Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

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

FOR THE TRANSITION PERIOD FROM ____________ TO ____________

COMMISSION FILE NUMBER: 000-55146

Inland Real Estate Income Trust, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**45-3079597**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2901 Butterfield Road, Oak Brook, Illinois	**60523**
(Address of principal executive offices)	**(Zip Code)**

630-218-8000
(Registrant's telephone number, including area code)

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

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

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

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

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

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

As of October 31, 2017, there were 88,720,643 shares of the registrant's common stock, $.001 par value, outstanding.

INLAND REAL ESTATE INCOME TRUST, INC.

TABLE OF CONTENTS

		Page
	Part I - Financial Information	
Item 1.	Financial Statements	
	Consolidated Balance Sheets as of September 30, 2017 (unaudited) and December 31, 2016	3
	Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2017 and 2016 (unaudited)	4
	Consolidated Statement of Equity for the nine months ended September 30, 2017 (unaudited)	5
	Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016 (unaudited)	6
	Notes to Consolidated Financial Statements (unaudited)	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4.	Controls and Procedures	34
	Part II - Other Information	
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 3.	Defaults Upon Senior Securities	37
Item 4.	Mine Safety Disclosures	37
Item 5.	Other Information	37
Item 6.	Exhibits	37
Signatures		39

INLAND REAL ESTATE INCOME TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited, dollar amounts in thousands, except per share amounts)

	September 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Assets:		
Investment properties:		
Land	$ 279,723	$ 262,210
Building and other improvements	1,016,190	971,021
Total	1,295,913	1,233,231
Less accumulated depreciation	(92,370)	(62,631)
Net investment properties	1,203,543	1,170,600
Cash and cash equivalents	10,874	10,861
Investment in unconsolidated entities	5,685	126
Accounts and rent receivable	12,934	11,671
Acquired lease intangible assets, net	145,680	150,108
Deferred costs, net	1,120	683
Other assets	11,068	13,511
Total assets	$ 1,390,904	$ 1,357,560
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages and credit facility payable, net	$ 681,164	$ 606,025
Accounts payable and accrued expenses	11,539	7,270
Distributions payable	4,395	4,488
Acquired intangible liabilities, net	63,690	63,474
Deferred investment property acquisition obligations	1,553	6,856
Due to related parties	3,214	2,663
Other liabilities	11,449	12,330
Total liabilities	777,004	703,106
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.001 par value, 40,000,000 shares authorized, none outstanding	—	—
Common stock, $.001 par value, 1,460,000,000 shares authorized, 88,919,975 and 88,155,707 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	89	88
Additional paid in capital (net of offering costs of $87,059 as of September 30, 2017 and December 31, 2016)	799,829	792,478
Accumulated distributions and net loss	(188,604)	(140,417)
Accumulated other comprehensive income	2,586	2,305
Total stockholders' equity	613,900	654,454
Total liabilities and stockholders' equity	$ 1,390,904	$ 1,357,560

See accompanying notes to consolidated financial statements.

INLAND REAL ESTATE INCOME TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited, dollar amounts in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Income:				
Rental income	$ 24,640	$ 23,831	$ 74,312	$ 69,937
Tenant recovery income	7,291	6,336	21,964	19,731
Other property income	179	736	352	909
Total income	32,110	30,903	96,628	90,577
Expenses:				
Property operating expenses	5,519	5,195	16,390	15,592
Real estate tax expense	4,386	3,576	12,384	10,893
General and administrative expenses	875	1,245	3,397	3,958
Acquisition related costs	62	(413)	1,262	421
Business management fee	2,311	2,190	6,871	6,421
Depreciation and amortization	15,492	14,442	46,391	45,158
Total expenses	28,645	26,235	86,695	82,443
Operating income	3,465	4,668	9,933	8,134
Interest expense	(6,361)	(5,547)	(18,316)	(16,189)
Interest and other income	20	18	72	360
Equity in earnings (losses) of unconsolidated entities	20	(100)	20	193
Net loss	$ (2,856)	$ (961)	$ (8,291)	$ (7,502)
Net loss per common share, basic and diluted	$ (0.03)	$ (0.01)	$ (0.09)	$ (0.09)
Weighted average number of common shares outstanding, basic and diluted	89,143,838	87,685,402	88,890,808	87,165,085
Comprehensive (loss) income:				
Net loss	$ (2,856)	$ (961)	$ (8,291)	$ (7,502)
Unrealized (loss) gain on derivatives	(268)	519	(1,721)	(10,384)
Reclassification adjustment for amounts included in net loss	507	1,077	2,002	3,039
Comprehensive (loss) income	$ (2,617)	$ 635	$ (8,010)	$ (14,847)

See accompanying notes to consolidated financial statements.

INLAND REAL ESTATE INCOME TRUST, INC.
CONSOLIDATED STATEMENT OF EQUITY
(Unaudited, dollar amounts in thousands)

	Number of Shares	Common Stock	Additional Paid in Capital	Accumulated Distributions and Net Loss	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2016	88,155,707	$ 88	$ 792,478	$ (140,417)	$ 2,305	$ 654,454
Distributions declared	—	—	—	(39,896)	—	(39,896)
Proceeds from distribution reinvestment plan	2,258,338	2	20,413	—	—	20,415
Shares repurchased	(1,495,179)	(1)	(13,084)	—	—	(13,085)
Unrealized loss on derivatives	—	—	—	—	(1,721)	(1,721)
Reclassification adjustment for amounts included in net loss	—	—	—	—	2,002	2,002
Equity based compensation	1,109	—	22	—	—	22
Net loss	—	—	—	(8,291)	—	(8,291)
Balance at September 30, 2017	88,919,975	$ 89	$ 799,829	$ (188,604)	$ 2,586	$ 613,900

See accompanying notes to consolidated financial statements.

INLAND REAL ESTATE INCOME TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, dollar amounts in thousands)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	$ (8,291)	$ (7,502)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	46,391	45,158
Amortization of debt issuance costs and mortgage premiums, net	267	303
Amortization of acquired market leases, net	(1,069)	(537)
Amortization of equity based compensation	22	8
Straight-line income, net	(1,276)	(1,703)
Equity in earnings of unconsolidated entities	(20)	(193)
Distributions from unconsolidated entity	146	—
Payment of leasing fees	(570)	(249)
Adjustment of contingent earnout liability	1,084	(1,643)
Other non-cash adjustments	(35)	(218)
Changes in assets and liabilities:		
Accounts payable and accrued expenses	4,041	2,276
Accounts and rent receivable	608	(193)
Due to related parties	446	(5,680)
Other liabilities	(222)	(609)
Other assets	1,277	1,010
Net cash flows provided by operating activities	42,799	30,228
Cash flows from investing activities:		
Purchase of investment properties	(69,953)	(79,034)
Capital expenditures	(4,042)	(7,696)
Investment in unconsolidated joint ventures	(5,602)	—
Other assets and restricted escrows	611	164
Net cash flows used in investing activities	(78,986)	(86,566)
Cash flows from financing activities:		
Payment of credit facility	(43,000)	(135,000)
Proceeds from credit facility	79,300	70,000
Proceeds from mortgages payable	39,180	147,957
Payment of mortgages payable	(164)	(58,470)
Proceeds from the distribution reinvestment plan	20,415	20,920
Shares repurchased	(12,683)	(6,689)
Payment of offering costs	—	(201)
Distributions paid	(39,989)	(39,235)
Payment of deferred investment property acquisition obligations	(6,415)	(8,838)
Payment of debt issuance costs	(444)	(1,647)
Net cash flows provided by (used in) financing activities	36,200	(11,203)
Net increase (decrease) in cash and cash equivalents	13	(67,541)
Cash and cash equivalents at beginning of the period	10,861	83,843
Cash and cash equivalents, at end of period	$ 10,874	$ 16,302

See accompanying notes to consolidated financial statements.

INLAND REAL ESTATE INCOME TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited, dollar amounts in thousands)

	Nine Months Ended September 30,	
	2017	2016
Supplemental disclosure of cash flow information:		
In conjunction with the purchase of investment property, the Company acquired assets and assumed liabilities as follows:		
Land	$ 17,513	$ 15,128
Building and improvements	41,793	53,849
Acquired in place lease intangibles	6,740	12,768
Acquired above market lease intangibles	8,645	1,080
Acquired below market lease intangibles	(4,590)	(3,432)
Assumed liabilities, net	(148)	(359)
Purchase of investment properties	$ 69,953	$ 79,034
Cash paid for interest	$ 18,075	$ 15,714
Supplemental schedule of non-cash investing and financing activities:		
Distributions payable	$ 4,395	$ 4,318

See accompanying notes to consolidated financial statements.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Readers of this Quarterly Report should refer to the audited consolidated financial statements of Inland Real Estate Income Trust, Inc. (which may be referred to herein as the "Company," "we," "us," or "our") for the year ended December 31, 2016, which are included in the Company's 2016 Annual Report, as certain footnote disclosures contained in such audited consolidated financial statements have been omitted from this Quarterly Report.

NOTE 1 – ORGANIZATION

The Company was formed on August 24, 2011 to acquire and manage a portfolio of commercial real estate investments located in the United States. The Company has primarily focused on acquiring retail properties. The Company has invested in joint ventures and may continue to invest in additional joint ventures or acquire other real estate assets such as office and medical office buildings, multi-family properties and industrial/distribution and warehouse facilities if its management believes the expected returns from those investments exceed that of retail properties. The Company also may invest in real estate-related equity securities of both publicly traded and private real estate companies, as well as commercial mortgage-backed securities.

The Company entered into a Business Management Agreement with IREIT Business Manager & Advisor, Inc. (the "Business Manager"), an indirect wholly owned subsidiary of Inland Real Estate Investment Corporation (the "Sponsor"), to be the Business Manager to the Company.

At September 30, 2017, the Company owned 59 retail properties, totaling 6,860,923 square feet. The properties are located in 24 states. At September 30, 2017, the portfolio had a weighted average physical occupancy of 93.9% and economic occupancy of 94.9%. Economic occupancy excludes square footage associated with an earnout component.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Disclosures discussing all significant accounting policies are set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on March 15, 2017, under the heading Note 2 – "Summary of Significant Accounting Policies." There have been no changes to the Company's significant accounting policies during the nine months ended September 30, 2017.

General

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. In the opinion of management, all adjustments necessary for a fair statement, in all material respects, of the financial position and results of operations for the periods are presented. Actual results could differ from those estimates. The results of operations for the interim periods are not necessarily indicative of the results for the entire year.

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities.* The update, among other things,

- expands hedge accounting for nonfinancial and financial risk components and amends measurement methodologies to more closely align hedge accounting with a company's risk management activities;
- decreases the complexity of preparing hedge results through eliminating separate measurement and reporting of hedge ineffectiveness;
- enhances disclosures and changes presentation of hedge results to align the effects of the hedging instrument and the hedged item;
- simplifies the assessment of hedge effectiveness.

