Risk Factors Comparison 2024-02-12 to 2023-02-13 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Related to Our Business and Operations • Our portfolio of properties is concentrated in the industrial real estate sector and our business would be adversely affected by an economic downturn in that sector. • Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in Southern California infill markets, which causes us to be especially susceptible to adverse developments in those markets. • Our properties are concentrated in certain industries that make us susceptible to adverse events with respect to those industries. • We may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth. • Our future acquisitions **, developments and repositioning activity** may not yield the returns we expect. • Many of our costs could be adversely impacted by periods of heightened inflation. • An increase in interest rates would increase our interest costs on variable rate debt and new debt and could adversely affect our ability to refinance existing debt. • We may be unable to renew leases, lease vacant space or re- lease space as leases expire, or renewing existing leases may require significant concession, inducements and / or capital expenditures. • We face significant competition in the leasing market, which may decrease or prevent increases of the occupancy and rental rates of our properties. • A substantial majority of the leases at our properties are with tenants who have non- investment grade credit ratings, which may result in our leasing to tenants that are more likely to default in their obligations to us than a tenant with an investment grade credit rating. Risks Related ~~To~~ **to** Our Capital Structure • Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all. • Our debt level reduces cash available for distribution and may expose us to the risk of default under our debt obligations. • Mortgage and other secured debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt. • Failure to hedge effectively against interest rate changes may adversely affect us. • Our unsecured credit facility, unsecured notes and certain of our other secured loans contain, and any other future indebtedness we incur may contain, various covenants, including business activity restrictions, and the failure to comply with those covenants could materially adversely affect us. Risks Related to the Real Estate Industry • Our performance and value are subject to risks associated with real estate assets and the real estate industry. Risks Related to Our Organizational Structure • Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of common units, which may impede business decisions that could benefit our stockholders. • Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest. • We are a holding company with no direct operations and, as such, we will rely on funds received from our Operating Partnership to pay liabilities, and the interests of our stockholders will be structurally subordinated to all liabilities and obligations of our Operating Partnership and its subsidiaries. Risks Related to Our Status as a REIT • Failure to maintain our qualification as a REIT would have significant adverse consequences to us and the per share trading price of our common stock. Item 1. Business Company Overview References to " we, " " our, " " us, " " our company, " or " the Company " refer to Rexford Industrial Realty, Inc., a Maryland corporation, together with our consolidated subsidiaries (unless the context requires otherwise), including Rexford Industrial Realty, L. P., a Maryland limited partnership, of which we are the sole general partner and which we refer to in this report as our Operating Partnership. In statements regarding qualification as a REIT, such terms refer solely to Rexford Industrial Realty, Inc. We are a self- administered and self- managed full- service REIT focused on owning, operating and acquiring industrial properties in Southern California infill markets. Our goal is to generate attractive risk- adjusted returns for our stockholders by providing superior access to industrial property investments in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013 and Rexford Industrial Realty, L. P. (the " Operating Partnership "), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we acquire, own, improve, redevelop, lease and manage industrial real estate primarily located in Southern California infill markets, and from time to time, acquire or provide mortgage debt secured by industrial property. As of December 31, ~~2022~~ **2023** , our consolidated portfolio consisted of ~~356~~ **373** properties with approximately ~~42~~ **45** . ~~4~~ **9** million rentable square feet. We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the " Code "), commencing with our taxable year ended December 31, 2013. We are generally not subject to federal taxes on our income to the extent we distribute our REIT taxable income to our shareholders and maintain our qualification as a REIT. Business Objectives and Growth Strategies Our primary business objective is to generate attractive risk- adjusted returns for our stockholders through dividends and capital appreciation. We believe that pursuing the following strategies will enable us to achieve this objective: Internal Growth through Intensive, Value- Add Asset Management. We employ an intensive asset management strategy that is designed to increase cash flow and occupancy from our properties. Our strategy includes proactive renewal of existing tenants, re- tenanting to achieve higher rents, and repositioning and redeveloping industrial property by renovating, modernizing or increasing functionality to increase cash flow and value. For example, we sometimes convert formerly single- tenant properties to multi- tenant occupancy to capitalize upon the higher per square foot rents generated by smaller spaces in our target markets in addition to adding or improving loading access and increasing fire, life- safety and building operating systems, among other value- add initiatives. We believe that by undertaking such conversions or other functional enhancements, we can position our properties to attract a larger universe of potential tenants, increase occupancy, tenant quality and rental rates. We also believe that multi- tenant properties, as well as single mid- size buildings, help to limit our exposure to tenant default risk and to diversify our sources of cash flow. Additionally, our proactive approach to leasing and asset management is driven by our in- house **asset management,** leasing **, construction management and customer solutions** ~~department~~ **departments** and team of portfolio and property managers who maintain direct, day- to- day relationships and dialogue with our tenants, which we believe enhances recurring cash flow and reduces periods of vacancy. External Growth through Acquisitions. We continue to grow our portfolio through disciplined acquisitions in prime Southern California infill markets. We believe that our relationship-, data- and event- driven research allows us to identify and exploit asset mispricing and market inefficiencies. We seek to acquire assets with value- add opportunities to increase their cash flow and asset values, often targeting **and catalyzing** off- market or lightly marketed transactions where our execution abilities and market credibility encourage owners to sell assets to us at what we consider pricing that is more favorable than heavily marketed transactions. We also seek to source transactions from owners with generational ownership shift, fund divestment, sale- leaseback / corporate surplus, maturing loans, some facing liquidity needs or financial stress, including loans that lack economical refinancing options. We also believe our deep market presence and relationships may enable us to selectively acquire assets in marketed transactions that may be difficult to access for less focused buyers. Competitive Strengths We believe that our investment strategy and operating model distinguishes us from other owners, operators and acquirers of industrial real estate in several important ways, including the following: Focus on Industrial Assets in Southern California' s Infill Market: We intend to continue our core strategy of owning and operating industrial properties within Southern California' s infill regions. Infill markets are considered high- barrier to entry markets with scarcity of vacant or developable land and high concentrations of people, jobs, housing, income, wages and consumption. We believe Southern California' s infill industrial property market is the largest, most fragmented industrial market in the nation, demonstrating favorable long- term tenant demand fundamentals in the face of an ongoing **long- term** scarcity and diminishment of supply **over time** . We have a portfolio of ~~356~~ **373** properties totaling approximately ~~42~~ **45** . ~~4~~ **9** million square feet, which are all **strategically** located in Southern California infill markets. Diversified Tenant Mix: Our portfolio is leased to a broad tenant base, drawn from diverse industry sectors. We believe that this diversification reduces our exposure to tenant default risk and earnings volatility. As of December 31, ~~2022~~ **2023** , we had 1, ~~677~~ **615** leases, with no single tenant accounting for more than 2. ~~2~~ **8** % of our total annualized base rent. Our portfolio is also geographically diversified within the Southern California market across the following submarkets: Los Angeles ~~56~~ **55** . ~~6~~ **7** %; San Bernardino ~~19~~ **20** . 0 %; Orange County ~~10~~ **9** . ~~0~~ **8** %; ~~Ventura 7. 4 %; and~~ San Diego 7. ~~0~~ **6 %; and Ventura 6. 9** %. Superior Access to Investment Opportunities: We believe that we enjoy superior access to value- add, off- market, lightly marketed and marketed acquisition opportunities, many of which are difficult for competing investors to access. Off- market and lightly marketed transactions are characterized by a lack of a formal marketing process and a lack of widely disseminated marketing materials. Marketed transactions are often characterized by extensive buyer competition, making such transactions difficult to close on for less- focused investors. As we are principally focused on the Southern California market, our executive management and acquisition teams have developed and maintain a deep, broad network of relationships among key market participants, including property brokers, lenders, owners and tenants. We employ an extensive broker marketing, incentives and loyalty program. We also utilize data and event- driven analytics and primary research to identify and pursue events and circumstances, including below- market leased properties, properties with curable functional obsolescence, generational ownership changes, and financial stress related to properties, owners, lenders, and tenants, that tend to generate early access to emerging investment opportunities. Vertically Integrated Platform: We are a full- service real estate operating company, with substantial in- house capabilities in all aspects of our business. Our platform includes experienced in- house teams focused on acquisitions, analytics and underwriting, asset management, repositioning and redevelopment, property management, sales and leasing, design, construction management, as well as finance, accounting, legal, technology and human relations departments. Value- Add Repositioning and Redevelopment Expertise: Our in- house redevelopment and construction management team employs an entrepreneurial approach to redevelopment and repositioning activities that are designed to increase the functionality, cash flow and value of our properties. Repositioning activities include converting large underutilized spaces into a series of smaller and more functional spaces, creating generic industrial space that appeals to a wide range of tenants, adding additional square footage and modernizing properties by, among other things, upgrading fire, life- safety and building operating systems, resolving functional obsolescence, adding or enhancing loading areas and truck access and making other accretive modernization improvements. Our environmental, social and governance (ESG) goals influence our repositioning and redevelopment projects, where we focus on transforming outdated and inefficient buildings into high functioning, energy efficient and higher value industrial properties. Additionally, we pursue U. S. Green Building Council LEED certification for all ground- up developments. This repositioning and redevelopment work has the potential to revitalize our communities while reducing negative environmental impact. Redevelopment activities include fully or partially demolishing an existing building (s) due to building obsolescence and / or a property with excess or vacant land and constructing a ground- up building. Growth- Oriented, Flexible and Conservative Capital Structure: Our capital structure provides us with the resources, financial flexibility and the capacity to support the future growth of our business. Since our initial public offering, we have raised capital through ~~eight~~ **nine** public offerings of our common stock (including one completed in ~~2022~~ **2023**), three public offerings of preferred stock, ~~through~~ sales of common stock under our various at- the- market equity offering programs and **three** ~~through two~~ public offerings of senior notes. We currently have an at- the- market equity offering program (" ATM program ") pursuant to which we may sell from time to time up to an aggregate of $ 1. ~~0~~ **25** billion of our common stock directly through sales agents or by entering into forward equity sale agreements with certain financial institutions acting as forward purchasers **(the " 2023 ATM Program ")** . As of the filing date of this Annual Report on Form 10- K, we have sold $ ~~834~~ **322** . 6 million of our common stock under ~~this~~ **the 2023** ATM program, leaving us with the capacity to issue up to $ ~~165~~ **927** . 4 million of additional shares. We also have a credit agreement with a $ 1. 0 billion unsecured revolving credit facility, and as of the filing date of this Annual Report on Form 10- K, we did not have any borrowings outstanding, leaving $ 1. 