysis of our results below for the years ended December 31, 2018 and 2017 includes the changes attributable to same store properties. The same store pool for the comparison of the 2018 and 2017 fiscal years includes all properties that were owned and in operation as of December 31, 2018 and since January 1, 2017 and excludes properties that were either disposed of prior to, held for sale to a third-party or in redevelopment as of December 31, 2018. As of December 31, 2018, the same store pool consisted of 156 buildings aggregating approximately 10.4 million square feet representing approximately 81.3% of our total square feet owned and six improved land parcels consisting of approximately 23.0 acres. As of December 31, 2018, the non-same store properties, which we acquired or sold during 2017 and 2018, were held for sale or in redevelopment as of December 31, 2018, consisted of 49 buildings aggregating approximately 2.4 million square feet, ten improved land parcels consisting of approximately 32.2 acres and five properties under redevelopment expected to contain approximately 0.7 million square feet upon completion. As of December 31, 2018 and 2017, our consolidated same store pool occupancy was approximately 99.1% and 98.1%, respectively.

Our future financial condition and results of operations, including rental revenues, straight-line rents and amortization of lease intangibles, may be impacted by the acquisitions of additional properties, and expenses may vary materially from historical results.

Comparison of the Year Ended December 31, 2018, to the Year Ended December 31, 2017:

	For the Year Ended December 31,			
	2018	2017	$ Change	% Change
	(Dollars in thousands)			
Rental revenues				
Same store	$94,937	$90,273	$4,664	5.2 %
Non-same store operating properties [1]	23,246	13,056	10,190	78.0 %
Total rental revenues	118,183	103,329	14,854	14.4 %
Tenant expense reimbursements				
Same store	27,866	26,556	1,310	4.9 %
Non-same store operating properties [1]	5,608	2,599	3,009	115.8 %
Total tenant expense reimbursements	33,474	29,155	4,319	14.8 %
Total revenues	151,657	132,484	19,173	14.5 %
Property operating expenses				
Same store	31,871	31,795	76	0.2 %
Non-same store operating properties [1]	8,117	4,079	4,038	99.0 %
Total property operating expenses	39,988	35,874	4,114	11.5 %
Net operating income [2]				
Same store	90,932	85,034	5,898	6.9 %
Non-same store operating properties [1]	20,737	11,576	9,161	79.1 %
Total net operating income	$111,669	$96,610	$15,059	15.6 %
Other costs and expenses				
Depreciation and amortization	40,816	37,870	2,946	7.8 %
General and administrative	21,503	19,681	1,822	9.3 %
Acquisition costs	124	10	114	1,140.0 %
Total other costs and expenses	62,443	57,561	4,882	8.5 %
Other income (expense)				
Interest and other income	3,664	169	3,495	2,068.0 %
Interest expense, including amortization	(18,211)	(16,777)	(1,434)	8.5 %
Gain on sales of real estate investments	28,610	30,654	(2,044)	(6.7)%
Total other income and (expenses)	14,063	14,046	17	0.1 %
Net income	$63,289	$53,095	$10,194	19.2 %

[1] Includes 2017 and 2018 acquisitions and dispositions, ten improved land parcels, five properties under redevelopment and one completed redevelopment property with a gross book value of approximately $29.3 million as of December 31, 2018.

[2] Includes straight-line rents and amortization of lease intangibles. See “Non-GAAP Financial Measures” in this Annual Report on Form 10-K for a reconciliation of net operating income and same store net operating income from net income and a discussion of why we believe net operating income and same store net operating income are useful supplemental measures of our operating performance.

Revenues. Total revenues increased approximately $19.2 million for the year ended December 31, 2018 compared to the prior year due primarily to property acquisitions during 2017 and 2018, increased revenue on new and renewed leases and lease termination income of approximately $0.7 million. Same store rental revenues and tenant expense reimbursement revenues increased primarily due to new lease agreements at our West 140th, Airgate, Denver Avenue, and S. River Drive properties. For the quarter and year ended December 31, 2018, approximately $0.4 million and $2.9 million, respectively, was recorded in straight-line rental revenues related to contractual rent abatements given to certain tenants.

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Property operating expenses. Total property operating expenses increased approximately $4.1 million during the year ended December 31, 2018 compared to the prior year. The increase in total property operating expenses was due primarily to an increase of approximately $4.0 million attributable to property acquisitions during 2017 and 2018.
Depreciation and amortization. Depreciation and amortization increased approximately $2.9 million during the year ended December 31, 2018 compared to the prior year due to property acquisitions during 2017 and 2018.
General and administrative expenses. General and administrative expenses increased approximately $1.8 million for the year ended December 31, 2018 compared to the prior year due primarily to increased compensation expense, bonus expense, accounting service fees and performance share award expense, which varies quarter to quarter based on our relative share price performance. Performance share award expense for the year ended December 31, 2018 was approximately $7.1 million as compared to approximately $6.7 million for the prior year. See “Note 11 —Stockholder’s Equity” in our notes to the consolidated financial statements for more information regarding our performance share awards.
Acquisition costs. Acquisition costs increased by approximately $0.1 million for the year ended December 31, 2018 compared to the year ended December 31, 2017.
Interest and other income. Interest and other income increased approximately $3.5 million for the year ended December 31, 2018 compared to the prior year primarily due to approximately $3.3 million in interest and fees earned on our Senior Secured Loan, which we made in May 2018.
Interest expense, including amortization. Interest expense increased approximately $1.4 million for the year ended December 31, 2018 compared to the prior year due primarily to an increase in our average outstanding borrowings on our credit facility and senior unsecured debt and higher interest rates, partially offset by an increase of $2.5 million in capitalized interest compared to the prior year.
Gain on sales of real estate investments. Gain on sale of real estate investments decreased approximately $2.0 million for the year ended December 31, 2018 compared to the prior year period due to property sales. The aggregate sales price for property sales for the year ended December 31, 2018 was approximately $82.1 million as compared to approximately $77.3 million for the prior year.
The following analysis of our results below for the years ended December 31, 2017 and 2016 includes the changes attributable to same store properties. The same store pool for the comparison of the 2017 and 2016 fiscal years includes all properties that were owned and in operation as of December 31, 2017 and since January 1, 2016 and excludes properties that were either disposed of prior to, held for sale to a third-party or in redevelopment as of December 31, 2017. As of December 31, 2017, the same store pool consisted of 140 buildings aggregating approximately 10.2 million square feet representing approximately 78.3% of our total square feet owned and three improved land parcels consisting of approximately 4.9 acres. As of December 31, 2017, the non-same store properties, which we acquired or sold during 2016 and 2017, were held for sale or in redevelopment as of December 31, 2017, consisted of 56 buildings aggregating approximately 2.8 million square feet and seven improved land parcels consisting of approximately 43.0 acres. As of December 31, 2017 and 2016, our consolidated same store pool occupancy was approximately 97.5% and 98.9%, respectively.

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016:

	For the Year Ended December 31,			
	2017	2016	$ Change	% Change
	(Dollars in thousands)			
Rental revenues				
Same store	$83,464	$76,305	$7,159	9.4 %
Non-same store operating properties [1]	19,865	8,713	11,152	128.0 %
Total rental revenues	103,329	85,018	18,311	21.5 %
Tenant expense reimbursements				
Same store	24,951	21,441	3,510	16.4 %
Non-same store operating properties [1]	4,204	1,959	2,245	114.6 %
Total tenant expense reimbursements	29,155	23,400	5,755	24.6 %
Total revenues	132,484	108,418	24,066	22.2 %
Property operating expenses				
Same store	29,456	27,755	1,701	6.1 %
Non-same store operating properties [1]	6,418	2,570	3,848	149.7 %
Total property operating expenses	35,874	30,325	5,549	18.3 %
Net operating income [2]				
Same store	78,959	69,991	8,968	12.8 %
Non-same store operating properties [1]	17,651	8,102	9,549	117.9 %
Total net operating income	$96,610	$78,093	$18,517	23.7 %
Other costs and expenses				
Depreciation and amortization	37,870	34,399	3,471	10.1 %
General and administrative	19,681	19,319	362	1.9 %
Acquisition costs	10	3,129	(3,119)	(99.7)%
Total other costs and expenses	57,561	56,847	714	1.3 %
Other income (expense)				
Interest and other income	169	24	145	604.2 %
Interest expense, including amortization	(16,777)	(13,053)	(3,724)	28.5 %
Loss on extinguishment of debt	—	(239)	239	n/a
Gain on sales of real estate investments	30,654	7,140	23,514	329.3 %
Total other income and expenses	14,046	(6,128)	20,174	n/a
Net income	$53,095	$15,118	$37,977	251.2 %

[1] Includes 2016 and 2017 acquisitions and dispositions and seven improved land parcels as of December 31, 2017.