The amendment is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted in any interim period after issuance of the update. For cash flow and net investment hedges existing at the date

of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the amendments in this update. The amended presentation and disclosure guidance is required only prospectively. The Company does not believe the adoption of ASU No. 2017-12 will have a material impact on its consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The new update will require that amounts described as restricted cash and restricted cash equivalents be included in beginning and ending-of-period reconciliation of cash shown on the statement of cash flows. The amendment is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. At September 30, 2017 and December 31, 2016, restricted cash of $5,118 and $5,996, respectively, was classified as other assets on the Company's consolidated balance sheets and the Company does not believe that the adoption of ASU No. 2016-18 will have a material impact on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230).* The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The issues addressed in the new guidance include the cash flow classification of: debt prepayment and debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investments, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. The standard will be effective for fiscal years beginning after December 15, 2017, for public companies. The Company intends to adopt the new accounting standard by making a policy election to classify distributions received from an equity method investee as operating cash inflows up to its cumulative equity in earnings and any excess as investing inflows. The Company does not believe that ASU No. 2016-15 will have a material impact on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU No. 2016-02 supersedes the previous leases standard, *Leases* (Topic 840). The Company anticipates that it will be required to bifurcate certain lease revenues between lease and non-lease components. Additionally, only incremental direct leasing costs may be capitalized under this new guidance, which is consistent with the Company's existing policies. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company expects to adopt the guidance on a modified retrospective basis and upon adoption of the Leases guidance, non-lease components of new, extended or modified leases, including common area maintenance reimbursements, will be accounted for under the Revenue from Contracts with Customers guidance as described below. The Company is also the lessee under a ground lease, which it will be required to recognize right of use asset and a related lease liability on its consolidated balance sheets upon adoption.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective, although it will not affect the accounting for rental related revenues. The new standard may be applied retrospectively to each prior period presented or prospectively with the cumulative effect, if any, recognized as of the date of adoption. The Company anticipates selecting the modified retrospective transition method with a cumulative effect recognized as of the date of adoption and will adopt the new standard effective January 1, 2018, when effective. While the Company anticipates additional disclosure, it does not expect the adoption of this pronouncement will have a material effect on its consolidated financial statements as it believes the majority of its revenue falls outside of the scope of this guidance; however, it will continue to evaluate this assessment until the guidance becomes effective. Our remaining implementation items include calculating the cumulative effect adjustment, if any, to be recorded upon adoption, drafting revised disclosures in accordance with the new standard and implementing changes to internal control policies and procedures, if any. Common area maintenance reimbursements to be impacted by ASU No. 2014-09 will not be addressed until the Company's adoption of ASU No. 2016-02, considering its revisions to accounting for common area maintenance described above.

NOTE 3 – EQUITY

The Company was authorized to sell up to 150,000,000 shares of common stock at $10 per share in an initial public "best efforts" offering (the "Offering") which commenced on October 18, 2012 and concluded on October 16, 2015. The Company issued 83,835,055 shares of common stock generating gross proceeds of $834,399 from the Offering. As of September 30, 2017, there were 88,919,975 shares of common stock outstanding including 8,102,860 shares issued through the distribution reinvestment plan ("DRP"), net of 3,019,049 shares repurchased through the share repurchase program ("SRP").

On March 29, 2017 the Company's board of directors determined an estimated per share net asset value (the "Estimated Per Share NAV") of the Company's common stock of $9.05 as reported in the Company's Form 8-K filed with the Securities and Exchange Commission on March 30, 2017. The Company's previously estimated per share net asset value of $9.02 was established on April 7, 2016.

The Company provides the following programs to facilitate additional investment in the Company's shares and to provide limited liquidity for stockholders.

Distribution Reinvestment Plan

The Company provides existing stockholders with the option to purchase additional shares from the Company by automatically reinvesting distributions through the DRP, subject to certain share ownership restrictions. The Company does not pay any selling commissions or a marketing contribution and due diligence expense allowance in connection with the DRP. Pursuant to the DRP, the price per share for shares of common stock purchased under the DRP is equal to the estimated value of a share, as determined by the Company's board of directors and reported by the Company from time to time, until the shares become listed for trading, if a listing occurs, assuming that the DRP has not been terminated or suspended in connection with such listing. Prior to April 7, 2016 shares were sold through the DRP at a price of $9.50 per share. Subsequently, shares were sold through the DRP at a price of $9.02 until March 30, 2017, when the Company reported a new Estimated Per Share NAV. Accordingly, under the DRP, beginning with reinvestments made on and after March 30, 2017, and until the Company announces a new Estimated Per Share NAV, distributions may be reinvested for shares of the Company's common stock at a price equal to $9.05 per share.

Distributions reinvested through the DRP were $20,415 and $20,920 for the nine months ended September 30, 2017 and 2016, respectively.

Share Repurchase Program

Under the SRP, the Company is authorized to purchase shares from stockholders who purchased their shares from the Company or received their shares through a non-cash transfer and who have held their shares for at least one year, if requested, if the Company chooses to purchase them. Subject to funds being available, the Company limits the number of shares repurchased during any calendar year to 5% of the number of shares outstanding on December 31st of the previous calendar year. Funding for the SRP comes from proceeds the Company receives from the DRP. In the case of repurchases made upon the death of a stockholder or qualifying disability, as defined in the SRP, neither the one year holding period, the limit regarding funds available from the DRP nor the 5% limit applies. The SRP will immediately terminate if the Company's shares become listed for trading on a national securities exchange. In addition, the Company's board of directors, in its sole direction, may, at any time, amend, suspend or terminate the SRP.

Pursuant to the SRP, the Company may repurchase shares at prices ranging from 92.5% of the "share price," as defined in the SRP, for stockholders who have owned shares for at least one year to 100% of the "share price" for stockholders who have owned shares for at least four years. For repurchases sought upon a stockholder's death or qualifying disability, the Company may repurchase shares at a price equal to 100% of the "share price." As used in the SRP, "share price" means the lesser of (1) the offering price of the Company's shares in the Offering (unless the shares were purchased at a discount from that price, and then that purchase price), reduced by any distributions of net sale proceeds that the Company designates as constituting a return of capital; or (2) the most recently disclosed estimated value per share. Accordingly, under the SRP, beginning with repurchases on and after March 30, 2017, and until we announce a new Estimated Per Share NAV, the "share price" is equal to $9.05 per share.

Repurchases through the SRP were $13,085 and $7,057 for the nine months ended September 30, 2017 and 2016, respectively. At September 30, 2017 and December 31, 2016, the Company's liability related to the SRP was $1,850 and $1,448, respectively, recorded in other liabilities on the Company's consolidated balance sheets.

NOTE 4 – ACQUISITIONS

2017 Acquisitions

During the nine months ended September 30, 2017, the Company, through its wholly owned subsidiaries, acquired the properties listed below from unaffiliated third parties. The acquisitions were financed with proceeds from the Company's credit facility (the "Credit Facility").

Date Acquired	Property Name	Location	Property Type	Square Footage	Purchase Price (a)
1st Quarter					
1/27/2017	Wilson Marketplace	Wilson, NC	Multi-Tenant Retail	311,030	$ 40,783
2nd Quarter					
4/3/2017	Pentucket Shopping Center	Plaistow, NH	Multi-Tenant Retail	198,469	24,100
3rd Quarter					
7/14/2017	Coastal North Town Center - Phase II	Myrtle Beach, SC	Retail	6,588	3,716
				516,087	$ 68,599

(a) Contractual purchase price excluding closing credits.

The above acquisitions were accounted for as asset acquisitions. For the three months ended September 30, 2017, the Company incurred $202 of total acquisition costs and fees, $140 of which are capitalized as the acquisition of net investment properties in the accompanying consolidated balance sheets. For the three months ended September 30, 2017, $62 of acquisition and dead deal costs are included in acquisition related costs in the accompanying consolidated statements of operations and comprehensive loss. For the nine months ended September 30, 2017, the Company incurred $2,721 of total acquisition costs and fees, $1,459 of which are capitalized as the acquisition of net investment properties in the accompanying consolidated balance sheets. An adjustment to the deferred investment property acquisition obligation of $1,084 and $178 of acquisition and dead deal costs are included in acquisition related costs in the accompanying consolidated statements of operations and comprehensive loss. The Company recorded a decrease of $413 and incurred $421 of acquisition, dead deal and transaction related costs, during the three and nine months ended September 30, 2016, respectively, including changes to initial assumptions related to deferred investment property acquisition obligations (See Note 10 – "Commitments and Contingencies") that were recorded in acquisition related costs in the consolidated statements of operations and comprehensive loss related to both closed and potential transactions. These costs include third party due diligence costs such as appraisals, environmental studies, and legal fees as well as acquisition fees and time and travel expense reimbursements to the Sponsor and its affiliates.

The following table presents certain additional information regarding the Company's acquisitions during the nine months ended September 30, 2017. The amounts recognized for major assets acquired and liabilities assumed as of the acquisition date are as follows:

	Nine Months Ended September 30, 2017
Land	$ 17,513
Building and improvements	41,793
Acquired lease intangible assets	15,385
Acquired intangible liabilities	(4,590)
Assumed liabilities, net	(148)
Total	$ 69,953

NOTE 5 – INVESTMENT IN UNCONSOLIDATED ENTITIES

The Company analyzes its joint venture agreements to determine whether the joint ventures are variable interest entities and, if so, whether the Company is the primary beneficiary by analyzing whether it has both the power to direct the joint ventures' significant

economic activities and the obligation to absorb potentially significant losses or receive potentially significant benefits. Accordingly, the Company has determined that the joint venture partners have the ability to participate in major decisions, which equates to shared decision making but that the Company does not have a controlling financial interest. Therefore, these joint ventures are not consolidated by the Company and the equity method of accounting is used to account for these investments. Under the equity method of accounting, the net equity investment of the Company and the Company's share of net income or loss from the unconsolidated entity are reflected in the consolidated balance sheets and the consolidated statements of operations and comprehensive loss. The following table summarizes the Company's joint ventures:

			Investment in unconsolidated entities	
Entity	Company's Profit/Loss Allocation at September 30, 2017	Remaining Commitment	September 30, 2017	December 31, 2016
Mainstreet Texas Development Fund, LLC ("Mainstreet JV") (a)	83%	$ 2,931	$ 5,685	$ —
Oak Property Casualty, LLC ("Captive") (b)	n/a	$ —	—	126
			$ 5,685	$ 126

(a) In August 2017, the Company, through a wholly owned taxable REIT subsidiary, made an equity commitment to Mainstreet JV in order to develop, construct, lease, finance and sell parcels of land and related building improvements including personal property which are to be operated as rapid recovery healthcare facilities located in Beaumont, Amarillo and Temple, Texas. The investment balance includes capitalized acquisition and legal costs of $116 incurred.

(b) The Company is a member of a limited liability company formed as an insurance association captive, which is owned by the Company, IRC Retail Centers LLC, InvenTrust Properties Corp. and Retail Properties of America, Inc. See Note 13 – "Transactions with Related Parties."

NOTE 6 – ACQUIRED INTANGIBLE ASSETS AND LIABILITIES

The following table summarizes the Company's identified intangible assets and liabilities as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Intangible assets:		
Acquired in place lease value	$ 166,419	$ 159,679
Acquired above market lease value	45,824	37,179
Accumulated amortization	(66,563)	(46,750)
Acquired lease intangibles, net	$ 145,680	$ 150,108
Intangible liabilities:		
Acquired below market lease value	$ 71,551	$ 66,962
Above market ground lease	5,169	5,169
Accumulated amortization	(13,030)	(8,657)
Acquired intangible liabilities, net	$ 63,690	$ 63,474

As of September 30, 2017, the weighted average amortization periods for acquired in place lease, above market lease intangibles, below market lease intangibles and above market ground leases are 10, 14, 19 and 55 years, respectively.

The portion of the purchase price allocated to acquired above market lease value and acquired below market lease value is amortized on a straight-line basis over the term of the related lease as an adjustment to rental income. For below market lease values, the amortization period includes any renewal periods with fixed rate renewals. The acquired above market ground lease is amortized on a straight-line basis as an adjustment to property operating expense over the term of the lease and includes renewal periods. The portion of the purchase price allocated to acquired in place lease value is amortized on a straight-line basis over the acquired leases' weighted average remaining term.

As of September 30, 2017, no amount has been allocated to customer relationship value.