0 billion available for future borrowings. The credit agreement has an accordion feature that permits us to request additional lender commitments up to an additional $ 800 million, which may be comprised of additional revolving commitments, term loan commitments or any combination thereof, subject to certain conditions. As of December 31, ~~2022~~ **2023** , our ratio of net debt to total market capitalization was ~~14~~ **15** . ~~9~~ **0** %. Competition In acquiring our target properties, we compete with other public industrial property sector REITs, income oriented non- traded REITs, private real estate fund managers and local real estate investors and developers, some of which have greater financial resources or other competitive advantages than we do. Such competition may result in an increase in the amount we must pay to acquire a property or may require us to forgo an investment in properties which would otherwise meet our investment criteria. We also face significant competition in leasing available properties to prospective tenants and in re-leasing space to existing tenants. As a result, we may have to provide rent concessions, incur expenses for tenant improvements or offer other inducements to enable us to timely lease vacant space, all of which may have an adverse impact on our results of operations. Insurance ~~We carry commercial~~ **Commercial** property, liability, environmental, earthquake and terrorism coverage **is carried** on all the properties in our portfolio under blanket **or standalone** insurance policies. In addition, we hold other environmental policies for certain properties with known environmental conditions that provide for additional coverage for potential environmental liabilities, subject to the policy' s coverage conditions and limitations. Generally, we do not carry insurance for certain types of extraordinary losses, including, but not limited to, losses caused by floods (unless the property is located in ~~a~~ **certain** flood ~~plain~~ **plains**), riots, war and wildfires. Substantially all of our properties are located in areas that are subject to earthquakes, and while we maintain earthquake insurance coverage, the events are subject to material deductibles and exclusions. Additionally, seismic risks are evaluated for properties during acquisition by a qualified structural engineer and to the extent that the engineer identifies a property with weaknesses that contribute to a high statistical risk, the property will generally be structurally retrofitted to reduce the statistical risk to an acceptable level. Regulation Our properties are subject to various laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe that we have the necessary permits and approvals to operate each of our properties. Americans with Disabilities Act Our properties must comply with Title III of the Americans with Disabilities Act of 1990, as amended (the " ADA ") to the extent that such properties are " public accommodations " as defined under the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Although we believe that the properties in our portfolio in the aggregate substantially comply with present requirements of the ADA, and we have not received any notice for correction from any regulatory agency, we have not conducted a comprehensive audit or investigation of all of our properties to determine whether we are in compliance, and therefore we may own properties that are not in compliance with current ADA standards. ADA compliance is dependent upon the tenant' s specific use of the property, and as the use of a property changes or improvements to existing spaces are made, we will take steps to ensure compliance. Noncompliance with the ADA could result in additional costs to attain compliance, imposition of fines by the U. S. government or an award of damages plus attorney' s fees to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and make alterations to achieve compliance as deemed commercially reasonable. Environmental Matters The properties that we acquire are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, to the extent we own 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 the properties we acquire. 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. From time to time we are required to export soils (which may or may not contain hazardous materials) from our sites, and 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 a property 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, which have the potential to be very significant. 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. To mitigate some of the environmental risk, our properties are covered by ~~a~~ blanket **or standalone** environmental insurance ~~policy~~ **policies** . **Such standalone** ~~In addition, we hold other~~ environmental policies **are held** for certain properties with known environmental conditions that provide for additional coverage for potential environmental liabilities. These policies, however, are subject to certain limits, deductibles and exclusions, and insurance may not fully compensate us for any environmental liability. We obtain Phase I or similar environmental assessments by independent environmental consultants at the time of acquisition of a property. Phase I environmental investigations are a common form of real estate due diligence that are governed by nationally recognized American Society for Testing and Materials (ASTM) standards and typically conducted by licensed environmental scientists. Phase I investigations commonly include a physical walk- through of the property in addition to a file review of the site. The file review includes creating a known operating history of the site. This includes, but is not limited to, inquiries with local governmental agencies as well as reviewing historical aerial reviews. If the consultant identifies any unexplained Recognized Environmental Concerns (" REC ") then the consultant may recommend further investigation, usually through specific invasive property tests. This additional round of investigation is commonly referred to as a " Phase II ". Invasive testing may or may not include air, soil, soil vapor or ground water sampling. Additionally, it may or may not include an asbestos and / or lead- based paint survey. Depending on the results of the initial Phase II investigation, the consultant may recommend further Phase II investigations, or if satisfied with the results, the consultant may decide the initial REC identified is no longer a concern. On occasion the seller of a property may not allow us to conduct a Phase II investigation, and we may elect to proceed with a property acquisition without a Phase II based on our risk assessment and mitigating factors informed by our third- party environmental consultants and advisors. Although we obtain a Phase I, a Phase II as permitted by the property seller, or similar environmental site assessments by independent environmental consultants on each property prior to acquiring it, these environmental assessments may not reveal all environmental risks that might have a materially adverse economic effect on our business, assets and results of operations or liquidity, and may not identify all potential environmental liabilities, and our portfolio environmental and any site- specific insurance policies may be insufficient to cover any such environmental costs and liabilities. We can make no assurances that (1) future laws, ordinances or regulations will not impose material environmental liabilities on us, or (2) the current environmental condition of our properties will not be affected by tenants, the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third parties unrelated to us. Human Capital As of December 31, ~~2022~~ **2023** , we had ~~223~~ **242** employees supported by five regional offices within our Southern California market to service our business and tenants, optimize the welfare and productivity of our staff, and minimize commute times for our staff and to our properties. Nearly all employees have the opportunity to work remotely **within Southern California** and have regular access to utilize our various offices, providing them with flexible working conditions while achieving our performance objectives and the ability to ~~minimize the spread of illness and~~ maintain business continuity ~~during times of increased local health and safety risks~~ . We believe that we have good relations with our employees. None of our employees are represented by a union. We have adopted a Code of Business Conduct and Ethics, and Policies and Procedures for Complaints Regarding Accounting and Fraud, including a phone number and website for employees to voice anonymous concerns. All such concerns are then brought to the attention of our independent audit committee of the board of directors and our general counsel. These policies apply to all of our employees, and receipt and review by each employee is documented and verified annually. Employee Engagement and Support We believe employee engagement and recognition of strong performance are key components of a strong corporate culture **and may be one of the key determinants of the level of our future success** . As part of our ongoing efforts to encourage employee engagement, we routinely solicit employee feedback, sometimes via anonymous surveys, and hold teambuilding events. Employees received formal recognition awards during our all- company quarterly meetings after being nominated by their peers. Each employee undergoes performance discussions at least twice per year, with annual compensation adjustment consideration commensurate with the market ~~and~~ **,** individual **and company** performance. Our voluntary turnover rate was 7 % in ~~2022~~ **2023** . Our referral rate for new hires was ~~36~~ **40** %, which we believe is indicative of employee engagement and commitment. Additionally, all employees receive a weekly update via email from our executive management team. We offer and encourage ongoing employee training and advancement opportunities, with a wide variety of thousands of courses and topics including management, leadership, personal development, diversity and inclusion, sexual harassment prevention, antibribery, health and safety, and technical skills development. Many of our employees have contributed to the creation of learning content, leveraging our employee expertise and engagement and promoting a culture of learning. On average, each employee completed over ~~20~~ **24** hours of focused training in ~~2022~~ **2023** . We also have a tuition reimbursement program which provides our team with additional opportunities to grow and succeed in their careers. Additionally, we have a paid parental leave policy for birthing and non- birthing parents to support the bonding and wellness of our employees and their newborn children. In 2022 we established a flexible time off policy under which employees no longer need to accrue time off and time off is not capped. We believe that employees should maintain a healthy work life balance with time away from work, exercising judgement to determine the appropriate time off for themselves based on workload and the collective need to achieve the Company' s goals. ~~Nearly 39~~ **In 2023, we also launched an employee engagement platform, with 95** % of ~~our~~ employees **participating** ~~at the director level and higher were developed and promoted from within the Company~~ . Workforce Diversity, Equity and Inclusion The Company values diversity, including diversity of experience, background, and ethnicity. Our employees are ~~56~~ **60** % female **or non- binary** and ~~44~~ **40** % male, and ~~53~~ **54** % of our employees self- identify as members of a racial or ethnic minority. Employees at the director level and higher are ~~38~~ **42** % female and ~~62~~ **58** % male. Our eight- member board of directors was 38 % female and 25 % ethnically diverse as of December 31, ~~2022~~ **2023** . Additional Information Our principal executive offices are located at 11620 Wilshire Boulevard, Suite 1000, Los Angeles, California 90025 (telephone 310- 966- 1680). Our Annual Reports on Form 10- K, Quarterly Reports on Form 10- Q, Current Reports on Form 8- K, Proxy Statements, Information Statements and amendments to those reports are available free of charge through our investor relations website at http: / / www. rexfordindustrial. com, as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the U. S. Securities and Exchange Commission (the " SEC "). All reports we file with the SEC are also available free of charge via EDGAR through the SEC website at http: / / www. sec. gov. Our board of directors maintains charters for each of its committees and has adopted a written set of corporate governance guidelines and a code of business conduct and ethics applicable to independent directors, executive officers, employees and agents, each of which is available for viewing on our website at http: / / www. rexfordindustrial. com under the heading " Investor Relations — Company Information — Governance — Governance Documents. " Website addresses referred to in this Annual Report on Form 10- K are not intended to function as hyperlinks, and the information contained on our website is not incorporated into, and does not form a part of, this Annual Report on Form 10- K or any other report or documents we file with or furnish to the SEC. Item 1A. Risk Factors Set forth below are some (but not all) of the factors that could adversely affect our performance and financial condition. Moreover, we operate in a highly competitive and rapidly **-** changing environment. New risk factors emerge from time to time, and it is not possible for us to predict all such risk factors, nor can we predict the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward- looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. We believe the following risks are material to our stockholders. You should carefully consider the following factors in evaluating our company, our properties and our business. The occurrence of any of the following risks could adversely affect our results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock and might cause our stockholders to lose all or part of their investment. For purposes of this section, the term " stockholders " means the holders of shares of our common stock and preferred stock. Our portfolio of properties is concentrated in the industrial real estate sector, and our business would be adversely affected by an economic downturn in that sector. Our properties are concentrated in the industrial real estate sector. This concentration exposes us to the risk of economic downturns in this sector to a greater extent than if our business activities ~~included a~~ **were spread across** more ~~significant portion of other~~ sectors of the real estate industry. All of our properties are located in Southern California, which may expose us to greater or lesser economic risks than if we owned a more geographically **-** diverse portfolio. We are particularly susceptible to adverse economic or other conditions in Southern California, as well as to natural disasters that occur in this market. Most of our properties are located in areas known to be seismically active. While we diversify the geographic concentrations of assets within Southern California and carry insurance for losses resulting from earthquakes **(and other casualties)** , the amount of our coverage may not **always** be sufficient to fully cover losses from earthquakes and ~~associated disasters~~ **other casualties** , and the policies are subject to material deductibles and self- insured retention. The Southern California market has experienced downturns in past years, and the COVID- 19 pandemic demonstrated the adverse impact that governmental restrictions in response to pandemics can have, and may continue to have, on the economy of the Southern California market. Any future downturns in the Southern California economy could impact our tenants' ability to continue to meet their rental obligations or otherwise adversely affect the size of our tenant base, which could materially adversely affect our operations and our revenue and cash available for distribution, including cash available to pay distributions to our stockholders. If **a** material ~~reductions~~ - **reduction** of imports **were to occur at the Ports of Los Angeles and Long Beach,** through ~~or a~~ material labor issue **or** ~~were to occur at the~~ **other reasons** ~~Ports of Los Angeles and Long Beach~~ , it could reduce the need for tenants to store related imported goods in our properties and result in higher market vacancy and lower rents. We cannot assure you that the Southern California market will grow or that underlying real estate fundamentals will be favorable to owners and operators of industrial properties. Our operations may also be affected if competing properties are built in the Southern California market. In addition, the State of California is more highly regulated and taxed than many other states, all of which may reduce demand for industrial space in California and may make it costlier to operate our business. Additionally, conditions in Southern California related to homelessness, crime, tax rates and heightened regulation could negatively impact economic conditions and make tenants less desirous to lease properties from us. In November 2022, various transfer tax ballot measures passed, including Measure ULA in the City of Los Angeles ~~where as~~ **. As** of December 31, ~~2022~~ **2023** , we owned ~~62~~ **59** properties **in the City of Los Angeles** representing approximately 15. ~~4~~ **5** % of the rentable square footage of our portfolio. Beginning ~~in~~ **on** April **1,** 2023, Measure ULA ~~imposes~~ **imposed** an additional fee at the time of sale at a rate of 4 % for properties between $ 5 million and $ 10 million and 5. 