[2] Includes straight-line rents and amortization of lease intangibles. See “Non-GAAP Financial Measures” in this Annual Report on Form 10-K for a reconciliation of net operating income and same store net operating income from net income and a discussion of why we believe net operating income and same store net operating income are useful supplemental measures of our operating performance.

Revenues. Total revenues increased approximately $24.1 million for the year ended December 31, 2017 compared to the prior year due primarily to property acquisitions during 2016 and 2017 and increased revenue on new and renewed leases. Same store rental revenues and tenant expense reimbursement revenues increased primarily due to new lease agreements at our V Street, Interstate 130, Hamilton, Airgate, Kent 202, and 180 Manor properties. For the quarter and year ended December 31, 2017, approximately $0.9 million and $3.1 million, respectively, was recorded in straight-line rental revenues related to contractual rent abatements given to certain tenants.

Property operating expenses. Total property operating expenses increased approximately $5.5 million during the year ended December 31, 2017 compared to the prior year. The increase in total property operating expenses was due primarily to an increase of approximately $3.8 million attributable to property acquisitions during 2016 and 2017, an increase of approximately $1.4 million in same store real estate tax expense primarily due to increased taxes on our V Street, Hamilton, and Pennsy properties, and an increase of approximately $0.2 million in expenses related to Hurricane Irma, of which approximately $0.2 million was incurred at our same store operating properties.

Depreciation and amortization. Depreciation and amortization increased approximately $3.5 million during the year ended December 31, 2017 compared to the prior year due to property acquisitions during 2016 and 2017.

General and administrative expenses. General and administrative expenses increased approximately $0.4 million for the year ended December 31, 2017 compared to the prior year due primarily to increased compensation expense, bonus expense, and accounting service fees, offset by a decrease of approximately $0.6 million in performance share award expense, which varies quarter to quarter based on our relative share price performance. Performance share award expense for the year ended December 31, 2017 was approximately $6.7 million as compared to approximately $7.3 million for the prior year. See “Note 11 - Stockholder’s Equity” in our notes to the consolidated financial statements for more information regarding our performance share awards.

Acquisition costs. Acquisition costs decreased by approximately $3.1 million for the year ended December 31, 2017 from the prior year due to the adoption of Accounting Standards Update (“ASU”) 2017-1 effective January 1, 2017 under which our real estate property acquisitions are accounted for as asset acquisitions. Acquisition costs were capitalized to individual assets and liabilities acquired on a relative fair value basis for the year ended December 31, 2017 as compared to expensing as incurred in the prior year.

Interest and other income. Interest and other income increased approximately $0.1 million for the year ended December 31, 2017 compared to the prior year.

Interest expense, including amortization. Interest expense increased approximately $3.7 million for the year ended December 31, 2017 compared to the prior year due primarily to an increase in our average outstanding borrowings.

Gain on sales of real estate investments. Gain on sale of real estate investments increased approximately $23.5 million for the year ended December 31, 2017 compared to the prior year due to property sales. The aggregate sales price for property sales for the year ended December 31, 2017 was approximately $77.3 million as compared to approximately $22.5 million for the prior year.

Liquidity and Capital Resources

The primary objective of our financing strategy is to maintain financial flexibility with a conservative capital structure using retained cash flows, proceeds from dispositions of properties, long-term debt and the issuance of common and perpetual preferred stock to finance our growth. Over the long-term, we intend to:

- limit the sum of the outstanding principal amount of our consolidated indebtedness and the liquidation preference of any outstanding perpetual preferred stock to less than 35% of our total enterprise value;
- maintain a fixed charge coverage ratio in excess of 2.0x;
- maintain a debt-to-adjusted EBITDA ratio below 6.0x;
- limit the principal amount of our outstanding floating rate debt to less than 20% of our total consolidated indebtedness; and
- have staggered debt maturities that are aligned to our expected average lease term (5-7 years), positioning us to re-price parts of our capital structure as our rental rates change with market conditions.

We intend to preserve a flexible capital structure with a long-term goal to maintain our investment grade rating and be in a position to issue additional unsecured debt and additional perpetual preferred stock. Fitch Ratings assigned us an issuer rating of BBB with a stable outlook. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. There can be no assurance that we will be able to maintain our current credit rating. Our credit rating can affect the amount and type of capital we can access, as well as the terms of any financings we may obtain. In the event our current credit rating is downgraded, it may become difficult or expensive to obtain additional financing or refinance existing obligations and commitments. We intend to primarily utilize senior unsecured notes, term loans, credit facilities, dispositions of properties, common stock and perpetual preferred stock. We may also assume debt in connection with property acquisitions which may have a higher loan-to-value.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our credit facility. We believe that our net cash provided by operations will be adequate to fund operating requirements, pay interest on any borrowings and fund distributions in accordance with the

REIT requirements of the federal income tax laws. In the near-term, we intend to fund future investments in properties with cash on hand, term loans, senior unsecured notes, mortgages, borrowings under our credit facility, perpetual preferred and common stock issuances and, from time to time, property dispositions. We expect to meet our long-term liquidity requirements, including with respect to other investments in industrial properties, property acquisitions, property redevelopments, renovations and expansions and scheduled debt maturities, through borrowings under our credit facility, periodic issuances of common stock, perpetual preferred stock, and long-term secured and unsecured debt, and with proceeds from the disposition of properties. The success of our acquisition strategy may depend, in part, on our ability to obtain and borrow under our credit facility and to access additional capital through issuances of equity and debt securities.

The following sets forth certain information regarding our current at-the-market common stock offering program as of December 31, 2018:

ATM Stock Offering Program	Date Implemented	Maximum Aggregate Offering Price (in thousands)	Aggregate Common Stock Available as of December 31, 2018 (in thousands)
$250 Million ATM Program	May 31, 2018	$ 250,000	$ 129,877

The table below sets forth the activity under our at-the-market common stock offering programs during the years ended December 31, 2018 and 2017, respectively (in thousands, except share and price per share data):

For the Year Ended	Shares Sold	Weighted Average Price Per Share	Net Proceeds	Sales Commissions
December 31, 2018	5,492,707	$ 38.04	$ 205,919	$ 3,030
December 31, 2017	7,859,929	$ 32.48	$ 251,585	$ 3,709

On May 7, 2018, we made a Senior Secured Loan of $55.0 million with a two-year term that bears interest at a fixed annual interest rate of 8.0% and matures in May 2020. The Senior Secured Loan is secured by a portfolio of nine improved land parcels primarily located in Newark and Kearny, New Jersey. One of the properties securing the Senior Secured Loan may be put to us as partial repayment of the Senior Secured Loan. This property, and two of the other properties, may be called by us as partial or full repayment of the Senior Secured Loan at previously agreed upon values. In addition, per the terms of the Senior Secured Loan, the borrower may repay the loan at any time with either cash or deeds in lieu, with the deeds subject to our approval. As of December 31, 2018, the borrower has offered repayment with deeds in lieu on two of the three option properties for an aggregate purchase price of approximately $39.1 million. As of February 6, 2019, we have one outstanding contract to acquire one of the option properties for approximately $25.0 million and one non-binding letter of intent to acquire of the option properties for approximately $14.1 million. There is no assurance that we will acquire the properties under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence and various closing conditions, and with respect to the property under non-binding letter of intent, our entry into a purchase and sale agreement. As of December 31, 2018 and 2017, there was approximately $54.5 million and $0, respectively, net of deferred loan fees of approximately $0.5 million and $0, respectively, outstanding on the Senior Secured Loan and approximately $0.4 million and $0, respectively, of interest receivable outstanding on the Senior Secured Loan.