Amortization pertaining to acquired in place lease value, above market ground lease, above market lease value and below market lease value is summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Amortization recorded as amortization expense:	2017	2016	2017	2016
Acquired in place lease value	$ 5,640	$ 5,455	$ 16,508	$ 18,430
Amortization recorded as a reduction to property operating expense:				
Above market ground lease	$ (23)	$ (23)	$ (70)	$ (70)
Amortization recorded as a (reduction) increase to rental income:				
Acquired above market leases	$ (1,212)	$ (997)	$ (3,304)	$ (3,368)
Acquired below market leases	1,187	1,322	4,303	3,835
Net rental income increase	$ (25)	$ 325	$ 999	$ 467

Estimated amortization of the respective intangible lease assets and liabilities as of September 30, 2017 for each of the five succeeding years and thereafter is as follows:

	Acquired In-Place Leases	Above Market Leases	Below Market Leases	Above Market Ground Lease
2017 (remainder of year)	$ 5,028	$ 1,075	$ (1,159)	$ (23)
2018	19,024	3,794	(4,489)	(94)
2019	17,050	3,430	(4,344)	(94)
2020	14,098	3,091	(4,123)	(94)
2021	11,559	3,021	(3,935)	(94)
Thereafter	43,487	21,023	(40,658)	(4,583)
Total	$ 110,246	$ 35,434	$ (58,708)	$ (4,982)

NOTE 7 – DEBT AND DERIVATIVE INSTRUMENTS

As of September 30, 2017 and December 31, 2016, the Company had the following mortgages and credit facility payable:

	September 30, 2017		December 31, 2016	
Type of Debt	Principal Amount	Weighted Average Interest Rate	Principal Amount	Weighted Average Interest Rate
Fixed rate mortgages payable	$ 178,181	4.31%	$ 178,345	4.31%
Variable rate mortgages payable with swap agreements	383,517	3.49%	354,488	3.42%
Variable rate mortgages payable	54,153	3.03%	44,003	2.50%
Mortgages payable	$ 615,851	3.69%	$ 576,836	3.62%
Credit facility payable	67,300	2.94%	31,000	2.26%
Total debt before unamortized mortgage premiums and debt issuance costs including impact of interest rate swaps	$ 683,151	3.61%	$ 607,836	3.55%
Add: Unamortized mortgage premiums	2,481		3,080	
Less: Unamortized debt issuance costs	(4,468)		(4,891)	
Total debt	$ 681,164		$ 606,025	

The Company estimates the fair value of its total debt by discounting the future cash flows of each instrument at rates currently offered for similar debt instruments of comparable maturities by the Company's lenders using Level 3 inputs. The carrying value of the Company's debt excluding mortgage premium and unamortized debt issuance costs was $683,151 and $607,836 as of September 30, 2017 and December 31, 2016, respectively, and its estimated fair value was $672,788 and $595,404 as of September 30, 2017 and December 31, 2016, respectively.

As of September 30, 2017, scheduled principal payments and maturities on the Company's debt were as follows:

	September 30, 2017			
Scheduled Principal Payments and Maturities by Year:	**Scheduled Principal Payments**	**Maturities of Mortgage Loans**	**Maturity of Credit Facility**	**Total**
2017 (remainder of the year)	$ 75	$ 6,271	$ —	$ 6,346
2018	205	15,260	—	15,465
2019	215	152,450	67,300	219,965
2020	897	—	—	897
2021	1,531	82,740	—	84,271
Thereafter	1,577	354,630	—	356,207
Total	$ 4,500	$ 611,351	$ 67,300	$ 683,151

Credit Facility Payable

The Company's Credit Facility in the amount of $110,000 has an accordion feature that allows for an increase in available borrowings up to $400,000, subject to certain conditions. The Credit Facility matures on September 30, 2019, and the Company has a one year extension option which it may exercise as long as certain conditions are met.

At September 30, 2017, the interest rate on the Credit Facility was 2.94%. As of September 30, 2017, the Company had $42,700 available for borrowing under the Credit Facility.

The Credit Facility requires compliance with certain covenants, as amended, including a minimum tangible net worth requirement, a distribution limitation, restrictions on indebtedness and investment restrictions, as defined. It also contains customary default provisions including the failure to comply with the Company's covenants and the failure to pay when amounts outstanding under the Credit Facility become due. The Company is in compliance with all financial covenants related to the Credit Facility.

Mortgages Payable

The mortgage loans require compliance with certain covenants, such as debt service ratios, investment restrictions and distribution limitations. As of September 30, 2017, the Company was current on all of the payments and in compliance with all financial covenants. All of the Company's mortgage loans are secured by first mortgages on the respective real estate assets. As of September 30, 2017, the weighted average years to maturity for the Company's mortgages payable was approximately 4.7 years.

Interest Rate Swap Agreements

The Company entered into interest rate swaps to fix certain of its floating LIBOR based debt under variable rate loans to a fixed rate to manage its risk exposure to interest rate fluctuations. The Company will generally match the maturity of the underlying variable rate debt with the maturity date on the interest swap.

The following table summarizes the Company's interest rate swap contracts outstanding as of September 30, 2017.

Date Entered	Effective Date	Maturity Date	Pay Fixed Rate (a)	Notional Amount	Fair Value at September 30, 2017
Assets					
April 7, 2015	April 7, 2015	April 7, 2022	1.74%	$ 49,400	$ 235
July 8, 2015	August 1, 2015	May 22, 2019	1.43%	1,426	3
October 2, 2015	November 1, 2015	November 1, 2022	1.79%	13,100	66
January 25, 2016	February 1, 2016	February 1, 2021	1.40%	38,000	446
June 7, 2016	July 1, 2016	July 1, 2023	1.42%	43,680	1,238
July 21, 2016	August 1, 2016	August 1, 2023	1.30%	47,550	1,716
August 29, 2016	October 21, 2016	December 15, 2019	1.07%	10,837	137
				$ 203,993	$ 3,841
Liabilities					
June 27, 2014	July 1, 2014	July 1, 2019	1.85%	$ 24,352	$ (109)
July 31, 2014	July 31, 2014	July 31, 2019	1.94%	9,561	(59)
September 17, 2015	September 17, 2015	September 17, 2022	1.90%	13,700	(7)
March 28, 2014	March 1, 2015	March 28, 2019	2.22%	5,525	(54)
February 11, 2015	March 2, 2015	March 1, 2022	2.02%	6,114	(45)
May 23, 2014	May 1, 2015	May 22, 2019	2.00%	8,484	(59)
May 8, 2014	May 5, 2015	May 5, 2019	2.10%	14,200	(119)
June 6, 2014	June 1, 2015	May 8, 2019	2.15%	11,684	(108)
June 26, 2014	July 5, 2015	July 5, 2019	2.11%	20,725	(188)
April 27, 2017	April 26, 2017	April 26, 2022	1.91%	24,479	(38)
June 5, 2017	May 31, 2017	May 15, 2022	1.90%	14,700	(27)
December 23, 2015	December 23, 2015	January 2, 2026	2.30%	26,000	(394)
				$ 179,524	$ (1,207)

(a) Receive floating rate index based upon 1 month LIBOR. At September 30, 2017, the 1 month LIBOR was 1.23%.

The table below presents the fair value of the Company's cash flow hedges as well as their classification on the consolidated balance sheets as of September 30, 2017 and December 31, 2016, respectively.

	September 30, 2017		December 31, 2016	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest rate swap agreements	Other assets	$ 3,841	Other assets	$ 4,250
Interest rate swap agreements	Other liabilities	$ 1,207	Other liabilities	$ 1,909

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the unrealized gain or loss on the derivative is reported as a component of comprehensive (loss) income. The ineffective portion of the change in fair value, if any, is recognized directly in earnings. The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2017 and 2016.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives in Cash Flow Hedging Relationships	2017	2016	2017	2016
Effective portion of derivatives	$ (268)	$ 519	$ (1,721)	$ (10,384)
Reclassification adjustment for amounts included in net gain or loss (effective portion)	$ 507	$ 1,077	$ 2,002	$ 3,039
Ineffective portion of derivatives	$ (1)	$ 38	$ 12	$ 215

The amount that is expected to be reclassified from accumulated other comprehensive income into income in the next twelve months is approximately $1,053.

NOTE 8 – DISTRIBUTIONS

The Company currently pays distributions based on daily record dates, payable in arrears the following month, equal to a daily amount of $0.001643836 per share, which equates to $0.60 per share per year, based upon a 365-day year. The table below presents the distributions paid and declared during the three and nine months ended September 30, 2017 and 2016.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Distributions paid	$ 13,482	$ 13,207	$ 39,989	$ 39,235
Distributions declared	$ 13,484	$ 13,227	$ 39,896	$ 39,156

NOTE 9 – EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share ("EPS") are computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period (the "common shares"). Diluted EPS is computed by dividing net income (loss) by the common shares plus common share equivalents. The Company excludes antidilutive restricted shares and units from the calculation of weighted-average shares for diluted EPS. As a result of a net loss in the three and nine months ended September 30, 2017, 2,087 shares and 2,751 shares, respectively, were excluded from the computation of diluted EPS, because they would have been antidilutive. As the Company also had a net loss in the three and nine months ended September 30, 2016, 565 shares and 2,669 shares, respectively, were excluded from the computation of diluted EPS, because they would have been antidilutive.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The acquisition of certain of the Company's properties included an earnout component to the purchase price that was recorded as a deferred investment property acquisition obligation ("Earnout liability"). The maximum potential earnout payment was $7,536 at September 30, 2017.

The table below presents the change in the Company's Earnout liability for the nine months ended September 30, 2017 and 2016.

	Nine Months Ended September 30,	
	2017	**2016**
Earnout liability-beginning of period	$ 6,856	$ 18,871
Increases:		
Amortization expense	28	551
Decreases:		
Earnout payments	(6,415)	(9,067)
Adjustments to acquisition related costs	1,084	(1,413)
Earnout liability – end of period	$ 1,553	$ 8,942

The Company may be subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, management believes, based on currently available information, that the final outcome of such matters will not have a material adverse effect on the consolidated financial statements of the Company.

In conjunction with its equity investment in the Mainstreet JV, the Company also agreed to provide subsidiaries of the Mainstreet JV mezzanine loans, in the aggregate amount of approximately $5,400. The loan term is for 48 months. The Company will earn interest at a rate of 14.5% per annum and will receive monthly interest payments based on a 10% pay rate. The remaining unpaid interest will be due at maturity or upon certain defined events. The loan is guaranteed by one of the other members of the joint venture. The borrowers may draw on the mezzanine loans from time to time in connection with the construction of the rapid recovery healthcare facilities and are not expected to draw on the mezzanine loans until such time as the Company has fully funded its equity commitment to the Mainstreet JV. At September 30, 2017, the Company has not loaned any funds related to the mezzanine loans.

NOTE 11 – EQUITY-BASED COMPENSATION

Under the Company's Employee and Director Restricted Share Plan ("RSP"), restricted shares and restricted share units generally vest over a one to three year vesting period from the date of the grant, subject to the specific terms of the grant. In accordance with the RSP, restricted shares and restricted share units were issued to non-employee directors as compensation. Each restricted share and restricted share unit entitle the holder to receive one common share when it vests. Restricted shares and restricted share units are included in common stock outstanding on the date of vesting. The grant-date value of the restricted shares and restricted share units is amortized over the vesting period representing the requisite service period. Compensation expense associated with the restricted shares and restricted share units issued to the non-employee directors was $9 and $22, in the aggregate, for the three and nine months ended September 30, 2017, respectively. Compensation expense associated with the restricted shares and restricted share units issued to non-employee directors was $6 and $8, in the aggregate, for the three and nine months ended September 30, 2016, respectively. As of September 30, 2017, the Company had $44 of unrecognized compensation cost related to the unvested restricted shares and restricted share units, in the aggregate. The weighted average remaining period that compensation expense related to unvested restricted shares and restricted share units will be recognized is 1.6 years.