5 % for those $ 10 million or above. **We note, however, that during the period from April 1, 2023 through December 31, 2023, we did not sell any of our properties located in the City of Los Angeles, and as such, we were not impacted by Measure ULA.** Additional California ballot measure initiatives have sought the removal of Proposition 13 property tax protections, which proposals have not passed, but if successful could cause a significant increase in property taxes at our properties. Any adverse economic or real estate developments in the Southern California market as described above, or any decrease in demand for industrial space resulting from the regulatory environment, business climate or energy or fiscal problems, could adversely impact us and our stockholders. The ~~ongoing~~ impact from **a** ~~the COVID- 19~~ pandemic, including ~~ongoing~~ governmental emergency declarations with emergency powers, may impact our ability to collect rent and could adversely impact our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations. The ~~ongoing~~ impact from ~~the~~ **a pandemic, including, without limitation** COVID- 19 ~~pandemic~~ , **and related** ~~including the spread of new variants of the virus, ongoing~~ governmental emergency declarations with emergency powers ~~, and the transition from a Zero- COVID policy in China~~ may have significant adverse impact on economic and market conditions around the world, including the United States and the infill Southern California markets in which we own properties and have development projects, and could ~~further~~ trigger a period of sustained global and U. S. economic downturn or recession ~~. In particular, in Southern California, the state of California and certain municipalities, including where we own properties and / or have redevelopment projects, any reinstitution of quarantines, restrictions on travel, restrictions on businesses and construction projects may impact our performance. Many of the industries in which our tenants are concentrated and other industries may be subject to risks as the flow of goods from China could be impacted from China' s transition from a Zero- COVID policy, which may negatively impact their performance and ability to pay rent~~ . This could lead to adverse impacts on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations **,** ~~. These trends may also influence~~ occupancy levels and the ~~immediate~~ ability or willingness of certain of our tenants to pay rent in full on a timely basis. ~~The rapid development and fluidity of any pandemic, including COVID- 19, and the current financial, economic and capital markets environment, and the potential for future pandemic related developments present material risks and uncertainties with respect to our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and could also have a material adverse effect on the value and trading price of our common stock.~~ Moreover, to the extent any of these risks and uncertainties **could** adversely impact us in the ways described above or otherwise, they ~~may~~ **could** also have the effect of heightening many of the other risks set forth in this " Risk Factors " section. Our properties are concentrated in certain industries, which, as of December 31, ~~2022~~ **2023** , included the following (and accounted for the percentage of our total annualized base rent indicated): **Manufacturing** ~~Transportation and Warehousing~~ (~~24~~ **22** . ~~3~~ **7** %) ~~;~~ **,** Wholesale Trade (21. 8 %) ~~;~~ and ~~Manufacturing~~ **Transportation and Warehousing** (~~20~~ **21** . 3

%). Any downturn in one or more of these industries, or in any other industry in which we may have a significant concentration now or in the future, could adversely affect our tenants who are involved in such industries. If any of these tenants is unable to withstand such downturn or is otherwise unable to compete effectively in its business, it may be forced to declare bankruptcy, fail to meet its rental obligations, seek rental concessions or be unable to **extend its current lease or** enter into new leases, which could materially and adversely affect us. Our business strategy involves the acquisition of properties ~~meeting~~ **that meet** certain investment criteria in our target markets. These activities require us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategies. In addition, the current market for acquisitions of industrial properties in Southern California continues to be extremely competitive. This competition may increase the demand for our target properties and, therefore, reduce the number of suitable acquisition opportunities available to us and increase the prices paid for such acquisition properties. We may be unable to acquire properties identified as potential acquisition opportunities on favorable terms, or at all, which could ~~slow~~ **impede** our **intended rate of** growth. We may acquire properties utilized for non- industrial uses, including office properties, where our long- term strategy is to develop, redevelop or reposition ~~the~~ **such office** asset into industrial property. Prior to executing our strategy, we may lack non- industrial property management expertise necessary to optimally manage the non- industrial properties. If we are unable to finance property acquisitions or acquire properties on favorable terms, or at all, our financial condition, results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock could be adversely affected. Our acquisition activities may pose risks that could harm our business. As a result of our acquisitions, we may be required to incur debt and expenditures and issue additional common stock or common units to pay for the acquired properties. These acquisitions may dilute our stockholders' ownership interest, delay or prevent our profitability and may also expose us to risks such as overpayment, reduction in value of acquired properties, and the possibility of pre- existing undisclosed liabilities, including environmental or asbestos liability, for which our insurance may be insufficient or for which we may be unable to secure insurance coverage. We cannot provide assurance that the price for any future acquisitions will be similar to prior acquisitions. If our revenue does not keep pace with these potential acquisition and expansion costs, we may incur net losses. There is no assurance that we will successfully overcome these risks or other problems encountered with acquisitions. We may be unable to source off- market or lightly marketed investment opportunities in the future. As of December 31, ~~2022~~ **2023** , approximately ~~78~~ **77** % of the acquisitions by property count completed by us since our initial public offering (" IPO ") were acquired in off- market or lightly **-** marketed transactions, which are transactions that are characterized by a lack of a formal marketing process and lack of widely **-** disseminated marketing materials. Properties that are acquired by off- market or lightly **-** marketed transactions are typically more attractive to us as a purchaser and are a core part of our strategic plan, because the absence of a formal or extended marketing / bidding period typically results in more favorable pricing, more favorable non- economic terms and often an ability to close transactions more rapidly. If we cannot obtain off- market or lightly **-** marketed deal flow in the future, our ability to locate and acquire additional properties in the manner in which we have historically may be adversely affected and may cause us to revisit our core strategies. Our future acquisitions **may not yield the returns we expect. Our future acquisitions,** and our ability to successfully operate the properties we acquire in such acquisitions **,** may be exposed to the following significant risks: • even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price; • we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties **as originally intended** ~~to meet our expectations~~ ; • we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; • we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations; • market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and • we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown or greater than expected liabilities such as liabilities for clean- up of environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties. We may not be able to control our operating costs or our expenses may remain constant or increase, even if our revenues do not increase, causing our results of operations to be adversely affected. Factors that may adversely affect our ability to control operating costs include the need to pay for insurance and other operating costs (including real estate taxes, which could increase over time), the need to periodically repair, renovate and re- lease space, the cost of compliance with governmental regulation, including zoning and tax laws, the potential for liability under applicable laws, interest rate levels and the availability of financing. If our operating costs increase or our property income decreases as a result of any of the foregoing factors, our results of operations may be adversely affected. Many of our costs, such as operating expenses and general and administrative expenses, interest expense and real estate acquisition and construction costs, could be adversely impacted by periods of heightened inflation. During the twelve months ended December ~~2022~~ **2023** , the consumer price index increased by approximately ~~6~~ **3** . ~~5~~ **4** %, compared to the twelve months ended December ~~2021~~ **2022** . Federal policies and recent global events, such as the rising price of oil and the ~~conflict~~ **conflicts** between Russia and Ukraine **and events in the Middle East** , may have exacerbated, and may continue to exacerbate, increases in the consumer price index. A sustained or further increase in inflation could have an adverse impact on our operating expenses incurred in connection with, among others, the property- related contracted services. Our operating expenses may be recoverable through our lease arrangements. In general, our properties are leased to tenants on a triple net or modified gross basis. During inflationary periods, we expect to recover some increases in operating expenses from our tenants through our existing lease structures. As a result, we do not believe that inflation would result in a significant adverse effect on our net operating income and operating cash flows at the property level. However, there can be no assurance that our tenants would be able to absorb these expense increases and be able to continue to pay us their portion of operating expenses, capital expenditures and rent. In addition, most of our leases provide for fixed annual rent increases of three percent or greater. However, the impact of the current rate of inflation of ~~6~~ **3** . ~~5~~ **4** % may not be adequately offset by some of our annual rent escalations, and it is possible that the resetting of rents from our renewal and re- leasing activities would not fully offset the impact of the current inflation rate. As a result, during inflationary periods in which the inflation rate exceeds the annual rent escalation percentages within our lease contracts, we may not adequately mitigate the impact of inflation, which may adversely affect our business, financial condition, results of operations, and cash flows. Our general and administrative expenses consist primarily of compensation costs and professional service fees. Rising inflation rates may require us to provide compensation increases beyond historical annual increases, which may unexpectedly or significantly increase our compensation costs. Similarly, professional service fees are also subject to the impact of inflation and expected to increase proportionately with increasing market prices for such services. Consequently, inflation may increase our general and administrative expenses over time and may adversely impact our results of operations and cash flows. **Since** ~~In March~~ 2022, the Federal Reserve **Board** ~~began, and it~~ has ~~continued and is expected to continue, to raise~~ **raised** interest rates in an effort to curb inflation **. Although there is some expectation that the Federal Reserve Board may begin to decrease rates in 2024, future decisions to decrease, hold steady or increase interest rates and the timing of such decision is unknown** . Our exposure to increases in interest rates in the short term is limited to our variable- rate borrowings. As of December 31, ~~2022~~ **2023** , we had $ 760. 0 million of variable- rate debt, excluding the impact of interest rates swaps in effect. In addition, the effect of inflation on interest rates could increase our financing costs over time, either through near- term borrowings on our floating- rate line of credit or refinancing of our existing borrowings that may incur higher interest expenses related to the issuance of new debt. We have entered into interest rate swaps to effectively fix **all** $ ~~300~~ **760** . 0 million of our variable- rate indebtedness, and we may enter into other hedging transactions. The use of hedging transactions involves certain risks. Additionally, inflationary pricing may have a negative effect on the construction costs necessary to complete our repositioning and redevelopment projects, including, but not limited to, costs of construction materials, **insurance, and** labor and services from third- party contractors and suppliers. Certain increases in the costs of construction materials can often be managed in our repositioning and redevelopment projects through either general budget contingencies built into our overall construction costs estimates for each of our projects or guaranteed maximum price construction contracts, which stipulate a maximum price for certain construction costs and shift inflation risk to our construction general contractors. However, no assurance can be given that our budget contingencies would accurately account for potential construction cost increases given the current severity of inflation and variety of contributing factors or that our general contractors would be able to absorb such increases in costs and complete our construction projects timely, within budget, or at all. Higher construction costs could adversely impact our investments in real estate assets and expected yields on our redevelopment projects, which may make otherwise lucrative investment opportunities less profitable to us. As a result, our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders could be adversely affected over time. An increase in interest rates would increase our interest costs on variable rate debt and new debt and could adversely affect our ability to refinance existing debt, conduct repositioning, redevelopment **,** and acquisition activity ~~and~~ **,** ~~recycle~~ **recycling of** capital **and leasing activity** . As of December 31, ~~2022~~ **2023** , we had a $ 1. 0 billion unsecured revolving credit facility, ~~a~~ $ 400. 0 million term loan facility, ~~a~~ $ 300. 