On October 19, 2018, we entered into a Fifth Amended and Restated Senior Credit Agreement (the “Facility”). The Facility consists of a $250.0 million unsecured revolving credit facility (increased from $200.0 million) that matures in October 2022 (previously August 2020), a $50.0 million term loan that matures in August 2021 and a $100.0 million term loan that matures in January 2022. The amount and maturity dates of the outstanding term loans remain unchanged under the Facility. The aggregate amount of the Facility may be increased to a total of up to $600.0 million, subject to the approval of the administrative agent and the identification of lenders willing to make available additional amounts. Outstanding borrowings under the Facility are limited to the lesser of (i) the sum of the $250.0 million revolving credit facility (previously $200.0 million), the $50.0 million term loan maturing in August 2021 and the $100.0 million term loan maturing in January 2022 or (ii) 60.0% of the value of the unencumbered properties. Interest on the Facility, including the term loans, is generally to be paid based upon, at our option, either (i) LIBOR plus the applicable LIBOR margin or (ii) the applicable base rate which is the greatest of the administrative agent's prime rate, 0.50% above the federal funds effective rate, or thirty-day LIBOR plus the applicable LIBOR margin for LIBOR rate loans under the Facility plus 1.25%. The applicable LIBOR margin with respect to the revolving credit facility under the Facility has been reduced to a range of 1.05% to 1.50% (previously 1.35% to 1.90%; 1.05% as of December 31, 2018) and the applicable LIBOR margin with respect to the outstanding term loans under the Facility has been reduced to a range of 1.20% to 1.70% (previously 1.30% to 1.85%; 1.20% as of December 31, 2018), in each case depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value. The Facility requires quarterly payments of an annual facility fee in an amount ranging from 0.15% to 0.30% (previously there was no annual facility fee) depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value. There is no unused facility fee under the Facility (previously 0.20% or 0.25% depending on the unused portion of the revolving credit facility).

As of December 31, 2018, we also had $50.0 million of senior unsecured notes that mature in September 2022, $100.0 million of senior unsecured notes that mature in July 2024, $50.0 million of senior unsecured notes that mature in July 2026, and $50.0 million of senior unsecured notes that mature in October 2027 (collectively, the “Senior Unsecured Notes”). As of December 31, 2018 and 2017, there was $19.0 million and $0, respectively, of borrowings outstanding on our revolving credit facility and $150.0 million and $150.0 million, respectively, of borrowings outstanding on our term loans. We have three interest rate caps to hedge the variable cash flows associated with our existing $150.0 million of variable-rate term loans. See “Note 9-Derivative Financial Instruments” in our notes to consolidated financial statements for more information regarding our interest rate caps.

The Facility and the Senior Unsecured Notes are guaranteed by us and by substantially all of the current and to-be-formed subsidiaries of the borrower that own an unencumbered property. The Facility and the Senior Unsecured Notes are unsecured by our properties or by interests in the subsidiaries that hold such properties. The Facility and the Senior Unsecured Notes include a series of financial and other covenants with which we must comply. We were in compliance with the covenants under the Facility and the Senior Unsecured Notes as of December 31, 2018 and 2017.

As of December 31, 2018 and 2017, we had outstanding mortgage loans payable, net of deferred financing costs, of approximately $45.8 million and $64.8 million, respectively, and held cash and cash equivalents totaling approximately $31.0 million and $35.7 million, respectively.

The following table summarizes our debt maturities and principal payments as of and for the year ended December 31, 2018, and market capitalization, capitalization ratios, Adjusted EBITDA, interest coverage, fixed charge coverage and debt ratios as of and for the years ended December 31, 2018 and 2017 (dollars in thousands – except per share data):

	Credit Facility	Term Loans	Senior Unsecured Notes	Mortgage Loans Payable	Total Debt
2019	$—	$—	$—	$1,514	$1,514
2020	—	—	—	33,077	33,077
2021	—	50,000	—	11,271	61,271
2022	19,000	100,000	50,000	—	169,000
2023	—	—	—	—	—
Thereafter	—	—	200,000	—	200,000
Subtotal	19,000	150,000	250,000	45,862	464,862
Unamortized net premiums	—	—	—	—	—
Total Debt	19,000	150,000	250,000	45,862	464,862
Deferred financing costs, net	—	(933)	(1,737)	(95)	(2,765)
Total Debt, net	$19,000	$149,067	$248,263	$45,767	$462,097
Weighted average interest rate	3.6%	3.6%	4.1%	4.1%	3.9%

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	As of December 31, 2018		As of December 31, 2017	
Total Debt, net	$462,097		$461,683	
Equity				
Common Stock				
Shares Outstanding [1]	61,013,711		55,368,737	
Market Price [2]	$35.17		$35.06	
Total Equity	2,145,852		1,941,228	
Total Market Capitalization	$2,607,949		$2,402,911	
Total Debt-to-Total Investments in Properties [3]	25.0	%	28.2	%
Total Debt-to-Total Investments in Properties and Senior Secured Loan [4]	24.5	%	28.2	%
Total Debt-to-Total Market Capitalization [5]	17.7	%	19.2	%
Floating Rate Debt as a % of Total Debt [6]	36.4	%	32.3	%
Unhedged Floating Rate Debt as a % of Total Debt [7]	4.1	%	0	%
Mortgage Loans Payable as a % of Total Debt [8]	9.9	%	14.0	%
Mortgage Loans Payable as a % of Total Investments in Properties [9]	2.5	%	4.0	%
Adjusted EBITDA [10]	$103,100		$85,830	
Interest Coverage [11]	5.7x		5.1x	
Fixed Charge Coverage [12]	5.0x		4.6x	
Total Debt-to-Adjusted EBITDA [13]	4.2x		5.3x	
Weighted Average Maturity of Total Debt (years)	4.6		5.4	

1 Includes 383,930 and 357,183 shares of unvested restricted stock outstanding as of December 31, 2018 and 2017, respectively.

2 Closing price of our shares of common stock on the New York Stock Exchange on December 31, 2018 and December 29, 2017, respectively, in dollars per share.

3 Total debt-to-total investments in properties is calculated as total debt, net of deferred financing costs, divided by total investments in properties as of December 31, 2018 and 2017, respectively.

4 Total debt-to-total investments in properties and Senior Secured Loan is calculated as total debt, net of deferred financing costs, divided by total investments in properties and total Senior Secured Loan, net of deferred loan fees of approximately $0.5 million and $0, as of December 31, 2018 and 2017, respectively.

5 Total debt-to-total market capitalization is calculated as total debt, net of deferred financing costs, divided by total market capitalization as of December 31, 2018 and 2017, respectively.

6 Floating rate debt as a percentage of total debt is calculated as floating rate debt, net of deferred financing costs, divided by total debt, net of deferred financing costs. Floating rate debt includes our existing $150.0 million of variable-rate term loan borrowings with interest rate caps of 4.0% plus 1.20% to 1.70%, depending on leverage as of December 31, 2018 and 1.30% to 1.85% as of December 31, 2017. See "Note 9 – Derivative Financial Instruments" in our notes to consolidated financial statements for more information regarding our interest rate caps.

7 Unhedged floating rate debt as a percentage of total debt is calculated as unhedged floating rate debt, net of deferred financing costs, divided by total debt, net of deferred financing costs. Hedged debt includes our existing $150.0 million of variable-rate term loan borrowings with interest rate caps of 4.0% plus 1.20% to 1.70%, depending on leverage as of December 31, 2018 and 1.30% to 1.85% as of December 31, 2017. See "Note 9 – Derivative Financial Instruments" in our notes to consolidated financial statements for more information regarding our interest rate caps.