A summary table of the status of the restricted shares and restricted share units is presented below:

	Restricted Shares	Restricted Share Units	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding at December 31, 2016	3,326	1,150	$ 40	$ 40
Granted	3,315	1,184	41	41
Vested	(1,109)	(389)	(13)	(13)
Converted	—	—	—	—
Forfeited	—	—	—	—
Outstanding at September 30, 2017	5,532	1,945	$ 68	$ 68

NOTE 12 – SEGMENT REPORTING

The Company has one reportable segment as defined by U.S. GAAP, retail real estate, for the nine months ended September 30, 2017 and 2016.

NOTE 13 – TRANSACTIONS WITH RELATED PARTIES

The Captive is owned by the Company, IRC Retail Centers LLC, InvenTrust Properties Corp. and Retail Properties of America, Inc. The Company recorded its investment in investment in unconsolidated entities in the accompanying consolidated balance sheets. The Company's share of net income from its investment is based on the ratio of each member's premium contribution to the venture. For the nine months ended September 30, 2017, the Company received its original capital investment of $100 and earnings of $20 from the Captive. The Captive was in the final stages of winding up its affairs and terminated its operations in the fourth quarter of 2017 after all regulatory reports were filed. However, there can be no assurance the Company will not be liable for any additional proportional costs associated with the termination of the Captive which have not been previously identified.

The Company owns 1,000 shares of common stock in The Inland Real Estate Group of Companies, Inc. with a recorded value of $1 at September 30, 2017 and December 31, 2016. This amount is included in other assets in the accompanying consolidated balance sheets.

The following table summarizes the Company's related party transactions for the three and nine months ended September 30, 2017 and 2016. Certain compensation and fees payable to the Business Manager for services provided to the Company are limited to maximum amounts.

		Three Months Ended September 30,		Nine Months Ended September 30,		Unpaid amounts as of	
		2017	2016	2017	2016	September 30, 2017	December 31, 2016
General and administrative reimbursements	(a)	$ 345	$ 633	$ 1,319	$ 1,406	$ 553	$ 274
Acquisition related costs		$ 54	$ 49	$ 273	$ 251	$ 8	$ 88
Acquisition fees		180	—	1,216	1,327	179	—
Total acquisition costs and fees	(b)	$ 234	$ 49	$ 1,489	$ 1,578	$ 187	$ 88
Real estate management fees		$ 1,178	$ 1,179	$ 3,638	$ 3,355	$ —	$ —
Construction management fees		45	46	98	78	62	53
Leasing fees		51	65	143	144	101	89
Total real estate management related costs	(c)	$ 1,274	$ 1,290	$ 3,879	$ 3,577	$ 163	$ 142
Business management fees	(d)	$ 2,311	$ 2,190	$ 6,871	$ 6,421	$ 2,311	$ 2,159

(a) The Business Manager and its related parties are entitled to reimbursement for certain general and administrative expenses incurred by the Business Manager or its related parties relating to the Company's administration. Such costs are included in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive loss. Unpaid amounts are included in due to related parties in the accompanying consolidated balance sheets.

(b) The Company pays the Business Manager or its affiliates a fee equal to 1.5% of the "contract purchase price," as defined, of each asset acquired. The Business Manager and its related parties are also reimbursed for acquisition and transaction related costs of the Business Manager and its related parties relating to the Company's acquisition activities, regardless of whether the Company acquires the real estate assets. Of the $234 related party acquisition costs and fees incurred during the three months ended September 30, 2017, $98 are capitalized as the acquisition of net investment properties in the accompanying consolidated balance sheets. $84 are capitalized as investment in unconsolidated entities in the accompanying consolidated balance sheets and $52 of such costs are included in acquisition related costs in the accompanying consolidated statements of operations and comprehensive loss. Of the $1,489 related party acquisition costs incurred during the nine months ended September 30, 2017, $1,260 are capitalized as the acquisition of net investment properties in the accompanying consolidated balance sheets, $84 are capitalized as investment in unconsolidated entities in the accompanying consolidated balance sheets, and $145 of such costs are included in acquisition related costs in the accompanying consolidated statements of operations and comprehensive loss. Unpaid amounts are included in due to related parties in the accompanying consolidated balance sheets.

(c) For each property that is managed by Inland Commercial Real Estate Services LLC (the "Real Estate Manager"), the Company pays a monthly real estate management fee of up to 1.9% of the gross income from any single-tenant, net-leased property, and up to 3.9% of the gross income from any other property type. The Real Estate Manager determines, in its sole discretion, the amount of the fee with respect to a particular property, subject to the limitations. For each property that is managed directly by the Real Estate Manager or its affiliates, the Company pays the Real Estate Manager a separate leasing fee. Further, in the event that the Company engages its Real Estate Manager to provide construction management services for a property, the Company pays a separate construction management fee. Leasing fees are included in deferred costs, net and construction management fees are included in building and other improvements in the accompanying consolidated balance sheets. The Company also reimburses the Real Estate Manager and its affiliates for property-level expenses that they pay or incur on the Company's behalf, including the salaries, bonuses and benefits of persons performing services for the Real Estate Manager and its affiliates except for the salaries, bonuses and benefits of persons who also serve as an executive officer of the Real Estate Manager or the Company. Real estate management fees and reimbursable expenses are included in property operating expenses in the accompanying consolidated statements of operations and comprehensive loss.

(d) The Company pays the Business Manager an annual business management fee equal to 0.65% of its "average invested assets." The fee is payable quarterly in an amount equal to 0.1625% of its average invested assets as of the last day of the immediately preceding quarter. "Average invested assets" means, for any period, the average of the aggregate book value of the Company's assets, including all intangibles and goodwill, invested, directly or indirectly, in equity interests in, and loans secured by, properties, as well as amounts invested in securities and consolidated and unconsolidated joint ventures or other partnerships, before reserves for amortization and depreciation or bad debts, impairments or other similar non-cash reserves, computed by taking the average of these values at the end of each month during the relevant calendar quarter.

NOTE 14 – OPERATING LEASES

Minimum lease payments to be received under operating leases, including ground leases, as of September 30, 2017 for the years indicated, assuming no expiring leases are renewed, are as follows:

	Minimum Lease Payments
2017 (remainder of year)	$ 23,284
2018	90,494
2019	83,513
2020	76,785
2021	71,135
Thereafter	294,128
Total	$ 639,339

The remaining lease terms range from less than 1 year to 20 years. Most of the revenue from the Company's properties consists of rents received under long-term operating leases. Most leases require the tenant to pay fixed base rent paid monthly in advance, and to reimburse the Company for the tenant's pro rata share of certain operating expenses including real estate taxes, special assessments, insurance, utilities, common area maintenance, management fees, and certain building repairs paid by the Company and recoverable under the terms of the lease. Under these leases, the Company pays all expenses and is reimbursed by the tenant for the tenant's pro rata share of recoverable expenses paid.

Certain other tenants are subject to net leases which provide that the tenant is responsible for fixed base rent as well as all costs and expenses associated with occupancy. Under net leases where all costs and expenses are paid directly by the tenant rather than the landlord, the costs and expenses are not included in the consolidated statements of operations and comprehensive loss. Under leases where all costs and expenses are paid by the Company, subject to reimbursement by the tenant, the costs and expenses are included within property operating expenses and reimbursements are included in tenant recovery income on the consolidated statements of operations and comprehensive loss.

NOTE 15 – SUBSEQUENT EVENTS

Distributions

The Company's board of directors declared monthly distributions payable to stockholders of record each day beginning on the close of business on October 1, 2017 through the close of business on December 31, 2017. Through that date, distributions were declared in a daily amount equal to $0.001643836 per share, which equates to $0.60 per share per year, based upon a 365-day year. Distributions were paid monthly in arrears as follows:

Distribution Month	Month Distribution Paid	Gross Amount of Distribution Paid	Distribution Reinvested through DRP	Shares Issued	Net Cash Distribution
September 2017	October 2017	$ 4,395	$ 2,194	242,510	$ 2,201
October 2017	November 2017	$ 4,544	$ 2,266	250,374	$ 2,278

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this Quarterly Report on Form 10-Q constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Words such as "may," "could," "should," "expect," "intend," "plan," "goal," "seek," "anticipate," "believe," "estimate," "predict," "variables," "potential," "continue," "expand," "maintain," "create," "strategies," "likely," "will," "would" and variations of these terms and similar expressions, or the negative of these terms or similar expressions, are intended to identify forward-looking statements.

These forward-looking statements are not historical facts but reflect the intent, belief or current expectations of the management of Inland Real Estate Income Trust, Inc. (which we refer to herein as the "Company," "we," "our" or "us") based on their knowledge and understanding of the business and industry, the economy and other future conditions. These statements are not guarantees of future performance, and we caution stockholders not to place undue reliance on forward-looking statements. Actual results may differ materially from those expressed or forecasted in the forward-looking statements due to a variety of risks, uncertainties and other factors, including but not limited to the factors listed and described under "Risk Factors" in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on March 15, 2017, and factors described below:

- *Market disruptions may adversely impact many aspects of our operating results and operating condition;*
- *If we cannot generate sufficient cash flow from operations to fully fund distributions, some or all of our distributions may be paid from other sources, including from the proceeds of our distribution reinvestment plan ("DRP"), which will reduce the amount of cash we ultimately have to invest in assets;*
- *We have incurred net losses on a U.S. generally accepted accounting principles ("U.S. GAAP") basis for the three and nine months ended September 30, 2017 and 2016 and for the year ended December 31, 2016;*
- *There is no established public trading market for our shares, our stockholders may not be able to sell their shares under our share repurchase program ("SRP") and, if our stockholders are able to sell their shares under the SRP, or otherwise, they may not be able to recover the amount of their investment in our shares;*
- *Our charter generally limits the total amount we may borrow to 300% of our net assets, equivalent to 75% of the costs of our assets;*
- *Inland Real Estate Investment Corporation (our "Sponsor") may face a conflict of interest in allocating personnel and resources between its affiliates, our Business Manager (as defined below) and Inland Commercial Real Estate Services LLC, referred to herein as our "Real Estate Manager";*
- *We do not have arm's-length agreements with our Business Manager, our Real Estate Manager or any other affiliates of our Sponsor;*
- *We pay fees, which may be significant, to our Business Manager, Real Estate Manager and other affiliates of our Sponsor;*
- *Our Business Manager and its affiliates face conflicts of interest caused by their compensation arrangements with us, which could result in actions that are not in the long-term best interests of our stockholders;*
- *Our properties may compete with the properties owned by other programs sponsored by our Sponsor or Inland Private Capital Corporation for, among other things, tenants;*
- *Our Business Manager is under no obligation, and may not agree, to forgo or defer its business management fee or any acquisition fee; and*
- *If we fail to continue to qualify as a REIT, our operations and distributions to stockholders will be adversely affected.*

Forward-looking statements in this Quarterly Report on Form 10-Q reflect our management's view only as of the date of this Quarterly Report, and may ultimately prove to be incorrect or false. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results except as required by applicable law. We intend for these forward-looking statements to be covered by the applicable safe harbor provisions created by Section 27A of the Securities Act and Section 21E of the Exchange Act.

The following discussion and analysis relates to the three and nine months ended September 30, 2017 and 2016 and as of September 30, 2017 and December 31, 2016. You should read the following discussion and analysis along with our consolidated financial statements and the related notes included in this report.

Overview

We are principally engaged in owning retail properties throughout the United States. At September 30, 2017, we had total assets of approximately $1.4 billion and owned 59 properties located in 24 states containing approximately 6.9 million square feet. A majority of our properties are multi-tenant, necessity-based retail shopping centers primarily located in major regional markets and growing secondary markets throughout the United States. The portfolio properties have staggered lease maturity dates and anchor tenants generally with strong credit ratings.