0 million term loan facility and ~~a~~ $ 60. 0 million term loan facility bearing interest at variable rates on amounts drawn and outstanding. As of December 31, ~~2022~~ **2023** , the variable interest rate on the $ 300 **. 0** million term loan facility has been ~~effectively~~ **swapped to a** fixed ~~until its maturity at a weighted average~~ rate of 2. 81725 % through **its maturity date, and** the ~~use of interest~~ **$ 400. 0 million term loan facility and $ 60. 0 million term loan facility have been swapped to a fixed** rate ~~swaps~~ **of 3. 97231 % and 3. 71000 %, respectively, for a portion of the extension option period following the initial maturity date** . There was no amount outstanding on the revolving credit facility and each of our term loan facilities was fully drawn at December 31, ~~2022~~ **2023** . However, we may borrow on the revolving credit facility or incur additional variable rate debt in the future. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve Board. During ~~2022~~ **2023** , the Federal Reserve Board increased the federal funds rate ~~seven~~ **four** times, resulting in a range from ~~4~~ **5** . 25 % to ~~4~~ **5** . 50 % as of December 31, ~~2022~~ **2023** ~~, and further increased~~ **. Although there is some expectation that the Federal Reserve Board may begin to decrease** the federal funds rate in ~~February 2023~~ **2024** ~~by~~ **,** ~~an~~ **any future decisions** ~~additional 25 basis points~~ to **decrease, hold steady or** ~~a range from 4. 50 % to 4. 75 %. It is expected that the Federal Reserve Board may continue to~~ increase the federal funds rate ~~during 2023~~ **and the timing of such decision** , ~~which will likely result in further increases in~~ **is unknown, and the risk of higher** overall interest rates **still exists** . **Steady but high** ~~Interest~~ **interest** ~~rate~~ **rates or** increases **to interest rates** would increase our interest costs for any variable rate debt and for new debt, which could in turn make the financing of any repositioning, redevelopment and acquisition activity costlier **and could also impact demand for space and our leasing activity** . **Steady but high or** ~~Rising~~ **rising** interest rates could also limit our ability to refinance existing debt when it matures or cause us to pay higher interest rates upon refinancing and increase interest expense on refinanced indebtedness. In addition, ~~an~~ **steady but high interest rates or** ~~increase~~ **increases** in interest rates could decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to recycle capital and our portfolio promptly in response to changes in economic or other conditions. The potential impacts of **current and** future climate change and governmental initiatives remain uncertain at this time but could result in increased operating costs. Our assets and tenants may be exposed to potential risks from **existing and** possible future climate change that could result in physical and regulatory impacts, an increase in sea level, **drought,** flooding, and catastrophic weather events and fires. The occurrence of sea level rise or one or more natural disasters, such as floods, wildfires **, solar storms** and earthquakes (whether or not caused by climate change), could increase our operating costs, impair our tenants’ ability to lease property and pay rent and negatively affect our financial performance. Additional risks related to our business and operations as a result of climate change include both physical and transition risks such as: • higher energy costs as a result of extreme weather events, extreme temperatures or increased demand for limited resources; • higher maintenance and repair costs due to increasing temperatures and more frequent heatwaves; • higher costs of materials due to limited availability of raw materials and requirements that may limit types of material for construction; • limited availability of water and higher costs due to droughts caused by low snowpack; • reduced labor pool and lease rates as a result of increasing air pollution and related illnesses; and • reduced tenant appeal and / or investor interest in the event that certain tenant priorities and / or investor expectations regarding sustainability and efficient building practices are not met. In addition, laws and regulations targeting climate change could result in stricter energy efficiency standards and increased capital expenditures in order to comply with such regulations, as well as increased operating costs that we may not be able to effectively pass on to our tenants. Any such regulation could impose substantial costs on our tenants, thereby impacting the financial condition of our tenants and their ability to meet their lease obligations and to lease or re- lease our properties. Further, proposed climate change and environmental laws and regulations at the federal, state and local level, including climate change and greenhouse gas emissions related disclosure rules proposed by the Securities and Exchange Commission, may increase compliance and data collection costs and compliance risks. **In October 2023, California enacted the Climate Corporate Data Accountability Act (SB- 253), which mandates the disclosure of greenhouse gas (" GHG ") emissions, including Scope 1, Scope 2 and Scope 3 emissions; and the Climate- Related Financial Risk Act (SB- 261), which mandates the disclosure of climate- related financial risks, and measures adopted to reduce and adapt to such risks. Both California laws require initial disclosures in 2026. California also enacted a third climate- disclosure law that requires entities that operate in the state and make net zero emissions claims, carbon- neutral claims or significant GHG reduction claims to disclose, starting in 2024, information about those claims and the purchase or use of voluntary carbon offsets used to achieve those claims. Additionally, in 2023 we announced a target to reach net- zero greenhouse gas emissions across scope 1, 2 and 3 by 2045, as well as a near- term science- based target to reduce absolute scope 1 and 2 emissions by 42 % by 2030 from a 2022 baseline, aligned with The Science Based Targets initiative (SBTi) 1. 5- degree Celsius pathway. While SBTi validated our targets, there is no guaranty that we will be able to achieve such goals or accurately track and report the required disclosures. Compliance with such laws and commitments may be costly and impact our property operations. Stakeholders may respond adversely to any failure to meet such commitments.** Adverse U. S. and global market, economic and political conditions, including the ongoing conflict between Ukraine and Russia, **recent events in the Middle East** and other events or circumstances beyond our control could have a material adverse effect on us. Another economic or financial crisis or rapid decline of the consumer economy, significant concerns over energy costs, geopolitical issues, including the ongoing conflict between Ukraine and Russia, **recent events in the Middle East,** the availability and cost of credit, the U. S. mortgage market, or a declining real estate market in the U. S. can contribute to increased volatility, diminished expectations for the economy and the markets, and high levels of structural unemployment by historical standards. ~~Global market~~ **Market** , political and economic challenges, including dislocations and volatility in the credit markets ~~and~~ **,** general global economic uncertainty, **and any uncertainty or volatility following the 2024 U. S. Presidential election** may adversely affect **the economy and financial markets,** our financial condition, results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock. In addition, global market, political and economic conditions could adversely affect the businesses of many of our tenants. As a result, we may see increases in bankruptcies of our tenants and increased defaults by tenants, and we may experience higher vacancy rates and delays in re- leasing vacant space, which could negatively impact our business and results of operations. The Russian invasion of Ukraine in February 2022 and the resulting global governmental responses, including international sanctions imposed on Russia and other countries that are supporting Russia' s invasion of Ukraine, have led to volatility in global markets, disruptions in the energy, agriculture and other industries and have created worldwide inflationary pressures. While the conflict has not caused material disruptions to our operations to date, further escalation of the war between Russia and Ukraine could result in a significant decline in global economic activities and impact our tenants in a manner that may lower the near- term demand for our rental properties or our tenants' ability to pay rents. **We may be unable to renew leases, lease vacant space or re- lease space as leases expire, or renewing existing leases may require significant concessions, inducements and / or capital expenditures.** As of December 31, ~~2022~~ **2023** , 5. ~~4~~ **8** % of the rentable square footage of our portfolio was vacant or under repositioning / redevelopment and leases representing 1. ~~6~~ **0** % of the rentable square footage of our portfolio expired on December 31, ~~2022~~ **2023** . In addition, leases representing 13. ~~7~~ **9** % and 16. ~~3~~ **6** % of the rentable square footage of the properties in our portfolio will expire in ~~2023 and~~ 2024 **and 2025** , respectively. We cannot assure you that our leases will be renewed or that our properties will be re- leased at rental rates equal to or above the current average rental rates or that we will not offer substantial rent abatements, tenant improvements, early termination rights or below- market renewal options to attract new tenants or retain existing tenants. Our rental rate growth **assumptions and forecasting** may be wrong. If the rental rates for our properties decrease, or if our existing tenants do not renew their leases or we do not re- lease a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock could be adversely affected. In order to attract and retain tenants, we may be required to make rent or other concessions to tenants, accommodate requests for renovations, build- to- suit remodeling and other improvements or provide additional services to our tenants. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or if capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non- renewals by tenants upon expiration of their leases and / or an inability to attract new tenants **. We face significant competition in the leasing market, which may decrease or hinder opportunities to increase the occupancy and rental rates of our properties** . We compete with numerous developers, owners and operators of real estate, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial tenant concessions or tenant rights (including rent abatements, tenant improvements, early termination rights or below- market renewal options) in order to retain tenants or attract new tenants. Furthermore, as a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the Southern California real estate market, a general economic downturn and a decline in the desirability of our properties compared to other properties in our submarkets, we may be unable to realize the budgeted rents for properties in our portfolio. If we are unable to obtain rental rates comparable to our asking rents for properties in our portfolio, our ability to generate cash flow growth will be negatively impacted. Significant rent reductions could result in a write- down of one or more of our consolidated properties and / or adversely affect the market price of our common stock, our financial condition and our results of operations, including our ability to satisfy our debt service obligations and to pay dividends to our stockholders. A substantial majority of the leases at our properties are with tenants who have non- investment grade credit ratings **, which may result in our leasing to tenants that are more likely to default in their obligations than a tenant with an investment grade credit rating. A substantial majority of the leases at our properties are with tenants who have non- investment grade credit ratings** . The ability of a non- investment grade tenant to meet its obligations ~~to us~~ cannot be considered as **strong** ~~well assured~~ as that of an investment grade tenant. All of our tenants may face exposure to adverse business or economic conditions which could lead to an inability to meet their obligations ~~to us~~ . However, non- investment grade tenants may not have the financial capacity or liquidity to adapt to these conditions or may have less diversified businesses, which may exacerbate the effects of adverse conditions on their businesses. Moreover, the fact that a substantial majority of our tenants are not investment grade may cause investors or lenders to view our cash flows as less stable, which may increase our cost of capital, limit our financing options or adversely affect the trading price of our common stock. Historically, some of our tenants have filed for bankruptcy protection or become insolvent. This may **continue to** occur with tenants in the future, and we are ~~particularly~~ at **an elevated** risk because of the **non- investment grade** credit rating of much of our tenant base. The bankruptcy or insolvency of a major tenant also may adversely affect the income produced by our properties. We may acquire properties or portfolios of properties through tax- deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets. We may continue to acquire properties or portfolios of properties through tax- deferred contribution transactions in exchange for partnership interests in our Operating Partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we are able to deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and / or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions limit our ability to sell an asset at a time, or on terms, that would **otherwise** be favorable absent such restrictions. Our real estate development, redevelopment and repositioning activities are subject to risks. We ~~may~~ **are actively** ~~engage~~ **engaged** in **the** development, redevelopment and repositioning activities with respect to certain of our properties. **For such projects** ~~To the extent that we do so~~ , we will be subject to the following risks associated with such development, redevelopment and repositioning activities: • construction, redevelopment and repositioning may be unsuccessful and / or costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; • time required to complete the construction, redevelopment or repositioning of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity; • non- industrial properties targeted for development, redevelopment or repositioning may be more difficult to manage compared to our industrial properties where we have the most property management expertise; • contractor and subcontractor disputes, strikes, labor disputes or supply disruptions, which may cause delays or increase costs; • failure to achieve expected occupancy and / or rent levels within the projected time frame, if at all; • delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; • statewide and local changes in zoning and land use laws and state attorney general actions that result in moratoriums on industrial and warehouse development or materially restrict the size and uses of industrial and warehouse projects; • occupancy rates and rents of a completed project may not be sufficient to make the project profitable; • our ability to dispose of properties developed, redeveloped or repositioned with the intent to sell could be impacted by the ~~ability~~ **inability** of prospective