8 Mortgage loans payable as a percentage of total debt is calculated as mortgage loans payable, net of deferred financing costs, divided by total debt, net of deferred financing costs.

9 Mortgage loans payable as a percentage of total investments in properties is calculated as mortgage loans payable, net of deferred financing costs, divided by total investments in properties.

10 Earnings before interest, taxes, gains (losses) from sales of property, depreciation and amortization, acquisition costs and stock-based compensation (“Adjusted EBITDA”) for the years ended December 31, 2018 and 2017, respectively. See “Non-GAAP Financial Measures” in this Annual Report on Form 10-K for a definition and reconciliation of

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Adjusted EBITDA from net income and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.

11 Interest coverage is calculated as Adjusted EBITDA divided by interest expense, including amortization. See "Non-GAAP Financial Measures" in this Annual Report on Form 10-K for a definition and reconciliation of Adjusted EBITDA from net income and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.

12 Fixed charge coverage is calculated as Adjusted EBITDA divided by interest expense, including amortization plus preferred stock dividends, if any. See "Non-GAAP Financial Measures" in this Annual Report on Form 10-K for a definition and reconciliation of Adjusted EBITDA from net income and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.

13 Total debt-to-Adjusted EBITDA is calculated as total debt, net of deferred financing costs, divided by annualized Adjusted EBITDA. See "Non-GAAP Financial Measures" in this Annual Report on Form 10-K for a definition and reconciliation of Adjusted EBITDA from net income and a discussion of why we believe Adjusted EBITDA is a useful supplemental measure of our operating performance.

The following table sets forth the cash dividends paid or payable per share during the years ended December 31, 2018 and 2017:

For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2018	Common stock	$0.220000	February 6, 2018	March 28, 2018	April 12, 2018
June 30, 2018	Common stock	$0.220000	May 1, 2018	July 6, 2018	July 20, 2018
September 30, 2018	Common stock	$0.240000	August 1, 2018	October 5, 2018	October 19, 2018
December 31, 2018	Common stock	$0.240000	October 31, 2018	December 18, 2018	January 11, 2019
For the Three Months Ended	Security	Dividend per Share	Declaration Date	Record Date	Date Paid
March 31, 2017	Common stock	$0.200000	February 7, 2017	March 28, 2017	April 12, 2017
March 31, 2017	Preferred stock	$0.484375	February 7, 2017	March 10, 2017	March 31, 2017
June 30, 2017	Common stock	$0.200000	May 2, 2017	July 7, 2017	July 21, 2017
June 30, 2017	Preferred stock	$0.484375	May 2, 2017	June 9, 2017	June 30, 2017
September 30, 2017	Common stock	$0.220000	August 1, 2017	October 6, 2017	October 21, 2017
December 31, 2017	Common stock	$0.220000	October 31, 2017	December 29, 2017	January 12, 2018

On July 19, 2017, we redeemed all 1,840,000 outstanding shares of our 7.75% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock") for cash at a redemption price of $25.00 per share, plus an amount per share of $0.096875 representing all accrued and unpaid dividends per share from July 1, 2017 to, but excluding, July 19, 2017.

Sources and Uses of Cash

Our principal sources of cash are cash from operations, borrowings under loans payable, draws on our Facility, common and preferred stock issuances, proceeds from property dispositions and issuances of unsecured notes. Our principal uses of cash are asset acquisitions, debt service, capital expenditures, operating costs, corporate overhead costs and common and preferred stock dividends.

Cash From Operating Activities. Net cash provided by operating activities totaled approximately $77.6 million for the year ended December 31, 2018 compared to approximately $69.5 million for the year ended December 31, 2017. This increase in cash provided by operating activities is primarily attributable to additional cash flows generated from properties acquired during 2018 and 2017 and same store properties.

Cash From Investing Activities. Net cash used in investing activities was approximately $235.0 million and $249.1 million, respectively, for the years ended December 31, 2018 and 2017, which consists primarily of cash paid for property acquisitions of $221.8 million and $297.1 million, respectively, net cash paid for our Senior Secured

Loan of approximately $54.1 million and $0, respectively, and additions to capital improvements of approximately $38.6 million and $27.4 million, respectively, offset by proceeds from sales of real estate investments of approximately $79.6 million and $75.4 million, respectively, for the years ended December 31, 2018 and 2017.

Cash From Financing Activities. Net cash provided by financing activities was approximately $149.0 million for the year ended December 31, 2018, which consists primarily of approximately $205.9 million in net common stock issuance proceeds and net borrowings of $19.0 million on our revolving credit facility, offset by approximately $51.4 million in equity dividend payments and approximately $19.2 million in mortgage loan payments. Net cash provided by financing activities was approximately $203.9 million for the year ended December 31, 2017, which consists primarily of approximately $251.5 million in net common stock issuance proceeds and $100.0 million in borrowings on senior unsecured notes, offset by approximately $43.9 million in equity dividend payments, the repurchase of approximately $46.0 million in preferred stock and net payments on our revolving credit facility of approximately $51.5 million.

Critical Accounting Policies

Below is a discussion of the accounting policies that we believe are critical. We consider these policies critical because they require estimates about matters that are inherently uncertain, involve various assumptions and require significant management judgment, and because they are important for understanding and evaluating our reported financial results. These judgments will affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Applying different estimates or assumptions may result in materially different amounts reported in our financial statements.

Capitalization of Costs. We capitalize costs directly related to the redevelopment, renovation and expansion of our investment in real estate. Costs associated with such projects are capitalized as incurred. If the project is abandoned, these costs are expensed during the period in which the redevelopment or expansion project is abandoned. Costs considered for capitalization include, but are not limited to, construction costs, interest, real estate taxes and insurance, if appropriate. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress. In the event that the activities to ready the asset for its intended use are suspended, the capitalization period will cease until such activities are resumed. Costs incurred for maintaining and repairing properties, which do not extend their useful lives, are expensed as incurred.

Interest is capitalized based on actual capital expenditures from the period when redevelopment, renovation or expansion commences until the asset is ready for its intended use, at the weighted average borrowing rate during the period.

Property Acquisitions. Effective January 1, 2017, we adopted ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business which requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the integrated set of assets and activities is not considered a business. To be a business, the set of acquired activities and assets must include inputs and one or more substantive processes that together contribute to the ability to create outputs. We have determined that our real estate property acquisitions will generally be accounted for as asset acquisitions under the clarified definition. Prior to January 1, 2017, we generally accounted for property acquisitions as business combinations, in accordance with Accounting Standards Codification (“ASC”) 805, Business Combinations. Upon acquisition of a property we estimate the fair value of acquired tangible assets (consisting generally of land, buildings and improvements) and intangible assets and liabilities (consisting generally of the above and below-market leases and the origination value of all in-place leases). We determine fair values using Level 3 inputs such as replacement cost, estimated cash flow projections and other valuation techniques and applying appropriate discount and capitalization rates based on available market information. Mortgage loans assumed in connection with acquisitions are recorded at their fair value using current market interest rates for similar debt at the date of acquisition. Acquisition-related costs associated with asset acquisitions are capitalized to individual tangible and intangible assets and liabilities assumed on a relative fair value basis and acquisition-related costs associated with business combinations are expensed as incurred.

The fair value of the tangible assets is determined by valuing the property as if it were vacant. Land values are derived from current comparative sales values, when available, or management’s estimates of the fair value based on market conditions and the experience of our management team. Building and improvement values are calculated as replacement cost less depreciation, or management’s estimates of the fair value of these assets using discounted cash flow analyses or similar methods. The fair value of the above and below-market leases is based on the present value of the difference between the contractual amounts to be received pursuant to the acquired leases (using a discount rate that reflects the risks associated with the acquired leases) and our estimate of the market lease rates measured over a period equal to the remaining term of the leases plus the term of any below-market fixed rate renewal options. The above and below-market lease values are amortized to rental revenues over the remaining initial term plus the term of any below-market fixed rate renewal options that are considered bargain renewal options of the respective leases. The origination value of in-place leases is based on costs to execute similar leases, including commissions and other related costs. The origination value of in-place leases also includes real estate taxes, insurance and an estimate of lost rental revenue at market rates during the estimated time required to lease up the property from vacant to the occupancy level at the date of acquisition.