We were formed as a Maryland corporation on August 24, 2011 and elected to be taxed as a real estate investment trust for U.S. federal income tax purposes ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with the year ended December 31, 2013. We are managed by our business manager, IREIT Business Manager & Advisor, Inc., referred to herein as our "Business Manager."

We concluded our "best efforts" offering (the "Offering") in October 2015. Using available resources, including the DRP and additional financing proceeds, our team is committed to identifying acquisition opportunities that meet our investment strategy and that offer growth potential for our stockholders. We have primarily focused on acquiring retail properties. We invested in joint ventures and may continue to invest in additional joint ventures or acquire other real estate assets such as office and medical office buildings, multi-family properties and industrial/distribution and warehouse facilities if management believes the expected returns from those investments exceed that of retail properties. We also may invest in real estate-related equity securities of both publicly traded and private real estate companies, as well as commercial mortgage-backed securities.

Company Highlights - 2017

Recent Acquisition - We acquired one investment property in July, 2017 for approximately $3.7 million. Coastal North Town Center – Phase II is a 6,588 square foot retail property located in Myrtle Beach, South Carolina. We financed the acquisition with proceeds from our credit facility (the "Credit Facility").

Mainstreet JV - In August 2017, we entered into, through a wholly owned taxable REIT subsidiary, a joint venture agreement with a third party developer and its affiliates to develop three transitional care/rapid recovery centers in Texas which will be licensed skilled nursing facilities. Our aggregate equity commitment is approximately $8.5 million, excluding costs and legal fees incurred in connection with this investment. As of September 30, 2017, we have funded approximately $5.6 million of this commitment with cash on hand.

In conjunction with this equity investment, we also agreed to provide subsidiaries of the joint venture mezzanine loans, in the aggregate amount of approximately $5.4 million. The loan term is for 48 months. We will earn interest at a rate of 14.5% per annum and will receive monthly interest payments based on a 10% pay rate. The remaining unpaid interest will be due at maturity or upon certain defined events. The loan is guaranteed by one of the other members of the joint venture. The borrowers may draw on the mezzanine loans from time to time in connection with the construction of the rapid recovery centers and are not expected to draw on the mezzanine loans until such time as we have fully funded our equity commitment to the joint venture. At September 30, 2017, we have not loaned any funds related to the mezzanine loans.

Leasing Activity - During the nine months ended September 30, 2017, we signed 33 new leases totaling 106,534 square feet with a weighted average base rent per square foot of $15.13, weighted average tenant improvements per square foot of $14.70 and a weighted average lease term of 7.5 years. We also achieved a retention rate of 82%. We renewed 54 leases totaling 367,158 square feet with a weighted average base rent per square foot of $16.09, $0.79 in tenant improvement costs per square foot and a weighted average lease term of 5.3 years.

SELECT PROPERTY INFORMATION (All dollar amounts in thousands, except per square foot amounts)

Investment Properties

	As of September 30, 2017
Number of properties	59
Purchase price	$ 1,412,841
Total square footage	6,860,923
Weighted average physical occupancy	93.9%
Weighted average economic occupancy	94.9%
Weighted average remaining lease term (years)	6.5

The table below presents information for each of our investment properties as of September 30, 2017.

Property	Location	Square Footage	Physical Occupancy	Economic Occupancy	Mortgage Balance	Interest Rate (b)
Dollar General (12 properties)	Various	111,890	100.0%	100.0%	$ 7,447	4.33%
Newington Fair (a)	Newington, CT	186,205	100.0%	100.0%	—	—
Wedgewood Commons	Olive Branch, MS	159,258	98.1%	98.1%	15,260	3.14%
Park Avenue	Little Rock, AR	79,131	66.7%	100.0%	14,062	3.75%
North Hills Square	Coral Springs, FL	63,829	98.1%	98.1%	5,525	4.02%
Mansfield Shopping Center	Mansfield, TX	148,529	69.4%	69.4%	14,200	3.90%
Lakeside Crossing	Lynchburg, VA	67,034	97.0%	97.0%	9,910	3.87%
MidTowne Shopping Center	Little Rock, AR	126,288	88.6%	88.6%	20,725	4.06%
Dogwood Festival	Flowood, MS	187,610	89.4%	89.4%	24,352	3.60%
Pick N Save Center	West Bend, WI	86,900	92.8%	92.8%	9,561	3.54%
Harris Plaza (a)	Layton, UT	123,890	81.6%	81.6%	—	—
Dixie Valley	Louisville, KY	119,981	92.4%	92.4%	6,798	3.54%
The Landings at Ocean Isle (a)	Ocean Isle, NC	53,203	92.2%	92.2%	—	—
Shoppes at Prairie Ridge	Pleasant Prairie, WI	232,606	96.8%	96.8%	15,591	2.99%
Harvest Square	Harvest, AL	70,590	91.2%	91.2%	6,732	4.65%
Heritage Square	Conyers, GA	22,385	93.4%	93.4%	4,460	5.10%
The Shoppes at Branson Hills	Branson, MO	256,329	91.8%	91.8%	26,520	3.69%
Branson Hills Plaza	Branson, MO	210,201	100.0%	100.0%	—	—
Copps Grocery Store (a)	Stevens Point, WI	69,911	100.0%	100.0%	—	—
Fox Point Plaza	Neenah, WI	171,121	98.1%	98.1%	10,836	2.92%
Shoppes at Lake Park (a)	W. Valley City, UT	52,997	100.0%	100.0%	—	—
Plaza at Prairie Ridge (a)	Pleasant Prairie,WI	9,035	100.0%	100.0%	—	—
Green Tree Shopping Center	Katy, TX	147,621	97.5%	97.5%	13,100	3.24%
Eastside Junction	Athens, AL	79,700	85.7%	85.7%	6,247	4.60%
Fairgrounds Crossing	Hot Springs, AR	155,127	100.0%	100.0%	13,453	5.21%
Prattville Town Center	Prattville, AL	168,842	100.0%	100.0%	15,930	5.48%
Regal Court	Shreveport, LA	363,061	93.2%	94.9%	26,000	4.50%
Shops at Hawk Ridge (a)	St. Louis, MO	75,951	100.0%	100.0%	—	—
Walgreens Plaza	Jacksonville, NC	42,219	64.9%	64.9%	4,650	5.30%
Whispering Ridge (a)	Omaha, NE	69,676	39.8%	39.8%	—	—
Frisco Marketplace (a)	Frisco, TX	112,024	94.0%	94.0%	—	—
White City	Shrewsbury, MA	257,121	95.8%	97.1%	49,400	3.24%
Treasure Valley (a)	Nampa, ID	133,292	100.0%	100.0%	—	—
Yorkville Marketplace (a)	Yorkville, IL	111,591	75.2%	91.3%	—	—
Shoppes at Market Pointe	Papillion, NE	253,903	98.2%	98.2%	13,700	3.30%
2727 Iowa Street (a)	Lawrence, KS	85,044	100.0%	100.0%	—	—
Settlers Ridge	Pittsburgh, PA	473,821	99.1%	99.1%	76,532	3.70%
Milford Marketplace	Milford, CT	111,720	94.9%	94.9%	18,727	4.02%
Marketplace at El Paseo	Fresno, CA	224,683	95.4%	96.1%	38,000	2.95%
Blossom Valley Plaza (a)	Turlock, CA	111,435	100.0%	100.0%	—	—
The Village at Burlington Creek	Kansas City, MO	158,023	89.1%	89.1%	17,723	4.25%
Oquirrh Mountain Marketplace (a)	South Jordan, UT	75,950	94.5%	94.5%	—	—
Marketplace at Tech Center	Newport News, VA	210,297	95.4%	99.3%	47,550	3.15%
Coastal North Town Center	Myrtle Beach, SC	304,662	95.1%	95.1%	43,680	3.17%
Oquirrh Mountain Marketplace II (a)	South Jordan, UT	10,150	100.0%	100.0%	—	—
Wilson Marketplace	Wilson, NC	311,030	96.8%	97.6%	24,480	4.06%
Pentucket Shopping Center	Plaistow, NH	198,469	98.0%	98.0%	14,700	3.65%
Coastal North Town Center - Phase II	Myrtle Beach, SC	6,588	100.0%	100.0%	—	—
Portfolio total		6,860,923	93.9%	94.9%	$ 615,851	3.69%

(a) Property is pledged as collateral under our Credit Facility.
(b) Portfolio total is equal to the weighted average interest rate.

Tenancy Highlights

The following table presents information regarding the top ten tenants in our portfolio based on annualized base rent for leases in place as of September 30, 2017.

Tenant Name	Number of Leases	Annualized Base Rent	Percent of Total Portfolio Annualized Base Rent	Annualized Base Rent Per Square Foot	Square Footage	Percent of Total Portfolio Square Footage
Dicks Sporting Goods, Inc	6	$ 3,511	3.7%	$ 12.72	276,038	4.0%
The Kroger Co	4	3,307	3.4%	13.25	249,493	3.6%
TJ Maxx/HomeGoods/Marshalls	13	3,170	3.3%	9.63	329,253	4.8%
Petsmart	10	2,583	2.7%	13.31	194,077	2.8%
Ross Dress for Less, Inc	9	2,379	2.5%	10.03	237,165	3.5%
Albertsons/Jewel/Shaws	2	2,235	2.3%	17.48	127,892	1.9%
Ulta Salon, Cosmetics & Fragrance	10	2,196	2.3%	21.06	104,276	1.5%
Kohl's Department Stores	4	1,888	2.0%	5.68	332,461	4.9%
LA Fitness (Fitness International)	2	1,810	1.9%	20.20	89,600	1.3%
Giant Eagle	1	1,805	1.9%	13.96	129,340	1.9%
Top ten tenants	61	$ 24,884	26.0%	$ 12.02	2,069,595	30.2%

The following table sets forth a summary of our tenant diversity for our entire portfolio and is based on leases in place at September 30, 2017.

Tenant Type	Gross Leasable Area – Square Footage	Percent of Total Gross Leasable Area	Percent of Total Annualized Base Rent
Discount and Department Stores	1,535,229	23.6%	12.0%
Home Goods	1,016,961	15.7%	9.7%
Grocery	950,042	14.6%	14.0%
Lifestyle, Health Clubs, Books & Phones	786,503	12.1%	15.0%
Restaurant	552,888	8.5%	16.0%
Apparel & Accessories	468,181	7.2%	10.6%
Sporting Goods	333,719	5.1%	4.9%
Consumer Services, Salons, Cleaners, Banks	273,663	4.2%	7.2%
Pet Supplies	269,270	4.1%	4.0%
Health, Doctors & Health Foods	145,558	2.3%	4.2%
Other	165,756	2.6%	2.4%
Total	6,497,770	100.0%	100.0%

The following table sets forth a summary, as of September 30, 2017, of the percent of total annualized base rent and the weighted average lease expiration by size of tenant.

Size of Tenant	Description - Square Footage	Percent of Total Annualized Base Rent	Weighted Average Lease Expiration – Years
Anchor	10,000 and over	53%	7.8
Junior Box	5,000-9,999	15%	6.0
Small Shop	Less than 5,000	32%	4.5
Total		100%	6.5

Lease Expirations

The following table sets forth a summary, as of September 30, 2017, of lease expirations scheduled to occur during the remainder of 2017 and each of the calendar years from 2018 to 2026 and thereafter, assuming no exercise of renewal options or early termination

rights for leases commenced on or prior to September 30, 2017. Annualized base rent represents the rent in place of the applicable property at September 30, 2017. The table below includes ground leases. If ground leases are excluded, annualized base rent would equal $86,402, or $17.09 per square foot for total expiring leases.