buyers to obtain financing given the current state of the credit markets; and • the availability and pricing of financing to fund our development activities on favorable terms or at all. Potential losses, including from adverse weather conditions and natural disasters, such as earthquakes, may not be covered by insurance, and we may be unable to rebuild our existing properties in the event of a substantial or comprehensive loss of such properties. We carry commercial property, liability, environmental, earthquake and terrorism coverage on all the properties in our consolidated portfolio under a blanket insurance policy, in addition to other coverages that we believe are appropriate for certain of our properties given the relative risk of loss, the cost of the coverage and industry practice. Some of our policies are insured subject to limitations involving significant deductibles or co- payments and policy limits that may not be sufficient to cover losses. In particular, all of the properties in our portfolio are located in Southern California, an area that is particularly prone to seismic activity. A severe earthquake in the Southern California region could result in uninsured damage to a subset or even a substantial portion of our portfolio and could significantly impact our cash flow. While we carry insurance for losses resulting from earthquakes, such policies are subject to material deductibles **, insurance payouts could be delayed, contested or insurers could be unable to pay claims due to their financial instability** . Additionally, natural disasters, including earthquakes, may cause future earthquake insurance costs to increase significantly, which may impact the operating costs and net cash flow of our properties. In addition, we may discontinue terrorism or other insurance **,** or increase deductibles on some or all of our properties in the future **,** if the cost of premiums for any such policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. Currently, we do not carry insurance for certain types of extraordinary losses, such as loss from riots, war and wildfires, because we believe such coverage is only available at a disproportionately high cost. As a result, we may incur significant costs in the event of loss from wildfires, riots, war and other uninsured losses. If we do obtain insurance for any of those risks in the future, such insurance cost may impact the operating costs and net cash flow of our properties. If we or one or more of our tenants experiences a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future as the costs associated with property and casualty renewals may be higher than anticipated. In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications. Further, reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements. Environmental, insurance and legal restrictions could also restrict the rebuilding of our properties. Joint venture investments could be adversely affected by our lack of sole decision- making authority, our reliance on co- venturers' financial condition and disputes between us and our co- venturers. We have co- invested in the past, and may co- invest again in the future, with third parties through partnerships, joint ventures or other entities, acquiring non- controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, we would not be in a position to exercise sole decision- making authority regarding the property, partnership, joint venture or other entity, involving risks not present were a third party not involved, including the possibility that partners or co- venturers might become bankrupt or fail to fund their share of required capital contributions, disputes and litigation. Partners or co- venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co- venturer would have full control over the partnership or joint venture. In addition, prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interests in the joint venture, which would restrict our ability to dispose of our interest in the joint venture. In addition, we may in certain circumstances be liable for the actions of our third- party partners or co- venturers. Our joint ventures may be subject to debt and, in volatile credit markets, the refinancing of such debt may require equity capital calls. 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 **that threaten the confidentiality, integrity and availability of our systems and information** associated with **IT** security breaches, whether through cyber- attacks or cyber intrusions over the Internet, malware, computer viruses, **software vulnerabilities,** attachments to e - mails, persons inside our organization or persons with access to systems inside our organization, 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~~ **many** of our tenants. A security breach or other significant disruption involving our IT networks and related systems could: • Disrupt the proper functioning of our networks and systems; • Result in misstated financial reports, violations of loan covenants and / or missed reporting deadlines; • Result in our inability to properly **comply with or** monitor our compliance with the rules and regulations regarding our qualification as a REIT; • Result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; • Require significant management attention and resources to remedy any damages that result; • Subject us to claims for breach of contract or failure to safeguard personal information, damages, credits, penalties or termination of leases or other agreements; • Damage our reputation among our tenants, prospective sellers, brokers and investors generally; and • Subject us to legal liability, including liability under the California Consumer Privacy ~~Protection~~ Act of 2018 **and other state and federal laws** . To help us better identify, manage, and mitigate these IT risks, we **use** ~~have adopted and implemented~~ the National Institute of Standards and Technology (NIST) cybersecurity framework **as a guide for our cybersecurity risk management program** . Additionally, our Technology department requires each employee upon hire **,** and at least annually thereafter **,** to successfully complete **various** ~~an online~~ security awareness training ~~course~~ **courses** . Further, all employees are required to complete bi- monthly micro training modules. Our Technology department conducts periodic simulated social engineering exercises that may include, but are not limited to, **simulated** phishing (e- mail), vishing (voice), smishing (SMS), USB testing, and physical assessments. These tests are conducted at random throughout the year with no set schedule or frequency. Additionally, we may conduct targeted exercises against specific departments or individuals based on a risk determination. From time to time our employees may be required to complete additional cyber awareness training courses or receive personalized training from our Technology department staff based on outcomes of random testing or as part of a risk- based assessment. ~~On~~ **Lastly,on** a quarterly basis we conduct third- party internal and external vulnerability assessments from our cybersecurity firm leveraging the Common Vulnerability Scoring System (CVSS),and on **an** ~~a bi-~~ annual basis we conduct third party **physical** ~~social engineering~~ and cyber penetration testing with an information security company that specializes in conducting such tests.We currently maintain insurance policies to insure against breaches of network security,privacy liability,media liability,data incident response expenses,cyber related business interruption,and cyber extortion,although there is no guaranty that the insurance limits and coverage will be sufficient to cover any loss **.** To further address IT security, the Audit Committee and the current chairperson of the Company' s nominating and corporate governance committee of the board of directors ~~, an independent director with information security experience~~ , provides board level oversight of information security and receives quarterly information security reports from our Technology department, while the full board of directors typically receives information security updates annually from senior leadership **(in addition to ongoing updates on as- needed basis).**

Management has overall responsibility for implementing the Company' s cybersecurity risk management program and works closely with our Technology Department in this regard to stayed informed about and monitor the prevention, detection, mitigation and remediation of cybersecurity incidents . Over the prior three years **,** the Company has not been subject to any material information security breaches to our knowledge, has not incurred any material financial harm from information security breaches, nor has the Company been subject to any material information security breaches or expenses to our knowledge since our initial formation. Lastly, on a quarterly basis we...... be sufficient to cover any loss. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, including the engagement of independent third party consultants to analyze and remediate any vulnerabilities, implementation of software and systems intended to monitor systems and devices on our network to reduce the risk of IT security breaches and improve our ability to detect a breach, the engagement of a cyber forensics company who can assist our investigation in the event of a breach, and ongoing cyber security education and training for employees throughout the year, there can be no assurance that our security efforts and measures will **always** be effective or that attempted security breaches or disruptions would ~~not~~ **always** be ~~successful~~ **thwarted** or ~~damaging~~ **mitigated. We regularly experience attempted cyberattacks and other incidents, and we expect such attacks and incidents to continue in varying degrees** . Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and may not be recognized until after being launched against a target, and in some cases, are designed to not be detected and, in fact, may not be detected **, for example, through the use of artificial intelligence. Because we make extensive use of third party suppliers and service providers, such as cloud services that support our operations, successful cyberattacks that disrupt or result in unauthorized access to third party IT Systems can materially impact our operations and financial results** . Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk **. Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults, or non- performance by financial institutions, could adversely affect our business, financial condition or results of operations. The funds in our accounts are held in banks or other financial institutions, and our deposits at these institutions would exceed any applicable Federal Deposit Insurance Corporation (" FDIC ") insurance limits. Should events, including limited liquidity, defaults, non- performance or other adverse developments occur with respect to the banks or other financial institutions that hold our funds, or that affect financial institutions or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, our liquidity may be adversely affected. For example, on March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. Although we did not have any funds in Silicon Valley Bank or other institutions that have been closed, we cannot guarantee that the banks or other financial institutions that hold our funds will not experience similar issues. In addition, if any of our tenants or other parties with whom we conduct business are unable to access funds pursuant to instruments or lending arrangements with a financial institution, such parties' ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to us could be adversely affected. In addition, investor concerns regarding the U. S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on terms favorable to us in connection with a potential business combination, or at all, and could have material adverse impacts on our liquidity, our business, financial condition or results of operations. In addition, any further deterioration in the macroeconomic economy or financial services industry could lead to losses or defaults by our tenants, which in turn, could have a material adverse effect on our current and / or projected business operations and results of operations and financial condition. For example, a tenant may fail to make payments when due, default under their agreements with us, or become insolvent or declare bankruptcy. In addition, a tenant could be adversely affected by any of the liquidity or other risks that are described above as factors that could result in material adverse impacts on us, including but not limited to delayed access or loss of access to uninsured deposits or loss of the ability to draw on existing credit facilities involving a troubled or failed financial institution. Any tenant bankruptcy or insolvency, or the failure of any tenant to make payments when due, could result in material losses to us and may have a material adverse impact on our business** . In order to qualify and maintain our qualification as a REIT, we are required under the Code, among other things, to distribute annually at least 90 % of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to federal and state corporate income tax to the extent that we distribute less than 100 % of our REIT taxable income, determined without regard to the dividends paid deduction, including any net capital gains. Because of these distribution requirements, we are highly dependent on third- party sources to fund capital needs, including any necessary acquisition financing. We may not be able to obtain such financing on favorable terms or at all and any additional debt we incur will increase our leverage and likelihood of default. Our access to third- party sources of capital depends, in part, on: • general market conditions; • the market' s perception of our growth potential; • our current debt levels; • our current and expected future earnings; • our cash flow and cash distributions; and • the trading price of our common stock. In prior years, the capital markets have been subject to periodic disruptions. Our inability to obtain capital when needed could have a material adverse effect on our ability to expand our business, implement our growth plan and fund other cash requirements. If we cannot obtain capital from third- party sources on favorable terms or at all when desired, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT. To the extent that capital is not available to acquire properties, **we may not be able to execute on our acquisition plan,** profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than some of our competitors and result in us not meeting our projected earnings and distributable cash flow levels in a particular reporting period. Failure to meet our projected earnings and distributable cash flow levels in a particular reporting period could have an adverse effect on our financial condition and on the market price of our stock. Some of our financing arrangements involve balloon payment obligations, which may adversely affect our financial condition and our ability to make distributions. Some of our financing arrangements require us to make a lump- sum or " balloon " payment at maturity. See " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources. " Our ability to satisfy a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to satisfy the balloon payment. Such a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following: • our cash flow may be insufficient to meet our required principal and interest payments; • we may be unable to borrow additional funds as needed or on favorable terms; • we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness; • we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject; • we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations and, in some cases commence foreclosure proceedings on one or more of our properties; and • our default under any loan with cross default provisions could result in a default on other indebtedness. Any loan defaults or property foreclosures may impact our ability to access capital in the future on favorable terms or at all, as well as our relationships with and / or perception among lenders, investors, tenants, brokers, analysts, vendors, employees and other parties. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. See " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Factors That May Influence Future Results of Operations. " Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders, and ultimately our loss of **our interest in** the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. Subject to the rules related to maintaining our qualification as a REIT, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. As of December 31, ~~2022~~ **2023** , we have interest rate swaps with a combined notional value of $ ~~300~~ **760** . 0 million in place for the purpose of mitigating our exposure to fluctuations in short- term interest rates. For additional details related to our interest rate swap activity, see Note ~~7~~ **8** to our consolidated financial statements included in Item 15 of this Report on Form 10- K. Our future hedging transactions may include entering into additional interest rate cap agreements or interest rate swap agreements. These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court or regulatory agency could find that such an agreement is not legally enforceable or fails to satisfy other legal requirements. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Hedging could reduce the overall returns on our investments. In addition, while such agreements would be intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, we could incur significant costs associated with the settlement of the agreements or that the underlying transactions could fail to qualify as highly effective cash flow hedges under Financial Accounting Standards Board, or FASB, Accounting Standards Codification (" ASC "), Topic 815 ~~,~~ **:** Derivatives and Hedging. Further, our derivatives counterparties may be subject to new capital, margin and business conduct requirements imposed as a result of the legislation, which may increase our transaction costs or make it more difficult for us to enter into additional hedging transactions on favorable terms. Our inability to enter into future hedging transactions on favorable terms, or at all, could increase our operating expenses and put us at increased exposure to interest rate risks. Our unsecured credit facility, unsecured notes and certain of our other secured loans contain, and any other future indebtedness we incur may contain, certain covenants, which, among other things, restrict our activities, including, as applicable, our ability to sell the underlying property without the consent of the holder of such indebtedness, to repay or defease such indebtedness, to incur additional indebtedness, to make certain investments or capital expenditures or to engage in mergers or consolidations that result in a change in control of our company. We are also subject to financial and operating covenants including, as applicable, requirements to maintain certain financial coverage ratios and restrictions on our ability to make distributions to stockholders. Failure to comply with any of these covenants would likely result in a default under the applicable indebtedness that would permit the acceleration of amounts due thereunder and under other indebtedness and foreclosure of properties, if any, serving as collateral therefor. The business activity limitations contained in the various covenants will restrict our ability to engage in some business activities that may otherwise be in our best interests. In addition, our unsecured credit facility, unsecured notes and secured term loan contain specific cross- default provisions with respect to specified other indebtedness, giving the lenders the right to declare a default if we are in default under other loans in some circumstances. We have allocated a portion **,** and may allocate the remaining net proceeds from the offering of our $ 400, 000, 000 aggregate principal amount of 2. 150 % Senior Notes due 2031 in ways investors may not agree and in ways that may not earn a profit. The remaining net proceeds from the offering of $ 400. 0 million of 2. 150 % Senior Notes due 2031 (the " $ 400 Million Notes due 2031 ") are expected to be **allocated** to one or more Eligible Green Projects (as defined below), which may include the repositioning or redevelopment of such projects. The net proceeds were initially used to repay our $ 225. 0 million unsecured term loan facility due 2023, to fund the redemption of all shares of our Series A Preferred Stock, and **various** acquisition activities. We have since allocated a portion and intend to allocate the remaining net proceeds from the offering to Eligible Green Projects. There can be no assurance that the Eligible Green Projects to which we allocate the net proceeds from the $ 400 Million Notes due 2031 will meet investor criteria and expectations regarding environmental impact and sustainability performance. In particular, no assurance is given that any such Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements in regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by their own bylaws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of the Eligible Green Projects). Adverse environmental or social impacts may occur during the design, construction and operation of the projects or the projects may become controversial or criticized by activist groups or other stakeholders. " Eligible Green Projects " are defined as: • Green Buildings. Expenditures related to real estate projects that have received or are expected to receive third-party sustainable certifications or verification, such as Energy Star 75 , LEED Certified or higher, Net Zero certifications, or equivalent certification. Expenditures may include design, development, construction, materials, equipment and certification costs. • Energy Efficiency. Expenditures related to design, construction, operation and maintenance of energy efficiency of buildings, building subsystems or land, which improve energy efficiency by at least 30 %, including efficient LED lighting, HVAC, cool roofing, water conservation systems and energy management systems. • Renewable Energy. Expenditures related to investments in renewable energy, including on- site or off- site renewable energy investments such as wind, solar and battery storage systems. **Risks Related to Investments in Real Estate and Real Estate- Related Debt** Our ability to pay expected dividends to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include many of the risks set forth above under " — Risks Related to Our Business and Operations, " as well as the following: • local oversupply in connection with increased vacancies or reduction in demand for industrial space; • adverse changes in financial conditions of buyers, sellers and tenants of properties; • vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options, and the need to periodically repair, renovate and re- lease space; • increased operating costs, including insurance premiums, utilities, real estate taxes and state and local taxes; • civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes, floods and wildfires, which may result in uninsured or underinsured losses; • decreases in the market value of our properties; • changing submarket demographics; and • changing traffic patterns. In addition, periods of economic downturn or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases. Illiquidity of real estate investments could significantly impede our ability to sell a property if and when we decide to do so or to respond to adverse changes in the performance of our properties and **resulting in** harm **to** our financial condition. The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure you that we will be able to sell any properties identified for sale at favorable pricing and may not receive net income from the transaction. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties within a specific time period is subject to certain limitations imposed by our Tax Matters Agreements (as defined below), as well as weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. In addition, the Code imposes restrictions on a REIT' s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business (by imposing a 100 % prohibited transaction tax on REITs on profits derived from sales of properties held primarily for sale in the ordinary course of business), which may cause us to forgo or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms. Declining real estate valuations and impairment charges could materially adversely affect us. We review the carrying value of our properties when circumstances, such as adverse market conditions, indicate a potential impairment may exist. We base our review on an estimate of the future cash flows (excluding interest charges) expected to result from the property' s use and eventual disposition on an undiscounted basis. 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 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. Impairment losses have a direct impact on our operating results, because recording an impairment loss results in a negative adjustment to our publicly reported operating results. 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. Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market. In the past we have acquired properties located in markets that are new to us. For example, our predecessor business acquired properties in Arizona and Illinois as part of an acquisition of a portfolio of properties that included properties located in our target markets. When we acquire properties located in new markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. In the past when we have acquired properties outside of our focus market, we have subsequently divested those properties, and at this time we expect to continue this practice. We may choose not to distribute the proceeds of any sales of real estate to our stockholders, which may reduce the amount of our cash distributions to stockholders. We may choose not to distribute any proceeds from the sale of real estate investments to our stockholders. Instead, we may elect to use such proceeds to: • acquire additional real estate investments; • repay debt; • create working capital reserves; or • make repairs, maintenance, tenant improvements or other capital improvements or expenditures on our other properties. Any decision to retain or invest the proceeds of any sales, rather than distribute such proceeds to our stockholders, may reduce the amount of cash distributions to equity holders. If any of our insurance carriers becomes insolvent, we could be adversely affected. We carry several different lines of insurance, placed with several large insurance carriers that we believe have good ratings at the time our policies are put into effect. 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. Our property taxes could increase due to property tax rate changes or reassessment, which could adversely 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. All our properties located in California may be reassessed as a result of various factors including, without limitation, changes in California laws that contain certain limitations on annual increases of assessed value of real property. In recent years, there have been calls for a so called " split roll " under which commercial and industrial property owners would no longer receive the benefits of California Proposition 13 caps to property tax increases. During the November 2020 election, there was a California ballot initiative to create such a " split roll " and remove the property tax increase caps for commercial and industrial real estate. This ballot initiative failed by a margin of less than four percent. However, there is a risk **that** future ballot initiatives will succeed. If the property taxes we pay increase, our cash flow would be adversely impacted to the extent that we are not reimbursed by tenants for those taxes. We face certain risks in connection with Section 1031 Exchanges. ~~We often~~ **From time to time we** dispose of properties in transactions that are intended to qualify for federal income tax deferral as a " like- kind exchange " under Section 1031 of the Code (a " 1031 Exchange "). It is possible that a transaction intended to qualify as a 1031 Exchange could later be determined to have been taxable or that we may be unable to identify and complete the acquisition of a suitable replacement property to complete a 1031 Exchange. If this occurs, we could face adverse tax consequences. Additionally, it is possible that legislation could be enacted that could modify or repeal the laws with respect to 1031 Exchanges, which could impact our ability to dispose of properties on a tax deferred basis. We could incur significant costs related to government regulation and litigation over environmental matters. Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating to or from such property, including costs to investigate, clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could exceed the value of the property and in some cases our aggregate net asset value. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third- party liability for costs of remediation and / or personal, property, or natural resources damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. We obtain Phase I, or Phase II as appropriate and permitted by the seller, or similar environmental site assessments conducted by independent environmental consultants on most of our properties at the time of their acquisition or in connection with subsequent financings, however, these assessments are limited in scope and are not updated in the ordinary course of business absent a specific need and therefore, may not reveal all environmental conditions affecting a property. This may expose us to liability related to unknown or unanticipated environmental matters. Unless required by applicable laws or regulations, we may not further investigate, remedy or ameliorate the liabilities disclosed in the existing Phase I' s or similar environmental site assessments, and this failure may expose us to liability in the future. While we maintain portfolio environmental and some site- specific insurance policies, they may be insufficient to cover any such environmental costs and liabilities. Some of our properties have been or may be impacted by contamination arising from current or prior **known or unknown** uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such material known or suspected to exist at a number of our properties which may result in further investigation, remediation, or deed restrictions. Further, certain of our properties are adjacent to or near other properties that have contained or currently contain petroleum or other hazardous substances, or at which others have engaged or may engage in activities that may release such hazardous substances. Adjacent property uses are identified in standard ASTM procedures in Phase I environmental studies, and if warranted based on adjacent property concerns a Phase II environmental study may be obtained. In addition to a blanket environmental insurance policy, as needed, we may obtain **a standalone** environmental insurance ~~policies on~~ **policy for certain properties with** commercially reasonable terms that provide coverage for potential environmental liabilities, subject to the policy' s coverage conditions and limitations. However, these policies are subject to certain limits, deductibles and exclusions, and insurance may not fully compensate us for any environmental liability. From time to time, we may acquire 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. We usually perform a Phase I environmental site assessment at any property we are considering acquiring. Phase I environmental site assessments are limited in scope and do not involve sampling of soil, soil vapor, or groundwater, and these assessments may not include or identify all potential environmental liabilities or risks associated with the property. Even where subsurface investigation is performed, it can be very difficult to ascertain the full extent of environmental contamination or the costs that are likely to flow from such contamination. We cannot assure you that the Phase I environmental site assessment or other environmental studies identified all potential environmental liabilities, or that we will not face significant remediation costs or other environmental contamination that makes it difficult to sell any affected properties. Also, we have not always implemented actions recommended by these assessments, and recommended investigation and remediation of known or suspected contamination has not always been performed. Contamination may exist at many of our properties, and governmental regulators or third parties could seek to force us to contribute to investigation or remediation ~~or~~ **of** known or suspected contamination. As a result, we could potentially incur material liability for these issues. Environmental laws also govern the presence, maintenance and removal of asbestos- containing building materials, or ACBM, and may impose fines and penalties for failure to comply with these requirements. Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos, adequately notify or train those who may come into contact with asbestos, and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. In addition, the presence of ACBM in our properties may expose us to third- party liability (e. g., liability for personal injury associated with exposure to asbestos). In addition, the properties in our portfolio also are subject to various federal, state and local environmental, health and safety requirements, such as state and local fire requirements. Moreover, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental, health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant' s ability to make rental payments to us. In addition, changes in laws could increase the potential liability for noncompliance **, including evolving regulatory evaluation and scrutiny of per- and polyfluoroalkyl substance known as PFAS** . This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us. Further, these environmental, health and safety laws could become more stringent in the future, and this could subject us or our tenants to new or greater liability. We cannot assure you that remedial measures and other costs or liabilities incurred as a result of environmental issues will be immaterial to our overall financial position. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties. Our properties may **contain lead based paint,** contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold **, lead based paint or other lead containing materials** or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury is alleged to have occurred. We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties. Our properties are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances and zoning restrictions, may restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations to any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief. In addition, federal and state laws and regulations, including laws such as the Americans with Disabilities Act and parallel California Statutes, or ADA, and the Fair Housing Amendment Act of 1988, or FHAA, impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non- compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance, including the removal of access barriers, and we might incur governmental fines or the award of damages to private litigants. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures. Furthermore, while leases with our tenants generally include provisions to obligate the tenants to comply with all laws and operate within a defined use, there is no guaranty that the tenants will comply with the terms of their leases. We may incur costs to bring a property into legal compliance even though the tenant may have been contractually required to comply and pay for the cost of compliance. Our tenants may disregard the use restrictions contained in the leases and conduct operations not contemplated by the lease, such as prohibited uses related to cannabis or highly hazardous uses, for example, despite our efforts to prohibit certain uses. Under California energy efficiency standards, enacted and periodically amended, including, without limitation, Title 24 or The Energy Efficiency Standards for Residential and Nonresidential Buildings, building owners may incur increased costs to renovate properties in order to meet changing energy efficiency standards and make energy usage disclosures. If we are required to make unanticipated expenditures or substantial modifications to our properties, our financial condition, cash flows, results of operations, the market price of our shares of common stock and preferred stock and our ability to make distributions to our stockholders could be adversely affected. We may incur additional costs collecting and reporting energy usage data from our tenants and properties in order to comply with such energy efficiency standards **. The commercial loan that we originated is subject to the risk of delinquency and foreclosure, which could result in a significant loss to us and a material adverse effect on our results of operations. Our commercial mortgage loan, which is secured by an industrial development site, is subject to risks of delinquency and foreclosure. A number of factors impact a borrower' s ability to repay the loan including, among other things, the operating income of the borrower, the availability of credit to refinance the loan, and changes in real estate values. In the event of any default and foreclosure, we bear a risk of loss if the value of the collateral is less than the outstanding loan balance and unpaid interest, as well as the cost to enforce our rights under such loan. This could result in a significantly lower return on investment and a material adverse effect on our cash flows and results of operations. Foreclosure of a secured commercial loan can be an expensive and lengthy process. In addition, in the event of foreclosure and subsequent ownership of the property, we could become subject to liabilities associated with such property, including liabilities related to taxes and environmental matters. An allowance for credit losses is required to be established through a provision for loan losses charged to expense, that represents our best estimate of expected losses on the commercial loan. The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks, forecast economic conditions and future trends, all of which may undergo material changes in the future. Changes in economic conditions affecting the borrower, new information regarding the existing loan and other factors, both within and outside our control, may require an increase in the allowance for credit losses. The potential increase in the allowance for credit losses would result in a decrease in net income and may have a material adverse effect on our financial condition and results of operations** . Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we, as the general partner of our Operating Partnership, have fiduciary duties and obligations to our Operating Partnership and its limited partners under Maryland law and the partnership agreement of our Operating Partnership in connection with the management of our Operating Partnership. Our fiduciary duties and obligations as the general partner of our Operating Partnership may come into conflict with the duties of our directors and officers to our company. Under Maryland law, a general partner of a Maryland limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the partnership agreement or Maryland law consistent with the obligation of good faith and fair dealing. The partnership agreement provides that, in the event of a conflict between the interests of our Operating Partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our Operating Partnership, may give priority to the separate interests of our company or our stockholders (including with respect to tax consequences to limited partners, assignees or our stockholders), and, in the event of such a conflict, any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contract rights of the limited partners of our Operating Partnership under its partnership agreement does not violate the duty of loyalty or any other duty that we, in our capacity as the general partner of our Operating Partnership, owe to our Operating Partnership and its partners or violate the obligation of good faith and fair dealing. Additionally, the partnership agreement provides that we generally will not be liable to our Operating Partnership or any partner for any action or omission taken in our capacity as general partner, for the debts or liabilities of our Operating Partnership or for the obligations of the Operating Partnership under the partnership agreement, except for liability for our fraud, willful misconduct or gross negligence, pursuant to any express indemnity we may give to our Operating Partnership or in connection with a redemption. Our Operating Partnership must indemnify us, our directors and officers, officers of our Operating Partnership and our designees from and against any and all claims that relate to the operations of our Operating Partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the person actually received an improper personal benefit in violation or breach of the partnership agreement or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our Operating Partnership must also pay or reimburse the reasonable expenses of any such person in advance of a final disposition of the proceeding upon its receipt of a written affirmation of the person' s good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our Operating Partnership is not required to indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person' s right to indemnification under the partnership agreement) or if the person is found to be liable to our Operating Partnership on any portion of any claim in the action. No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our Operating Partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability to our Operating Partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties and obligations that would be in effect were it not for the partnership agreement. Some of our directors and executive officers have outside business interests, including interests in real estate- related businesses, and, therefore, may have conflicts of interest with us. Certain of our executive officers and directors have outside business interests, including interests in real estate- related businesses, and may own equity securities of public and private real estate companies. Our executive officers' and directors' interests in these entities could create a conflict of interest, especially when making determinations regarding our renewal of leases with tenants subject to these leases. Our executive officers' involvement in other businesses and real estate- related activities could divert their attention from our day- to- day operations, and state law may limit our ability to enforce any non- compete agreements. We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval. Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us 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 into one or more classes or series of stock and set the terms of such newly classified or reclassified shares. As a result, we may issue classes or series of common stock or preferred stock with preferences, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Although our board of directors has no such intention at the present time, it could establish a class or 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 that our stockholders otherwise believe to be in their best interest. Certain provisions of the Maryland General Corporation Law (" MGCL "), may have the effect of inhibiting 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 certain exceptions, 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 was the beneficial owner, directly or indirectly, of 10 % or more of the voting power of our then outstanding voting stock at any time within the two- year period immediately prior to the date in question) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose fair price or supermajority stockholder voting requirements on these combinations; and • " Control share " provisions that provide that holders of " control shares " of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise voting power in the election of directors within one of three increasing ranges) acquired in a " control share acquisition " (defined as the direct or indirect acquisition of ownership or control of the voting power of issued and outstanding " control shares, " subject to certain exceptions) have no voting rights with respect to their control shares, 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. As permitted by the MGCL, our bylaws provide that we will not be subject to the control share provisions of the MGCL and our board of directors has, by resolution, exempted us from the business combination between us and any other person. However, we cannot assure you that our board of directors will not revise the bylaws or such resolution in order to be subject to such business combination and control share provisions in the future. Notwithstanding the foregoing, an alteration or repeal of the board resolution exempting such business combinations will not have any effect on any business combinations that have been consummated or upon any agreements existing at the time of such modification or repeal. Certain provisions of the MGCL permit the board of directors of a Maryland corporation with at least three independent directors and a class of stock registered under the Exchange Act without stockholder approval and regardless of what is currently provided in its charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. These provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for our company or of delaying, deferring or preventing a change in control under circumstances that otherwise could provide the holders of shares of our stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby it elects to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on the board of directors. Certain provisions in the partnership agreement of our Operating Partnership may delay or prevent unsolicited acquisition of us. Provisions of the partnership agreement of our Operating Partnership may delay or make more difficult unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders or limited partners might consider such proposals, if made, desirable. These provisions include, among others: • redemption rights of qualifying parties; • a requirement that we may not be removed as the general partner of our Operating Partnership without our consent; • transfer restrictions on common units; • our ability, as general partner, in some cases, to amend the partnership agreement and