Impairment. Carrying values for financial reporting purposes are reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be fully recoverable. Examples of such events or changes in circumstances may include classifying an asset to be held for sale, changing the intended hold period or when an asset remains vacant significantly longer than expected. The intended use of an asset either held for sale or held for use can significantly impact how impairment is measured. If an asset is intended to be held for the long-term, the recoverability is based on the undiscounted future cash flows. If the asset carrying value is not supported on an undiscounted future cash flow basis, then the asset carrying value is measured against the lower of cost or the present value of expected cash flows over the expected hold period. An impairment charge to earnings is recognized for the excess of the asset's carrying value over the lower of cost or the present values of expected cash flows over the expected hold period. If an asset is intended to be sold, impairment is determined using the estimated fair value less costs to sell. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions, among other things, regarding current and future economic and market conditions and the availability of capital. We determine the estimated fair values based on its assumptions regarding rental rates, lease-up and holding periods, as well as sales prices. When available, current market information is used to determine capitalization and rental growth rates. If available, current comparative sales values may also be used to establish fair value. When market information is not readily available, the inputs are based on our understanding of market conditions and the experience of our management team. Actual results could differ significantly from our estimates. The discount rates used in the fair value estimates represent a rate commensurate with the indicated holding period with a premium layered on for risk.

Revenue Recognition. We record rental revenue from operating leases on a straight-line basis over the term of the leases and maintain an allowance for estimated losses that may result from the inability of our tenants to make required payments. If tenants fail to make contractual lease payments that are greater than our allowance for doubtful accounts, security deposits and letters of credit, then we may have to recognize additional doubtful account charges in future periods. We monitor the liquidity and creditworthiness of our tenants on an on-going basis by reviewing their financial condition periodically as appropriate. Each period we review our outstanding accounts receivable, including straight-line rents, for doubtful accounts and provide allowances as needed. We also record lease termination fees when a tenant has executed a definitive termination agreement with us and the payment of the termination fee is not subject to any conditions that must be met or waived before the fee is due to us. If a tenant remains in the leased space following the execution of a definitive termination agreement, the applicable termination will be deferred and recognized over the term of such tenant's occupancy.

Tenant expense reimbursement income includes payments and amounts due from tenants pursuant to their leases for real estate taxes, insurance and other recoverable property operating expenses and is recognized as revenues during the same period the related expenses are incurred.

Effective January 1, 2018, we adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU No. 2014-09"), using the modified retrospective approach, which requires a cumulative effect adjustment as of the date of our adoption. Under the modified retrospective approach, an entity may also elect to apply this standard to either (i) all contracts as of January 1, 2018 or (ii) only to contracts that were not completed as of January 1, 2018. A completed contract is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP that was in effect before the date of initial application. We elected to apply this standard only to contracts that were not completed as of January 1, 2018. Based on our evaluation of contracts within the scope of ASU No. 2014-09, the guidance impacts revenue generated by sales of real estate, which is evaluated in conjunction with ASC 610-20, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (see below).

Effective January 1, 2018, we adopted the guidance of ASC 610-20, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets, which applies to sales or transfers to noncustomers of nonfinancial assets or in substance nonfinancial assets that do not meet the definition of a business. Generally, our sales of real estate would be considered a sale of a nonfinancial asset as defined by ASC 610-20. ASC 610-20 refers to the revenue recognition principles under ASU 2014-09, Revenue from Contracts with Customers (see above). Under ASC 610-20, if we determine that we do not have a controlling financial interest in the entity that holds the asset and the arrangement meets the criteria to be accounted for as a contract, we will derecognize the asset and recognize a gain or loss on the sale of the real estate when control of the underlying asset transfers to the buyer.

Income Taxes. We elected to be taxed as a REIT under the Code and operate as such beginning with our taxable year ended December 31, 2010. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual REIT taxable income to our stockholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, we generally will not be subject to federal income tax to the extent we distribute qualifying dividends to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we believe we are organized and operate in such a manner as to qualify for treatment as a REIT.

Stock-Based Compensation and Other Long-Term Incentive Compensation. We follow the provisions of ASC 718, Compensation-Stock Compensation, to account for our stock-based compensation plan, which requires that the compensation cost relating to stock-based payment transactions be recognized in the financial statements and that the cost be measured on the fair value of the equity or liability instruments issued. We have adopted the Amended and Restated 2010 Equity Incentive Plan, which provides for the grant of restricted stock awards, performance share awards, unrestricted shares or any combination of the foregoing. Stock-based compensation is recognized as a general and administrative expense in the financial statements and measured at the fair value of the award on the date of grant. We estimate the forfeiture rate based on historical experience as well as expected behavior. The amount of the expense may be subject to adjustment in future periods depending on the specific characteristics of the stock-based award.

In addition, we have awarded long-term incentive target awards on an annual basis to our executives that are payable in shares of our common stock after the conclusion of each pre-established performance measurement period. The amount that may be earned under the long-term incentive plan is variable depending on the relative total shareholder return of our stock as compared to the total shareholder return of the MSCI U.S. REIT Index (RMS) and the FTSE Nareit Equity Industrial Index over the pre-established performance measurement period. We estimate the fair value of the long-term incentive target awards using a Monte Carlo simulation model on the date of grant and at each reporting period. These awards are recognized as compensation expense over the requisite performance period based on the fair value of the award at the balance sheet date.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations

As of February 6, 2019, we have two outstanding contracts with third-party sellers to acquire two industrial properties. There is no assurance that we will acquire the properties under contract because the proposed acquisitions are subject to the completion of satisfactory due diligence and various closing conditions. The following table summarizes certain information with respect to the properties we have under contract:

Market	Number of Buildings	Square Feet	Purchase Price (in thousands)	Assumed Debt (in thousands)
Los Angeles	—	—	$ —	$ —
Northern New Jersey/New York City [1]	1	17,851	49,017	—
San Francisco Bay Area	—	—	—	—
Seattle	—	—	—	—
Miami	—	—	—	—
Washington, D.C.	—	—	—	—
Total	1	17,851	$ 49,017	$ —

[1] Includes one improved land parcel containing approximately 16.8 acres.

As of February 6, 2019, we have executed one non-binding letter of intent with a third-party seller to acquire one industrial property. The total anticipated purchase price for this industrial property is approximately $14.1 million. In the normal course of business, we enter into non-binding letters of intent to purchase properties from third parties that may obligate us to make payments or perform other obligations upon the occurrence of certain events, including the execution of a purchase and sale agreement and satisfactory completion of various due diligence matters. There can be no assurance that we will enter

into a purchase and sale agreement with respect to this property or otherwise complete any such prospective purchase on the terms described or at all.
The following table summarizes our contractual obligations due by period as of December 31, 2018 (dollars in thousands):

Contractual Obligations	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Debt	$1,514	$94,348	$169,000	$200,000	$464,862
Debt interest payments	12,054	21,504	18,255	19,035	70,848
Operating lease commitments	264	547	140	—	951
Redevelopment obligations	13,258	—	—	—	13,258
Purchase obligations	49,017	—	—	—	49,017
Total	$76,107	$116,399	$187,395	$219,035	$598,936