Lease Expiration Year	Number of Expiring Leases	Gross Leasable Area of Expiring Leases - Square Footage	Percent of Total Gross Leasable Area of Expiring Leases	Total Annualized Base Rent of Expiring Leases	Percent of Total Annualized Base Rent of Expiring Leases	Annualized Base Rent per Leased Square Foot
2017 (including month-to-month)	22	104,087	1.6%	$ 1,364	1.4%	$ 13.11
2018	74	249,555	3.8%	5,248	5.5%	21.03
2019	82	513,487	7.9%	7,640	7.8%	14.88
2020	97	526,947	8.1%	8,593	9.0%	16.31
2021	92	374,011	5.8%	7,516	7.8%	20.10
2022	87	563,118	8.7%	10,558	11.0%	18.75
2023	60	645,131	9.9%	8,497	8.9%	13.17
2024	51	471,823	7.3%	9,059	9.5%	19.20
2025	68	605,611	9.3%	11,455	12.0%	18.92
2026	37	430,476	6.6%	5,848	6.1%	13.58
Thereafter	72	2,013,524	31.0%	20,093	21.0%	9.98
Leased Total	742	6,497,770	100.0%	$ 95,871	100.0%	$ 14.75

LIQUIDITY AND CAPITAL RESOURCES

General

Our primary uses and sources of cash are as follows:

Uses

Short-term liquidity and capital needs such as:
- Interest & principal payments on mortgage loans and Credit Facility
- Property operating expenses
- General and administrative expenses
- Distributions to stockholders
- Fees payable to our Business Manager and Real Estate Manager
- Repurchases of shares under the SRP
- Payment of deferred investment property acquisition obligation
- Commitments under joint venture agreements

Long-term liquidity and capital needs such as:
- Acquisitions of real estate directly or through joint ventures
- Payment of deferred investment property acquisition obligation
- Interest & principal payments on mortgage loans and Credit Facility
- Capital expenditures, tenant improvements and leasing commissions
- Repurchases of shares under the SRP

Sources

- Cash receipts from our tenants
- Sale of shares through the DRP
- Proceeds from new or refinanced mortgage loans
- Borrowing on our Credit Facility
- Interest on mezzanine loans

As of September 30, 2017, we had total debt outstanding of approximately $683.2 million, excluding mortgage premiums and unamortized debt issuance costs, which bore interest at a weighted average interest rate of 3.61% per annum. As of September 30, 2017 and December 31, 2016, our borrowings were 48% and 45%, respectively, of the purchase price of our investment properties. As of September 30, 2017, we had borrowed $67.3 million of the $110 million available under our Credit Facility.

The acquisition of certain of the Company's properties included an earnout component to the purchase price that was recorded as a deferred investment property acquisition obligation. The maximum potential earnout payment was $7.5 million at September 30, 2017.

For information related to our debt maturities reference is made to Note 7 – "Debt and Derivative Instruments" which is included in our September 30, 2017 Notes to Consolidated Financial Statements in Item 1.

Cash Flow Analysis

	Nine Months Ended September 30,		Change
	2017	2016	2017 vs. 2016
	(Dollar amounts in thousands)		
Net cash flows provided by operating activities	$ 42,799	$ 30,228	$ 12,571
Net cash flows used in investing activities	$ (78,986)	$ (86,566)	$ 7,580
Net cash flows provided by (used in) financing activities	$ 36,200	$ (11,203)	$ 47,403

Operating activities

The increase in cash from operating activities during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 was due primarily to payments made in 2016 related to 2015 acquisitions and cash generated by property operations from the acquisition of two properties in the second quarter of 2016 and three properties in 2017.

Investing activities

	Nine Months Ended September 30,		Change
	2017	2016	2017 vs. 2016
	(Dollar amounts in thousands)		
Purchases of investment properties	$ (69,953)	$ (79,034)	$ 9,081
Capital expenditures	(4,042)	(7,696)	3,654
Investment in unconsolidated joint ventures	(5,602)	—	(5,602)
Other assets and restricted escrows	611	164	447
Net cash used in investing activities	$ (78,986)	$ (86,566)	$ 7,580

We used more cash in our investing activities in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2017 primarily due to acquisition related activities and capital improvements at certain of our properties. The decrease in cash used in investing activities in 2017 was partially offset with our investment in an unconsolidated joint venture.

Financing activities

	Nine Months Ended September 30,		Change
	2017	2016	2017 vs. 2016
	(Dollar amounts in thousands)		
Total changes related to debt	$ 74,872	$ 22,840	$ 52,032
Proceeds from the distribution reinvestment plan, net of shares repurchased	7,732	14,231	(6,499)
Distributions paid	(39,989)	(39,235)	(754)
Payment of offering costs	—	(201)	201
Other	(6,415)	(8,838)	2,423
Net cash provided by (used in) financing activities	$ 36,200	$ (11,203)	$ 47,403

During the nine months ended September 30, 2017 and 2016, we generated approximately $118.5 million and $218.0 million, respectively, from borrowings. We also paid off mortgage debt, reduced the amount outstanding on our Credit Facility and paid debt issuance costs in the amount of $43.6 million and $195.1 million for the nine months ended September 30, 2017 and 2016, respectively. During the nine months ended September 30, 2017 and 2016, we generated proceeds from the sale of shares through the DRP, net of share repurchases, of approximately $7.7 million and $14.2 million, respectively. During the nine months ended September 30, 2017 and 2016, we paid approximately $40.0 million and $39.2 million, respectively, in distributions.

Distributions

A summary of the distributions declared, distributions paid and cash flows provided by operations for the nine months ended September 30, 2017 and 2016 follows (Dollar amounts in thousands except per share amounts):

Nine Months Ended September 30,	Distributions Declared	Distributions Declared Per Share (1)	Distributions Paid (2) Cash	Distributions Paid (2) Reinvested via DRP	Distributions Paid (2) Total	Cash Flows From Operations
2017	$ 39,896	$ 0.45	$ 19,574	$ 20,415	$ 39,989	$ 42,799
2016	$ 39,156	$ 0.45	$ 18,315	$ 20,920	$ 39,235	$ 30,228

(1) Per share amounts are based on weighted average number of common shares outstanding.
(2) For the nine months ended September 30, 2017, 100% of the distributions were paid from cash flow from operations. For the nine months ended September 30, 2016, distributions of $9,007 (or 23.0%) were paid from the proceeds of the DRP and the remaining distributions were paid from cash flow from operations.

Results of Operations

The following discussions are based on our consolidated financial statements for the three and nine months ended September 30, 2017 and 2016. Dollar amounts are stated in thousands.

This section describes and compares our results of operations for the three and nine months ended September 30, 2017 and 2016. We generate almost all of our net operating income from property operations. In order to evaluate our overall portfolio, management analyzes the net operating income of properties that we have owned and operated for both periods presented, in their entirety, referred to herein as “same store” properties. By evaluating the property net operating income of our “same store” properties, management is able to monitor the operations of our existing properties for comparable periods to measure the performance of our current portfolio and determine the effects of our new acquisitions on net income.

Comparison of the three months ended September 30, 2017 and 2016

A total of 56 investment properties were acquired on or before July 1, 2016 and represent our "same store" properties during the three months ended September 30, 2017 and 2016. "Non-same store," as reflected in the table below, consists of properties acquired after July 1, 2016. For the three months ended September 30, 2017, three properties constituted non-same store properties and for the three months ended September 30, 2016, no properties constituted non-same store properties. The following table presents the property net operating income broken out between same store and non-same store, prior to straight-line income, net, amortization of intangibles, interest, and depreciation and amortization for the three months ended September 30, 2017 and 2016, along with a reconciliation to net loss, calculated in accordance with U.S. GAAP.

	Total			Same Store			Non-Same Store		
	Three Months Ended September 30,			Three Months Ended September 30,			Three Months Ended September 30,		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
Rental income	$ 23,950	$ 22,736	$ 1,214	$ 22,712	$ 22,736	$ (24)	$ 1,238	—	$ 1,238
Tenant recovery income	7,248	6,285	963	7,051	6,285	766	197	—	197
Other property income	179	736	(557)	178	736	(558)	1	—	1
Total income	$ 31,377	$ 29,757	$ 1,620	$ 29,941	$ 29,757	$ 184	$ 1,436	—	$ 1,436
Property operating expenses	$ 5,354	$ 5,027	$ 327	$ 5,077	$ 5,027	$ 50	$ 277	—	$ 277
Real estate tax expense	4,386	3,576	810	4,303	3,576	727	83	—	83
Total property operating expenses	$ 9,740	$ 8,603	$ 1,137	$ 9,380	$ 8,603	$ 777	$ 360	—	$ 360
Property net operating income	$ 21,637	$ 21,154	$ 483	$ 20,561	$ 21,154	$ (593)	$ 1,076	—	$ 1,076
Straight-line income, net	$ 571	$ 631	$ (60)						
Intangible amortization and inducement	(3)	347	(350)						
General and administrative expenses	(875)	(1,245)	370						
Acquisition related costs	(62)	413	(475)						
Business management fee	(2,311)	(2,190)	(121)						
Depreciation and amortization	(15,492)	(14,442)	(1,050)						
Interest expense	(6,361)	(5,547)	(814)						
Interest and other income	20	18	2						
Equity in earnings (loss) of unconsolidated entities	20	(100)	120						
Net loss	$ (2,856)	$ (961)	$ (1,895)						

Net loss. Net loss was $2,856 and $961 for the three months ended September 30, 2017 and 2016, respectively.

Total property net operating income. On a "same store" basis, comparing the results of operations of investment properties owned during the three months ended September 30, 2017 with the results of the same investment properties owned during the three months ended September 30, 2016, property net operating income decreased $593, total property income increased $184, and total property operating expenses including real estate tax expense increased $777.

The increase in "same store" total property income is primarily due to an increase in overall tenant recovery income offset by lower termination fee income.

The increase in "same store" total property operating expenses is due to a net increase in real estate tax expense.

"Non-same store" total property net operating income increased $1,076 during 2017 as compared to 2016. The increase is a result of acquiring three additional retail properties after July 1, 2016. On a "non-same store" basis, total property income increased $1,436 and total property operating expenses increased $360 during the three months ended September 30, 2017 as compared to 2016 as a result of these acquisitions.

Straight-line income, net. Straight-line rent income decreased $60 in 2017 compared to 2016. This decrease is due to certain tenant rent abatements in 2016 that increased straight-line rental income.

Intangible amortization. Intangible amortization income decreased $350 in 2017 compared to 2016. The decrease is primarily attributable to changes in intangible assets and liabilities as a result of acquisitions in 2016 and 2017.

General and Administrative expenses. General and administrative expenses decreased $370 in 2017 compared to 2016. This decrease is primarily due to decreases in various administrative expenses.

Acquisition related costs. Acquisition related expenses increased $475 in 2017 compared to 2016. The increase is attributed to adjustments in deferred investment property acquisition obligations.

Business management fee. Business management fees increased $121 in 2017 compared to 2016. The increase is due to the acquisition of real estate which increased assets under management.

Depreciation and Amortization. Depreciation and amortization increased $1,050 in 2017, as compared to 2016. The increase is primarily due to acquisitions in 2016 and 2017.

Interest Expense. Interest expense increased $814 in 2017 compared to 2016. The increase is primarily due to additional financing of properties after October 1, 2016, increased amounts drawn under the Credit Facility and higher interest rates on our floating rate debt.