to cause our Operating Partnership to issue additional partnership interests with terms that could delay, defer or prevent a merger or other change of control of us or our Operating Partnership without the consent of our stockholders or the limited partners; and • the right of the limited partners to consent to certain transfers of our general partnership interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise). Our charter and bylaws, the partnership agreement of our Operating Partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest. Tax Matters Agreements limit our ability to sell or otherwise dispose of certain properties, even though a sale or disposition may otherwise be in our stockholders' best interest. In connection with certain tax- deferred property contribution transactions in exchange for partnership interests in our Operating Partnership and also in connection with our formation transactions, we entered into tax matters agreements (the " Tax Matters Agreements ") with certain limited partners of our Operating Partnership, ~~including Messrs. Ziman, Schwimmer and Frankel in connection with the IPO,~~ that provide that if we dispose of any interest with respect to certain properties in our portfolio in a taxable transaction during a certain period after the applicable transaction, our Operating Partnership will indemnify such limited partners for their tax liabilities attributable to their share of the built- in gain that existed with respect to such property interest as of the time of the applicable transaction and tax liabilities incurred as a result of the indemnification payment. These Tax Matters Agreements generally provide that, subject to certain exceptions and limitations, the indemnification rights under the agreement will terminate for any such protected partner that sells, exchanges or otherwise disposes of more than 50 % of his or her common units or other applicable units. We have no present intention to sell or otherwise dispose of these properties or interest therein in taxable transactions during the restriction period. If we were to trigger the tax protection provisions under any such agreement, our Operating Partnership would be required to pay damages in the amount of the taxes owed by these limited partners (plus, in some cases, additional damages in the amount of the taxes incurred as a result of such payment). As a result, although it may otherwise be in our stockholders' best interest that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations. Tax Matters Agreements may require our Operating Partnership to maintain certain debt levels that otherwise would not be required to operate our business. Certain Tax Matters Agreements provide that, during a certain period after the applicable transaction (in the case of the IPO, the period beginning from the date of the completion of our IPO (July 24, 2013) through the period ending on the twelfth anniversary of our IPO (July 24, 2025)), our Operating Partnership will offer certain limited partners the opportunity to guarantee its debt, and following such period, our Operating Partnership will use commercially reasonable efforts to provide such limited partners who continue to own at least 50 % of the common units or other applicable units they originally received in the applicable transactions with debt guarantee opportunities. Our Operating Partnership will be required to indemnify such limited partners for their tax liabilities resulting from our failure to make such opportunities available to them (plus, in some cases, an additional amount equal to the taxes incurred as a result of such indemnity payment). Among other things, this opportunity to guarantee debt is intended to allow the participating limited partners to defer the recognition of gain in connection with the applicable transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business. Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations. Our investment and financing policies are exclusively determined by our board of directors. Accordingly, our stockholders do not control these policies. Further, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Our rights and the rights of our stockholders to take action against our directors and officers are limited. As permitted by Maryland law, our charter eliminates 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 • active and deliberate dishonesty by the director or officer that was established by a final judgment and was material to the cause of action adjudicated. In addition, our charter authorizes us to obligate our company, and our bylaws require us, to indemnify our directors and officers for actions taken by them in those and certain other capacities to the maximum extent permitted by Maryland law in effect from time to time. Generally, Maryland law permits a Maryland corporation to indemnify its present and former directors and officers except in instances where the person seeking indemnification acted in bad faith or with active and deliberate dishonesty, actually received an improper personal benefit in money, property or services or, in the case of a criminal proceeding, had reasonable cause to believe that his or her actions were unlawful. Under Maryland law, a Maryland corporation also may not indemnify a director or officer in a suit by or on behalf of the corporation in which the director or officer was adjudged liable to the corporation or for a judgment of liability on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct; however, indemnification for an adverse judgment in a suit by us or on our behalf, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. 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, our stockholders' ability to recover damages from such director or officer will be limited. We are a holding company and conduct substantially all of our operations through our Operating Partnership. We do not have, apart from an interest in our Operating Partnership, any independent operations. As a result, we rely on distributions from our Operating Partnership to continue to pay any dividends we might declare on shares of our common stock. We also rely on distributions from our Operating Partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our Operating Partnership. In addition, because we are a holding company, stockholder claims will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our Operating Partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our Operating Partnership' s and its subsidiaries' liabilities and obligations have been paid in full. Our Operating Partnership may issue additional common units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our Operating Partnership and would have a dilutive effect on the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders. As of December 31, ~~2022~~ **2023** , we owned 96. ~~2~~ **5** % of the outstanding common units in our Operating Partnership and we may, in connection with future acquisitions of properties or otherwise, cause our Operating Partnership to issue additional common units to third parties. In addition, in connection with our issuances of preferred stock, our Operating Partnership has issued to us preferred units and may issue additional preferred units to us in the future. Furthermore, the Operating Partnership has issued and in the future may issue additional common units and / or preferred units to third parties in connection with acquisitions or otherwise. Existing preferred units have and any future preferred units may have preferences, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with the common units and are structurally senior to our common stock. Such issuances would reduce our ownership percentage in our Operating Partnership and affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders. We have elected to be taxed as a REIT for federal income tax purposes commencing with our initial taxable year ended December 31, 2013. We intend to continue to meet the requirements for taxation as a REIT. We have not requested and do not plan to request a ruling from the Internal Revenue Service (" IRS ") that we qualify as a REIT, and the statements in this Form 10- K are not binding on the IRS or any court. Therefore, we cannot guarantee that we will qualify as a REIT, or that we will remain qualified as such in the future. If we were to fail to qualify as a REIT in any taxable year, we will face serious tax consequences that would substantially reduce the funds available for distribution to you for each of the years involved because: • we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to regular federal corporate income tax; • we also could be subject to the federal alternative minimum tax for tax years prior to 2018 and possibly increased state and local taxes; and • unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified. Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to stockholders. In addition, if we fail to qualify as a REIT, we will not be required to make distributions to our stockholders. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital and could materially and adversely affect the value of our common stock. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code, or the Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, requirements regarding the composition of our assets and requirements regarding the sources of our gross income. Also, we must make distributions to stockholders aggregating annually at least 90 % of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments. We own and may acquire direct or indirect interests in one or more entities that have elected or will elect to be taxed as REITs under the Code (each, a " Subsidiary REIT "). A Subsidiary REIT is subject to the various REIT qualification requirements and other limitations described herein that are applicable to us. If a Subsidiary REIT were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to federal income tax, (ii) shares in such Subsidiary REIT would cease to be qualifying assets for purposes of the asset tests applicable to REITs, and (iii) it is possible that we would fail certain of the asset tests applicable to REITs, in which event we would fail to qualify as a REIT unless we could avail ourselves of certain relief provisions. Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100 % penalty tax, in the event we sell property in a prohibited transaction as described below. In addition, our taxable REIT subsidiary ~~will~~ **may** be subject to tax as a regular corporation in the jurisdictions it operates. If our Operating Partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences. We believe that our Operating Partnership will be treated as a partnership for federal income tax purposes. As a partnership, our Operating Partnership will not be subject to federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our Operating Partnership' s income. We cannot assure you, however, that the IRS will not challenge the status of our Operating Partnership or any other subsidiary partnership in which we own an interest as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our Operating Partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our Operating Partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us. Our taxable REIT subsidiaries will be subject to federal income tax, and we will be required to pay a 100 % penalty tax on certain income or deductions if our transactions with our taxable REIT subsidiaries are not conducted on arm' s length terms. We own an interest in one or more taxable REIT subsidiaries, and may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35 % of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non- customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to federal income tax as a regular C corporation. In addition, a 100 % excise tax will be imposed on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm' s length basis. Not more than 20 % of the value of our total assets may be represented by securities of taxable REIT subsidiaries. We anticipate that the aggregate value of the stock and other securities of any taxable REIT subsidiaries that we own will be less than 20 % of the value of our total assets, and we will monitor the value of these investments to ensure compliance with applicable asset test limitations. To maintain our REIT qualification, we may be forced to borrow funds during unfavorable market conditions. To qualify as a REIT, we generally must distribute to our stockholders at least 90 % of our REIT taxable income each year, determined without regard to the dividends paid deduction and excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100 % of our REIT taxable income (determined without regard to the deduction for dividends paid) each year. 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. Accordingly, we may not be able to retain sufficient cash flow from operations to meet our debt service requirements and repay our debt. Therefore, we may need to raise additional capital for these purposes, and we cannot assure you that a sufficient amount of capital will be available to us on favorable terms, or at all, when needed. Further, in order to maintain our REIT qualification and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non- deductible capital expenditures, the creation of reserves or required debt or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third- party sources of capital depends on a number of factors, including the market' s perception of our growth potential, our current debt levels, the per share trading price of our common stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and / or to dispose of assets at inopportune times. Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends. The maximum tax rate applicable to " qualified dividend income " payable to U. S. stockholders that are individuals, trusts and estates is 20 %. Dividends payable by REITs, however, generally are not eligible for these reduced rates. Under current law, however, U. S. stockholders that are individuals, trusts and estates generally may deduct up to 20 % of the ordinary dividends (e. g., dividends not designated as capital gain dividends or qualified dividend income) received from a REIT for taxable years beginning before January 1, 2026. Although this deduction reduces the effective tax rate applicable to certain dividends paid by REITs (generally to 29. 6 % assuming the shareholder is subject to the 37 % maximum rate), such tax rate is still higher than the tax rate applicable to corporate dividends that constitute qualified dividend income. Accordingly, investors who are individuals, trusts and estates may 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 shares of REITs. The tax imposed on REITs engaging in " prohibited transactions " may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes. A REIT' s net income from prohibited transactions is subject to a 100 % penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, such characterization is a factual determination (unless a sale or disposition qualifies under certain statutory safe harbors), and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors. Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments. To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100 % tax on any resulting gain if such sales constitute prohibited transactions. Legislative or other actions affecting REITs could have a negative effect on us. The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U. S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification, or the federal income tax consequences of an investment in us. Also, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in such other entities more attractive relative to an investment in a REIT.