Non-GAAP Financial Measures
We use the following non-GAAP financial measures that we believe are useful to investors as key supplemental measures of our operating performance: funds from operations, or FFO, Adjusted EBITDA, net operating income, or NOI, same store NOI and cash-basis same store NOI. FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI should not be considered in isolation or as a substitute for measures of performance in accordance with GAAP. Further, our computation of FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI may not be comparable to FFO, Adjusted EBITDA, NOI, same store NOI and cash-basis same store NOI reported by other companies.
We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts ("Nareit"), which defines FFO as net income (loss) (determined in accordance with GAAP), excluding gains (losses) from sales of property and impairment write-downs of depreciable real estate, plus depreciation and amortization on real estate assets and after adjustments for unconsolidated partnerships and joint ventures (which are calculated to reflect FFO on the same basis). We believe that presenting FFO provides useful information to investors regarding our operating performance because it is a measure of our operations without regard to specified non-cash items, such as real estate depreciation and amortization and gain or loss on sale of assets.
We believe that FFO is a meaningful supplemental measure of our operating performance because historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting alone to be insufficient. As a result, we believe that the use of FFO, together with the required GAAP presentations, provide a more complete understanding of our operating performance.
The following table reflects the calculation of FFO reconciled from net income (loss), net of redemption of preferred stock and preferred stock dividends for the three months ended December 31, 2018, 2017 and 2016 and for the years ended December 31, 2018, 2017 and 2016 (dollars in thousands except per share data):

	For the Three Months Ended December 31,				For the Three Months Ended December 31,			
	2018	2017	$ Change	% Change	2017	2016	$ Change	% Change
Net income, net of redemption of preferred stock and preferred stock dividends	$22,972	$10,836	$12,136	112.0%	$10,836	$941	$9,895	1,051.5%
Gain on sales of real estate investments	(13,624)	(5,105)	(8,519)	166.9%	(5,105)	—	(5,105)	n/a
Depreciation and amortization								
Depreciation and amortization	10,250	10,015	235	2.3%	10,015	9,185	830	9.0%
Non-real estate depreciation	(27)	(31)	4	(12.9)%	(31)	(21)	(10)	47.6%
Allocation to participating securities [1]	(123)	(107)	(16)	15.0%	(107)	(84)	(23)	27.4%
Funds from operations attributable to common stockholders [2, 3]	$19,448	$15,608	$3,840	24.6%	$15,608	$10,021	$5,587	55.8%
Basic and diluted FFO per common share	$0.33	$0.29	$0.04	13.8%	$0.29	$0.22	$0.07	31.8%
Weighted average basic and diluted common shares	59,689,965	54,563,353			54,563,353	46,277,521		

	For the Year Ended December 31,				For the Year Ended December 31,			
	2018	2017	$ Change	% Change	2017	2016	$ Change	% Change
Net income, net of redemption of preferred stock and preferred stock dividends	$63,289	$49,367	$13,922	28.2%	$49,367	$11,553	$37,814	327.3%
Gain on sales of real estate investments	(28,610)	(30,654)	2,044	(6.7)%	(30,654)	(7,140)	(23,514)	329.3%
Depreciation and amortization								
Depreciation and amortization	40,816	37,870	2,946	7.8%	37,870	34,399	3,471	10.1%
Non-real estate depreciation	(113)	(109)	(4)	3.7%	(109)	(86)	(23)	26.7%
Allocation to participating securities [1]	(478)	(404)	(74)	18.3%	(404)	(335)	(69)	20.6%
Funds from operations attributable to common stockholders [2, 3, 4]	$74,904	$56,070	$18,834	33.6%	$56,070	$38,391	$17,679	46.0%
Basic and diluted FFO per common share	$1.30	$1.09	$0.21	19.3%	$1.09	$0.86	$0.23	26.7%
Weighted average basic and diluted common shares	57,486,399	51,357,719			51,357,719	44,725,936		

1 To be consistent with our policies of determining whether instruments granted in share-based payment transactions are participating securities and accounting for earnings per share, the FFO per common share is adjusted for FFO distributed through declared dividends (if any) and allocated to all participating securities (weighted average common shares outstanding and unvested restricted shares outstanding) under the two-class method. Under this method, allocations were made to 383,930, 359,910, and 396,855 of weighted average unvested restricted shares outstanding for the three months ended December 31, 2018, 2017 and 2016, respectively, and 368,912, 375,924, and 398,475 for the years ended December 31, 2018, 2017 and 2016, respectively.

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2 Includes expensed acquisition costs of approximately $0, $0 and $1.0 million for the three months ended December 31, 2018, 2017 and 2016, respectively, and approximately $0.1 million, $0 and $3.1 million for the years ended December 31, 2018, 2017 and 2016, respectively.

3 Includes performance share award expense of approximately $2.7 million, $1.1 million and $3.0 million for the three months ended December 31, 2018, 2017 and 2016, respectively, and approximately $7.1 million, $6.7 million and $7.3 million for the years ended December 31, 2018, 2017 and 2016, respectively, which varies quarter to quarter based our total shareholder return outperforming the MSCI U.S. REIT Index (RMS) and the FTSE Nareit Equity Industrial Index over the prior three year period. See “Note 11 – Stockholders’ Equity” in our notes to consolidated financial statements for more information regarding our performance share awards.

4 Includes redemption charges of approximately $0, $1.8 million, and $0 during the years ended December 31, 2018, 2017, and 2016, respectively, representing the write-off of original issuance costs related to the redemption of our Series A Preferred Stock. See “Note 11 – Stockholders’ Equity” in our notes to consolidated financial statements for more information regarding our Series A Preferred Stock redemption.

We compute Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, gain on sales of real estate investments, acquisition costs and stock-based compensation. We believe that presenting Adjusted EBITDA provides useful information to investors regarding our operating performance because it is a measure of our operations on an unleveraged basis before the effects of tax, gain (loss) on sales of real estate investments, non-cash depreciation and amortization expense, acquisition costs and stock-based compensation. By excluding interest expense, Adjusted EBITDA allows investors to measure our operating performance independent of our capital structure and indebtedness and, therefore, allows for more meaningful comparison of our operating performance between quarters and other interim periods as well as annual periods and for the comparison of our operating performance to that of other companies, both in the real estate industry and in other industries. As we are currently in a growth phase, acquisition costs are excluded from Adjusted EBITDA to allow for the comparison of our operating performance to that of stabilized companies.

The following table reflects the calculation of Adjusted EBITDA reconciled from net income for the three months ended December 31, 2018, 2017 and 2016 and for the years ended December 31, 2018, 2017 and 2016 (dollars in thousands):

	For the Three Months Ended December 31,				For the Three Months Ended December 31,			
	2018	2017	$ Change	% Change	2017	2016	$ Change	% Change
Net income	$22,972	$10,836	$12,136	112.0 %	$10,836	$1,832	$9,004	491.5 %
Gain on sales of real estate investments	(13,624)	(5,105)	(8,519)	166.9 %	(5,105)	—	(5,105)	n/a
Depreciation and amortization from continuing operations	10,250	10,015	235	2.3 %	10,015	9,185	830	9.0 %
Interest expense, including amortization	4,494	4,691	(197)	(4.2)%	4,691	3,642	1,049	28.8 %
Stock-based compensation	3,248	1,471	1,777	120.8 %	1,471	3,474	(2,003)	(57.7)%
Acquisition costs	(5)	(1)	(4)	400.0 %	(1)	990	(991)	n/a
Adjusted EBITDA	$27,335	$21,907	$5,428	24.8 %	$21,907	$19,123	$2,784	14.6 %

	For the Year Ended December 31,				For the Year Ended December 31,			
	2018	2017	$ Change	% Change	2017	2016	$ Change	% Change
Net income	$63,289	$53,095	$10,194	19.2 %	$53,095	$15,118	$37,977	251.2 %
Gain on sales of real estate investments	(28,610)	(30,654)	2,044	(6.7)%	(30,654)	(7,140)	(23,514)	329.3 %
Depreciation and amortization from continuing operations	40,816	37,870	2,946	7.8 %	37,870	34,399	3,471	10.1 %
Interest expense, including amortization	18,211	16,777	1,434	8.5 %	16,777	13,053	3,724	28.5 %
Loss on extinguishment of debt	—	—	—	n/a	—	239	(239)	n/a
Stock-based compensation	9,270	8,732	538	6.2 %	8,732	9,444	(712)	(7.5)%
Acquisition costs	124	10	114	1,140.0 %	10	3,129	(3,119)	(99.7)%
Adjusted EBITDA	$103,100	$85,830	$17,270	20.1 %	$85,830	$68,242	$17,588	25.8 %