Comparison of the nine months ended September 30, 2017 and 2016

A total of 54 investment properties were acquired on or before January 1, 2016 and represent our "same store" properties during the nine months ended September 30, 2017 and 2016. "Non-same store," as reflected in the table below, consists of properties acquired after January 1, 2016. For the nine months ended September 30, 2017, five properties constituted non-same store properties and for the nine months ended September 30, 2016, two properties are considered non-same store properties. The following table presents the property net operating income broken out between same store and non-same store, prior to straight-line income, net, amortization of intangibles, interest, and depreciation and amortization for the nine months ended September 30, 2017 and 2016, along with a reconciliation to net loss, calculated in accordance with U.S. GAAP.

	Total			Same Store			Non-Same Store		
	Nine Months Ended September 30,			Nine Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
Rental income	$ 71,582	$ 67,312	$ 4,270	$ 65,047	$ 65,335	$ (288)	$ 6,535	$ 1,977	$ 4,558
Tenant recovery income	21,836	19,582	2,254	20,146	19,073	1,073	1,690	509	1,181
Other property income	352	909	(557)	349	908	(559)	3	1	2
Total income	$ 93,770	$ 87,803	$ 5,967	$ 85,542	$ 85,316	$ 226	$ 8,228	$ 2,487	$ 5,741
Property operating expenses	$ 15,866	$ 15,056	$ 810	$ 14,661	$ 14,682	$ (21)	$ 1,205	374	$ 831
Real estate tax expense	12,384	10,893	1,491	11,407	10,618	789	977	275	702
Total property operating expenses	$ 28,250	$ 25,949	$ 2,301	$ 26,068	$ 25,300	$ 768	$ 2,182	$ 649	$ 1,533
Property net operating income	$ 65,520	$ 61,854	$ 3,666	$ 59,474	$ 60,016	$ (542)	$ 6,046	$ 1,838	$ 4,208
Straight-line income, net	$ 1,276	$ 1,703	$ (427)						
Intangible amortization and inducement	1,058	535	523						
General and administrative expenses	(3,397)	(3,958)	561						
Acquisition related costs	(1,262)	(421)	(841)						
Business management fee	(6,871)	(6,421)	(450)						
Depreciation and									

amortization	(46,391)	(45,158)	(1,233)
Interest expense	(18,316)	(16,189)	(2,127)
Interest and other income	72	360	(288)
Equity in earnings (loss) of unconsolidated entities	20	193	(173)
Net loss	$ (8,291)	$ (7,502)	$ (789)

Net loss. Net loss was $8,291 and $7,502 for the nine months ended September 30, 2017 and 2016, respectively.

Total property net operating income. On a “same store” basis, comparing the results of operations of investment properties owned during the full nine months ended September 30, 2017 with the results of the same investment properties owned during the full nine months ended September 30, 2016, property net operating income decreased $542, total property income increased $226, and total property operating expenses including real estate tax expense increased $768.

The increase in “same store” total property income is primarily due to an increase in tenant recovery income offset by lower termination fee income.

The increase in “same store” total property operating expenses is primarily due to an increase in current year real estate tax expense, partially offset by a decrease in property operating expenses.

“Non-same store” total property net operating income increased $4,208 during 2017 as compared to 2016. The increase is a result of acquiring five retail properties after January 1, 2016. On a “non-same store” basis, total property income increased $5,741 and total property operating expenses increased $1,533 during the year to date ended September 30, 2017 as compared to 2016 as a result of these acquisitions.

Straight-line income, net. Straight-line rent income decreased $427 in 2017 compared to 2016. This decrease is due to certain tenant rent abatements in 2016 that increased straight-line rental income.

Intangible amortization. Intangible amortization income increased $523 in 2017 compared to 2016. The increase is primarily attributable to changes in intangible assets and liabilities as a result of recent acquisitions.

General and Administrative expenses. General and administrative expenses decreased $561 in 2017 compared to 2016. This decrease is primarily due to lower stock administration expenses.

Acquisition related costs. Acquisition related expenses increased $841 in 2017 compared to 2016. The increase is attributable to an amendment to our agreement at one of our properties that resulted in adjustments to deferred investment property acquisition obligations.

Business management fee. Business management fees increased $450 in 2017 compared to 2016. The increase is due to the acquisition of real estate which increased assets under management.

Depreciation and Amortization. Depreciation and amortization increased $1,233 in 2017, as compared to 2016. The increase is primarily due to acquisitions in 2016 and 2017.

Interest Expense. Interest expense increased $2,127 in 2017 compared to 2016. The increase is primarily due to additional financing of properties after January 1, 2016, increased amounts drawn under the Credit Facility and higher interest rates on our floating debt.

Interest and other income. Interest and other income decreased $288. The decrease is primarily due to lower interest earned as a result of lower cash balances in 2017 compared to 2016.

Critical Accounting Policies

Disclosures discussing all critical accounting policies are set forth in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on March 15, 2017, under the heading “Critical Accounting Policies.” There have been no changes to our critical accounting policies during the three months ended September 30, 2017.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Non-GAAP Financial Measures

Accounting for real estate assets in accordance with U.S. GAAP assumes the value of real estate assets is reduced over time. Because real estate values may rise and fall with market conditions, operating results from real estate companies that use U.S. GAAP accounting may not present a complete view of their performance. We use Funds from Operations, or FFO, a widely accepted metric to evaluate our performance. FFO provides a supplemental measure to compare our performance and operations to other REITs. Due to certain unique operating characteristics of real estate companies, the National Association of Real Estate Investment Trusts, or NAREIT, has promulgated a standard known as FFO, which it believes more accurately reflects the operating performance of a REIT. As defined by NAREIT, FFO means net income computed in accordance with U.S. GAAP, excluding gains (or losses) from sales of operating property, plus depreciation and amortization and after adjustments for unconsolidated entities in which the REIT holds an interest. In addition, NAREIT has further clarified the FFO definition to add-back impairment write-downs of depreciable real estate or of investments in unconsolidated entities that are driven by measurable decreases in the fair value of depreciable real estate. We have adopted the NAREIT definition for computing FFO.

Under U.S. GAAP, acquisition related costs are treated as operating expenses reducing our income. Publicly registered, non-listed REITs typically engage in a significant amount of acquisition activity in the early years of their operations, and thus incur significant acquisition related costs, during these initial years. Although other start up entities may engage in significant acquisition activity during their initial years, REITs such as us that are not listed on an exchange are unique in that they typically have a limited timeframe during which they acquire a significant number of properties and thus incur significant acquisition related costs. Due to the above factors and other unique features of publicly registered, non-listed REITs, the Investment Program Association, or "IPA," an industry trade group, published a standardized measure known as Modified Funds from Operations, or "MFFO", which the IPA has promulgated as a supplemental measure for publicly registered non-listed REITs and which may be another appropriate supplemental measure to reflect the operating performance of a non-listed REIT.

MFFO excludes costs associated with investing activities, some of which are acquisition related costs that affect our operations only in periods in which properties are acquired, and other non-operating items that are included in FFO. By excluding acquisition related costs, the use of MFFO provides another measure of our operating performance. Because MFFO may be a recognized measure of operating performance within the non-listed REIT industry, MFFO and the adjustments used to calculate it may be useful in order to evaluate our performance against other non-listed REITs. Like FFO, MFFO is not equivalent to our net income or loss as determined under U.S. GAAP, as detailed in the table below, and MFFO may not be a useful measure of the impact of long-term operating performance on value if we continue to acquire a significant amount of properties. MFFO should only be used as a measurement of our operating performance while we are acquiring a significant amount of properties because it excludes, among other things, acquisition costs incurred during the periods in which properties were acquired.

We believe our definition of MFFO, a non-U.S. GAAP measure, is consistent with the IPA's Guideline 2010-01, Supplemental Performance Measure for Publicly Registered, Non-Listed REITs: Modified Funds from Operations, or the "Practice Guideline," issued by the IPA in November 2010. The Practice Guideline defines MFFO as FFO further adjusted for the following items, as applicable, included in the determination of U.S. GAAP net income: acquisition fees and expenses; amounts relating to straight-line rents and amortization of above and below market lease assets and liabilities, accretion of discounts and amortization of premiums on debt investments; mark-to-market adjustments included in net income; nonrecurring gains or losses included in net income from the extinguishment or sale of debt, hedges, foreign exchange, derivatives or securities holdings where trading of such holdings is not a fundamental attribute of the business plan, unrealized gains or losses resulting from consolidation from, or deconsolidation to, equity accounting, and after adjustments for consolidated and unconsolidated partnerships and joint ventures, with such adjustments calculated to reflect MFFO on the same basis.

Our presentation of FFO and MFFO may not be comparable to other similarly titled measures presented by other REITs. We believe that the use of FFO and MFFO provides a more complete understanding of our operating performance to stockholders and to management, and when compared year over year, reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs. Neither FFO nor MFFO is intended to be an alternative to "net income" or to "cash flows from operating activities" as determined by U.S. GAAP as a measure of our capacity to pay distributions. Management uses FFO and MFFO to compare our operating performance to that of other REITs and to assess our operating performance.

Our FFO and MFFO for the nine months ended September 30, 2017 and 2016 are calculated as follows:

		Nine Months Ended September 30,	
		2017	2016
		(Dollar amounts in thousands)	
	Net loss	$ (8,291)	$ (7,502)
Add:	Depreciation and amortization related to investment properties	46,391	45,158
	Funds from operations (FFO)	$ 38,100	$ 37,656
Add:	Acquisition related costs	1,262	421
Less:	Amortization of acquired market lease intangibles, net	(1,069)	(537)
	Straight-line income, net	(1,276)	(1,703)
	Modified funds from operations (MFFO)	$ 37,017	$ 35,837

Subsequent Events

For information related to subsequent events, reference is made to Note 15 – "Subsequent Events" which is included in our September 30, 2017 Notes to Consolidated Financial Statements in Item 1.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

We are exposed to various market risks, including those caused by changes in interest rates and commodity prices. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and commodity prices. We do not enter into derivatives or other financial instruments for trading or speculative purposes. We have entered into, and may continue to enter into, financial instruments to manage and reduce the impact of changes in interest rates. The counterparties are, and are expected to continue to be, major financial institutions.

Interest Rate Risk

We are exposed to interest rate changes primarily as a result of long-term debt used to purchase properties or other real estate assets and to fund capital expenditures.

As of September 30, 2017, we had outstanding debt of approximately $683.2 million, excluding mortgage premium and unamortized debt issuance costs, bearing interest rates ranging from 2.84% to 5.95% per annum. The weighted average interest rate was 3.61%, which includes the effect of interest rate swaps. As of September 30, 2017, the weighted average years to maturity for our mortgages and credit facility payable was approximately 4.7 years.

As of September 30, 2017, our fixed-rate debt consisted of secured mortgage financings with a carrying value of $178.2 million and a fair value of $175.3 million. Changes in market interest rates on our fixed-rate debt generally affect the fair value of debt and net asset value per share, but not our earnings or cash flows. Therefore, interest rate risk does not have a significant impact on our fixed rate debt obligations until their maturity or earlier prepayment. An increase in market interest rates would result in a decrease in the fair value of our fixed-rate debt. A decrease in market interest rates would result in an increase in the fair value of our fixed-rate debt.

As of September 30, 2017, we had $121.5 million of debt or 17.78% of our total debt bearing interest at variable rates with a weighted average interest rate equal to 2.98% per annum. We had variable rate debt subject to swap agreements of $383.5 million, or 56.14% of our total debt at September 30, 2017.

If interest rates on all debt which bears interest at variable rates as of September 30, 2017 increased by 1% (100 basis points), the increase in interest expense on all debt would decrease earnings and cash flows by approximately $1.1 million annually. If interest rates on all debt which bears interest at variable rates as of September 30, 2017 decreased by 1% (100 basis points), the decrease in interest expense would increase earnings and cash flows by the same amount.