We compute NOI as rental revenues, including tenant expense reimbursements, less property operating expenses. We compute same store NOI as rental revenues, including tenant expense reimbursements, less property operating expenses on a same store basis. NOI excludes depreciation, amortization, general and administrative expenses, acquisition costs and interest expense, including amortization. We compute cash-basis same store NOI as same store NOI excluding straight-line rents and amortization of lease intangibles. The same store pool for the comparison of the three months and years ended December 31, 2018 and 2017 includes all properties that were owned as of December 31, 2018 and since January 1, 2017 and excludes properties that were either disposed of prior to, held for sale to a third-party or in redevelopment as of December 31, 2018. As of December 31, 2018, the same store pool consisted of 156 buildings aggregating approximately 10.4 million square feet representing approximately 81.3% of our total square feet owned and six improved land parcels containing approximately 23.0 acres. The same store pool for the comparison of the three months and years ended December 31, 2017 and 2016 includes all properties that were owned as of December 31, 2017 and since January 1, 2016 and excludes properties that were either disposed of prior to, held for sale to a third-party or in redevelopment as of December 31, 2017. As of December 31, 2017, the same store pool consisted of 140 buildings aggregating approximately 10.2 million square feet representing approximately 78.3% of our total square feet owned and three improved land parcels containing approximately 4.9 acres. We believe that presenting NOI, same store NOI and cash-basis same store NOI provides useful information to investors regarding the operating performance of our properties because NOI excludes certain items that are not considered to be controllable in connection with the management of the properties, such as depreciation, amortization, general and administrative expenses, acquisition costs and interest expense. By presenting same store NOI and cash-basis same store NOI, the operating results on a same store basis are directly comparable from period to period.

The following table reflects the calculation of NOI, same store NOI and cash-basis same store NOI reconciled from net income for the three months and the years ended December 31, 2018, 2017 and 2016 (dollars in thousands):

	For the Three Months Ended December 31,				For the Three Months Ended December 31,			
	2018	2017	$ Change	% Change	2017	2016	$ Change	% Change
Net income 1	$ 22,972	$ 10,836	$ 12,136	112.0 %	$ 10,836			

	4.2	Preferred Stock Purchase Agreement between the Registrant and DaimlerChrysler Aerospace AG dated as of August 2, 1999 (incorporated by reference to Exhibit 4.2 of the Registrant s Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 1999)
	4.3	Registration Rights Agreement between the Registrant and DaimlerChrysler Aerospace AG dated as of August 5, 1999 (incorporated by reference to Exhibit 4.3 of the Registrant s Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 1999)
	4.4	Indenture dated as of October 15, 1997 between the Registrant and First Union National Bank, as Trustee, relating to the Registrant s 8.0% Convertible Subordinated Notes due 2007 (incorporated by reference to Exhibit 4.1 of the Registrant s Registration Statement on Form S-3 (Reg. No. 333-43221) filed with the Securities and Exchange Commission on December 24, 1997)
(10)		**Material Contracts**
	10.1	Letter Agreement dated August 15, 1995, by and between the Registrant and Mitsubishi Corporation (incorporated by reference to Exhibit 10.7 of the Registrant s Registration Statement on Form S-1 (Reg. No. 33-97812) filed with the Securities and Exchange Commission on October 5, 1995)
	10.2	SPACEHAB, Incorporated 1995 Directors Stock Option Plan as amended and restated effective October 21, 1997 (incorporated by reference to Exhibit B of the Registrant s Definitive Proxy Statement on Schedule 14A filed

	with the Securities and Exchange Commission on September 12, 1997)
10.3	Office Building Lease Agreement, dated October 6, 1993, between Astrotech and the Secretary of the Air Force (Lease number SPCVAN 2-94-001) (incorporated by reference to Exhibit 10.52 of the Registrant s Annual Report on Form 10-K for the fiscal year ended June 30, 1997 filed with the Securities and Exchange Commission on September 12, 1997)
10.4	SPACEHAB, Incorporated 1994 Stock Incentive Plan as amended and restated effective October 14, 1999 (incorporated by reference to Exhibit 10.90 of the Registrant s Annual Report on Form 10-K for the fiscal year ended June 30, 1999 filed with the Securities and Exchange Commission on September 17, 1999)
10.5	Agreement, dated September 30, 2004, between the Registrant and Dr. Shelley A. Harrison (incorporated by reference to Exhibit 10.7 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)

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10.6	Lease for property at 300 D Street, SW, Suite #814, Washington, DC, dated as of December 16, 1998, by and between the Registrant and The Washington Design Center, LLC (incorporated by reference to Exhibit 10.8 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.7	Sublease Agreement, dated as of July, 2002, between the Registrant and The Boeing Company (incorporated by reference to Exhibit 10.9 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.8	SPACEHAB, Incorporated 1997 Employee Stock Purchase Plan (incorporated by reference to Exhibit C of the Registrant s Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on September 12, 1997)
10.9	Agreement between Astrotech Space Operations, Inc. and McDonnell Douglas Corporation, dated January 7, 2000 (incorporated by reference to Exhibit 10.103 of the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 filed with the Securities and Exchange Commission on May 12, 2000)
10.10	Agreement between Astrotech Space Operations, Inc. and Lockheed Martin Commercial Launch Services, Inc., dated January 24, 2000 (incorporated by reference to Exhibit 10.104 of the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 filed with the Securities and Exchange Commission on May 12, 2000)
10.11	Credit agreement dated as of August 30, 2001 by and between Astrotech Florida Holdings, Inc. and SouthTrust Bank (incorporated by reference to Exhibit 10.114 of the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 filed with the Securities and Exchange Commission on November 8, 2001)
10.12	Employment and Non-Interference Agreement, dated as of April 1, 2003, between the Registrant and Michael E. Kearney (incorporated by reference to Exhibit 10.119 of the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed with the Securities and Exchange Commission on May 14, 2003)
10.13	First amendment to the Credit Agreement dated as of August 30, 2001 by and between Astrotech Florida Holdings, Inc. and SouthTrust Bank (incorporated by reference to Exhibit 10.122 of the Registrant s Quarterly Report on Form 10-Q for the quarter ended December 31, 2003 filed with the Securities and Exchange Commission on February 13, 2004)
10.14	Employment and Non-Interference Agreement, dated as of January 9, 2004, between the Registrant and Brian K. Harrington (incorporated by reference to Exhibit 10.123 of the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 filed with the Securities and Exchange Commission on May 12, 2004)
10.15	50 Year Lease, dated as of February 1, 1991, between the Registrant and Canaveral Port Authority (incorporated by reference to Exhibit 10.17 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.16	Commercial Contract, dated as of March 3, 2005, between the Registrant and Tamir Silvers, LLC (incorporated by reference to Exhibit 10.18 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.17	Lease Agreement, dated as of February 18, 2005, between the Registrant and R & H Investments, a California partnership (incorporated by reference to Exhibit 10.19 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)

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10.18	Fixed Price Subcontract 889208 for Wideband Gapfiller Satellite Program Launch Site Payload Processing Facilities and Services, dated as of January 18, 2005, between Boeing Satellite Systems, Inc. and Astrotech Space Operations, Inc. (incorporated by reference to Exhibit 10.20 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.19	Loan Agreement, dated as of February 11, 2005, between the Registrant and First American Bank, SSB (incorporated by reference to Exhibit 10.125 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended December 31, 2004 filed with the Securities and Exchange Commission on February 14, 2005)
10.20	Letter Contract No. GF80726B11, dated as of February 18, 2004, between the Registrant and Lockheed Martin Corporation (incorporated by reference to Exhibit 10.23 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.21	ISS Program Integration and Control Contract, between SPACEHAB Government Services, Inc. and ARES Corporation (incorporated by reference to Exhibit 10.24 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.22	Asset Purchase Agreement, dated as of December 19, 2000, between the Registrant and Astrium GmbH. (incorporated by reference to Exhibit 10.27 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.23	Amendment No. 1 to Asset Purchase Agreement, dated as of December 19, 2000, between the Registrant and Astrium GmbH, dated July 3, 2001 (incorporated by reference to Exhibit 10.28 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.24	Lease Agreement, dated as of February 28, 2001, between the Registrant and Astrium GmbH (incorporated by reference to Exhibit 10.29 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.25	Binding Term Sheet, dated as of December 19, 2001, between the Registrant and Astrium GmbH, amending the Lease Agreement, dated as of February 28, 2001, between the Registrant and Astrium GmbH (incorporated by reference to Exhibit 10.30 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.26	Lease Agreement, dated as of July 3, 2001, between the Registrant and Astrium GmbH (incorporated by reference to Exhibit 10.31 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.27	Agreement No. 48801 for Provision of Payload Processing Facilities and Support in Conjunction with Commercial Atlas Launches, between Astrotech Space Operations, Inc. and Lockheed Martin Commercial Launch Services, Inc. (incorporated by reference to Exhibit 10.32 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.28	Contract No. NNK04LA75C, dated as of July 2, 2004, between Astrotech Space Operations, Inc. and John F. Kennedy Space Center, NASA (incorporated by reference to Exhibit 10.33 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)

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10.29	Agreement and Statement of Work, dated as of April 25, 1996 and as amended by Amendment No. 3 as of December 6, 2002, between Astrotech Space Operations, Inc. and Sea Launch Company, L.L.C. (incorporated by reference to Exhibit 10.34 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.30	Employment and Non-Interference Agreement, dated as of May 12, 2005, between the Registrant and Michael E. Bain (incorporated by reference to Exhibit 10.35 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.31	Employment and Non-Interference Agreement, dated as of May 12, 2005, between the Registrant and E. Michael Chewning (incorporated by reference to Exhibit 10.36 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.32	Settlement Agreement and Mutual Release of All Claims, dated as of May 25, 2005, among the Registrant and Lloyd s of London, Goshawk Syndicate No. 102, Euclidian Syndicate No. 1243, Ascot Underwriting Ltd. Syndicate No. 1414, and R.J. Kiln Syndicate No. 510 (incorporated by reference to Exhibit 10.37 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.33	Lease No. SPCVAN-2-94-0001, between the Secretary of the Air Force and Astrotech Space Operations, L.P. (incorporated by reference to Exhibit 10.39 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.34	Strategic Collaboration Agreement, dated as of August 5, 1999, between the Registrant and DaimlerChrysler Aerospace AG (incorporated by reference to Exhibit 10.40 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.35	Guaranty Agreement, dated as of August 30, 2001, between the Registrant and SouthTrust Bank (incorporated by reference to Exhibit 10.41 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.36	Guaranty Agreement, dated as of August 30, 2001, between Astrotech Space Operations, Inc. and SouthTrust Bank (incorporated by reference to Exhibit 10.42 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.37	Stock Pledge and Security Agreement, dated as of August 30, 2001, between the Registrant and SouthTrust Bank (incorporated by reference to Exhibit 10.43 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.38	Stock Pledge and Security Agreement, dated as of August 30, 2001, between Astrotech Space Operations, Inc. and SouthTrust Bank (incorporated by reference to Exhibit 10.44 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.39	Assignment of CLIN 1 Rights, dated as of August 30, 2001, between Astrotech Space Operations, Inc. and SouthTrust Bank (incorporated by reference to Exhibit 10.45 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
10.40	Termination Agreement, dated as of June 1, 2004, between the Registrant and Vladimir J. Fishel (incorporated by reference to Exhibit 10.46 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)

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	10.41	Memorandum of Understanding, dated as of June 8, 2005, between the Registrant and SMH Capital Advisors, Inc. (incorporated by reference to Exhibit 10.47 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
	10.42	Space Media, Inc. Stock Option Plan (incorporated by reference to Exhibit 10.48 of the Registrant s Registration Statement (Reg. No. 333-126772), and all amendments thereto, filed with the Securities and Exchange Commission on July 21, 2005)
	10.43	First Amendment to Loan Agreement (incorporated by reference to Exhibit 10.49 of the Registrant s Current Report on 8-K filed with the Securities Exchange Commission on November 10, 2005), effective September 30, 2005 between SPACEHAB, Incorporated (the Borrower) and Citibank Texas, N.A., formerly known as First American Bank, SSB (the Lender), as executed on November 10, 2005
	10.44	Second Amendment to Loan Agreement (incorporated by reference to Exhibit 10.50 of the Registrant s Current Report on 8-K filed with the Securities Exchange Commission on March 3, 2006), dated February 11, 2006 between SPACEHAB, Incorporated (the Borrower) and Citibank Texas, N.A., formerly known as First American Bank, SSB (the Lender), as executed on February 28, 2006
	10.45	Separation Agreement and Mutual Release, dated as of December 15, 2006, between the Registrant and Michael E. Kearney (incorporated by reference to Exhibit 10.1 of the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 15, 2006)
	10.46	Separation Agreement and Mutual Release, dated as of January 19, 2007, between the Registrant and Michael E. Bain (incorporated by reference to Exhibit 10.1 of the Registrant s Quarterly Report on 10-Q, filed with the Securities and Exchange Commission on February 14, 2007)
	10.47	Separation Agreement and Mutual Release, dated as of January 19, 2007, between the Registrant and E. Michael Chewning (incorporated by reference to Exhibit 10.2 of the Registrant s Quarterly Report on 10-Q, filed with the Securities and Exchange Commission on February 14, 2007)
	10.48	Employment and Non-Interference Agreement, dated as of June 4, 2007, between the Registrant and Michael J. Bowker (incorporated by reference to Exhibit 10.1 of the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 12, 2007)
	10.49	Contract No. NNK07LA79C, dated as of June 15, 2007, between Astrotech Space Operations, Inc. and NASA Kennedy Space Center, filed with the Securities and Exchange Commission on September 21, 2007
	10.50	Loan Agreement dated as of February 6, 2008, between Astrotech Space Operations, Inc. (the Borrower) and Green Bank, N.A. (the Lender) filed herewith
(16)		**Letter Regarding Change in Certifying Accountant**
	16.1	Letter from Grant Thornton LLP regarding change in certifying accountant, dated January 18, 2007 (incorporated by reference to Exhibit 16 of the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2007)
(21)		**SPACEHAB, Incorporated and Subsidiaries Subsidiaries of the Registrant**
(23)		**Consents of Experts and Counsel**
	23.1	Consent of PMB Helin Donovan LLP
	23.2	Consent of Grant Thornton LLP
(31)		**Rule 13a-14(a) Certifications**
	31.1	

Certification of Thomas B. Pickens, III, the Company s Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, file herewith

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	31.2	Certification of Brian K. Harrington, the Company s Senior Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, file herewith
(32)		**Section 1350 Certifications**
	32.1	Certification of Thomas B. Pickens, III, the Company s Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, file herewith
	32.2	Certification of Brian K. Harrington, the Company s Senior Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, file herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPACEHAB, Incorporated

By: /s/ Thomas B. Pickens, III
Thomas B. Pickens, III
Chief Executive Officer

Date: September 29, 2008

By: /s/ Brian K. Harrington
Brian K. Harrington
Senior Vice President,
Chief Financial Officer and
Chief Accounting Officer

Date: September 29, 2008

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of this registrant in the capacities and on the dates indicated.

/s/ Thomas B. Pickens, III Thomas B. Pickens, III	Chairman of the Board and Chief Executive Officer	September 29, 2008
/s/ Mark Adams Mark Adams	Director	September 29, 2008
/s/ Lance W. Lord Lance W. Lord	Director	September 29, 2008
/s/ R. Scott Nieboer R. Scott Nieboer	Director	September 29, 2008
/s/ John A. Oliva John A. Oliva	Director	September 29, 2008
/s/ William F. Readdy William F. Readdy	Director	September 29, 2008
/s/ Barry A. Williamson Barry A. Williamson	Director	September 29, 2008
/s/ Brian K. Harrington	Senior Vice President,	September 29, 2008

Brian K. Harrington	Chief Financial Officer and Chief Accounting Officer