With regard to variable rate financing, our Business Manager assesses our interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. Our Business Manager maintains risk management control systems to monitor interest rate cash flow risk attributable to both of our outstanding or forecasted debt obligations as well as our potential offsetting hedge positions.

We use derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our assets. Derivative instruments may include interest rate swap contracts, interest rate cap or floor contracts, futures or forward contracts, options or

repurchase agreements. Our actual hedging decisions are determined in light of the facts and circumstances existing at the time of the hedge. We have used derivative financial instruments, specifically interest rate swap contracts, to hedge against interest rate fluctuations on variable rate debt, which exposes us to both credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty will owe us, which creates credit risk for us because the counterparty may not perform. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. We seek to manage the market risk associated with interest-rate contracts by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. There is no assurance we will be successful.

Derivatives

For information related to our derivatives, reference is made to Note 7 – "Debt and Derivative Instruments" which is included in our September 30, 2017 Notes to Consolidated Financial Statements in Item 1.

Item 4. Controls and Procedures

Controls and Procedures

Our management has evaluated, with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the principal executive and principal financial officers have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) or Rule 15d-15(f)) during the three months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

We are not a party to, and none of our properties are subject to, any material pending legal proceedings.

Item 1A. Risk Factors

The following risk factors supplement the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2016.

We have incurred a net loss on a U.S. GAAP basis for the quarterly period ended September 30, 2017.

We have incurred a net loss on a U.S. GAAP basis for the three and nine months ended September 30, 2017 of $2.9 and $8.3 million, respectively. Our loss can be attributed, in part, to property operating expenses, interest expense, acquisition related expenses and depreciation and amortization. We may incur net losses in the future, which could have a material adverse impact on our financial condition, operations, cash flow, and our ability to service our indebtedness and pay distributions to our stockholders. We are subject to all of the business risks and uncertainties associated with any business. We cannot assure our stockholders that, in the future, we will be profitable or that we will realize growth in the value of our assets.

Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to make distributions to our stockholders.

We have borrowed money, which bears interest at variable rates, and therefore are exposed to increases in costs in a rising interest rate environment. Increases in interest rates would increase our interest expense on any variable rate debt, as well as any debt that must be refinanced at higher interest rates at the time of maturity. Our future earnings and cash flows could be adversely affected due to the increased requirement to service our debt and could reduce the amount we are able to distribute to our stockholders. As of September 30, 2017, we had $121.5 million of debt or 17.78% of our total debt that bore interest at variable rates with a weighted average interest rate of 2.98%. We had variable rate debt subject to swap agreements fixing the rate of $383.5 million or 56.14% of our total debt at September 30, 2017.

If we cannot generate sufficient cash flow from operations to fully fund distributions, some or all of our distributions may be paid from other sources, including from the proceeds of our DRP, which will reduce the amount of cash we ultimately have to invest in assets.

Historically, we had not consistently generated sufficient cash flow from operations to fund distribution payments. Our organizational documents permit us to pay distributions from sources other than cash flow from operations. Specifically, some or all of our distributions may be paid from retained cash flow (if any), from borrowings and from cash flow from investing activities, including the net proceeds from the sale of our assets, or from the net proceeds of our Offering and DRP. Accordingly, if we cannot continue to generate sufficient cash flow from operations to fully fund distributions, some or all of our distributions may be paid from other sources, including from the proceeds of our DRP. We have not established any limit on the extent to which we may use alternate sources, including borrowings or proceeds of the DRP, to pay distributions. There is no assurance we will continue to generate sufficient cash flow from operations to cover distributions. We began declaring distributions to stockholders of record during December 2012. Approximately 23% ($33.5 million) of the distributions paid to stockholders through September 30, 2017, have been paid from the net proceeds of our Offering and DRP, which reduced the proceeds available for other purposes. To the extent we pay cash distributions, or a portion thereof, from sources other than cash flow from operations, we will have less capital available to invest in properties and other real estate-related assets, the book value per share may decline, and there will be no assurance that we will be able to sustain distributions at that level.

The financial covenants under our credit agreement may restrict our ability to make distributions and our operating and acquisition activities. If we breach the financial covenants, we could be held in default under the credit agreement, which could accelerate our repayment date and materially adversely affect our liquidity and financial condition.

We entered into a credit agreement, as amended, for a $110 million revolving Credit Facility. The credit agreement provides us with the ability from time to time to increase the size of the Credit Facility, subject to certain conditions. Our performance of the obligations under the credit agreement, including the payment of any outstanding indebtedness, is secured by a minimum pool of five unencumbered properties with an unencumbered pool value of $110 million or above and by a guaranty by certain of our subsidiaries. As of September 30, 2017, we have borrowed $67.3 million of the $110 million available.

The credit agreement requires compliance with certain financial covenants, including, among other conditions, a minimum tangible net worth requirement, restrictions on indebtedness, a distribution limitation and other material covenants. These covenants could inhibit our ability to make distributions to our stockholders and to pursue certain business initiatives or effect certain transactions that might otherwise be beneficial to us. For example, without lender consent, we may not declare and pay distributions or honor any redemption requests if any default under the agreement then exists or if distributions, excluding any distributions reinvested through our DRP, for the then-current quarter and the three immediately preceding quarters would exceed 95% of our adjusted FFO, which is FFO excluding acquisition expenses for that period. For the fiscal quarter ended September 30, 2017, distributions did not exceed 95% of our adjusted FFO.

The credit agreement also provides for several customary events of default, including, among other things, the failure to comply with our covenants and the failure to pay when amounts outstanding under the credit agreement become due. Declaration of a default by the lenders under the credit agreement could restrict our ability to borrow additional monies and could cause all amounts to become immediately due and payable, which would materially adversely affect our liquidity and financial condition.

If a tenant declares bankruptcy, we may be unable to collect balances due under relevant leases.

Any of our tenants or any guarantor of a tenant's lease obligations could be subject to a bankruptcy proceeding in pursuit of Title 11 of the bankruptcy laws of the United States. A bankruptcy filing of our tenants or any guarantor of a tenant's lease obligations would bar all efforts to collect pre-bankruptcy debts from these entities or their properties, unless we receive an enabling order from the bankruptcy court. Post-bankruptcy debts would be paid currently. If a lease is assumed, all pre-bankruptcy balances owing under it must be paid in full. If a lease is rejected by a tenant in bankruptcy, we would only have a general unsecured claim for damages. If a lease is rejected, it is unlikely we would receive any payments from the tenant because our claim is capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid. This claim could be paid only if the funds were available, and then only in the same percentages as that realized on other unsecured claims.

A tenant or lease guarantor bankruptcy could delay efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums. A tenant or lease guarantor bankruptcy could cause a decrease or cessation of rental payments that would mean a reduction in our cash flow and the amount available for distributions to our stockholders. In the event of a

bankruptcy there can be no assurance that the tenant or its trustee will assume our lease. If a given lease or guaranty of a lease is not assumed, our cash flow and the amounts available for distributions to our stockholders may be adversely affected.

Our portfolio included three stores leased to Sports Authority, which filed for bankruptcy in 2016. Two of our three Sports Authority leases were rejected on June 30, 2016, and the third one was rejected July 29, 2016. The annualized rent and reimbursements under these leases would have totaled approximately $2.2 million. We are currently finalizing lease negotiations with a national discount clothing retailer for our Omaha, NE asset. In addition, we have signed a letter of intent with a regional fitness operator for our Mansfield, TX location. Lastly, we have a temporary tenant occupying space at our Lake St. Louis, MO asset while we continue to seek a quality replacement tenant for that space.

Investing in subordinated debt involves greater risks of loss than senior loans secured by the same properties.

We entered into mezzanine loan agreements pursuant to which we made a mezzanine financing commitment of approximately $5.4 million in the aggregate. We may continue to invest in mezzanine debt and other subordinated debt. These types of investments carry a higher degree of risk of loss than senior secured debt investments because in the event of default and foreclosure, holders of senior liens will be paid in full before subordinated investors and, depending on the value of the underlying collateral, there may not be sufficient assets to pay all or any part of amounts owed to subordinated investors. Moreover, mezzanine debt and other subordinated debt investments may have higher loan-to-value ratios than conventional senior lien financing, resulting in less equity in the collateral and increasing the risk of loss of principal. If a borrower defaults or declares bankruptcy, we may be subject to agreements restricting or eliminating our rights as a creditor, including rights to call a default, foreclose on collateral, accelerate maturity or control decisions made in bankruptcy proceedings. In addition, senior lenders may limit the amount or timing of interest and principal payments while the senior secured debt is outstanding.

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

Recent Sales of Unregistered Equity Securities

During the period covered by this quarterly report, we did not sell any equity securities that were not registered under the Securities Act.

Share Repurchase Program

Under the SRP, we are authorized to purchase shares from stockholders who purchased their shares from us or received their shares through a non-cash transfer and who have held their shares for at least one year, if requested, if we choose to repurchase them. Subject to funds being available, we will limit the number of shares repurchased during any calendar year to 5% of the number of shares outstanding at December 31st of the previous calendar year. Funding for the SRP comes from proceeds we receive from the DRP. In the case of repurchases made upon the death of a stockholder or qualifying disability, as defined in the SRP, neither the one year holding period, the limit regarding funds available from the DRP nor the 5% limit applies. The SRP will immediately terminate if our shares become listed for trading on a national securities exchange. In addition, our board of directors, in its sole direction, may, at any time, amend, suspend or terminate the SRP.

The table below outlines the shares we repurchased pursuant to our SRP during the three months ended September 30, 2017.

(Dollar amounts in thousands, except per share amounts)

Period	Total Shares Requested to be Repurchased	Total Number of Shares Repurchased	Average Price Paid per Share	Amount of Shares Repurchased	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
July 2017	263,967	263,967	$ 8.86	$ 2,337	263,967	3,420,102
August 2017	297,425	297,425	$ 8.73	2,598	297,425	3,122,677
September 2017	210,072	210,072	$ 8.80	1,850	210,072	2,912,605
Total	771,464	771,464	$ 8.80	$ 6,785	771,464	

(1) Our SRP was announced on October 18, 2012

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

The representations, warranties and covenants made by us in any agreement filed as an exhibit to this Form 10-Q are made solely for the benefit of the parties to the agreement, including, in some cases, for the purpose of allocating risk among the parties to the agreement, and should not be deemed to be representations, warranties or covenants to, or with, you. Moreover, these representations, warranties and covenants should not be relied upon as accurately describing or reflecting the current state of our affairs.

The exhibits filed in response to Item 601 of Regulation S-K are listed on the Exhibit Index attached hereto and are incorporated herein by reference.

Exhibit Index

Exhibit No.	Description
31.1	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification by Co-Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.3	Certification by Co-Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification by Co-Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.3	Certification by Co-Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	The following financial information from our Quarterly Report on Form 10-Q for the period ended September 30, 2017, filed with the Securities and Exchange Commission on November 8, 2017 is formatted in Extensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations and Comprehensive Loss; (iii) Consolidated Statement of Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements (tagged as blocks of text)

* Filed as part of this Quarterly Report on Form 10-Q.

SIGNATURES

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

INLAND REAL ESTATE INCOME TRUST, INC.

	/s/ Mitchell A. Sabshon
By:	Mitchell A. Sabshon President and Chief Executive Officer (principal executive officer)
Date:	November 8, 2017
	/s/ Catherine L. Lynch
By:	Catherine L. Lynch Chief Financial Officer (co-principal financial officer)
Date:	November 8, 2017
	/s/ David Z. Lichterman
By:	David Z. Lichterman Vice President, Treasurer and Chief Accounting Officer (co-principal financial officer and principal accounting officer)
Date:	November 8, 2017

(Back To Top)

Section 2: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION

I, Mitchell A. Sabshon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of **Inland Real Estate Income Trust, Inc**.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

/s/ Mitchell A. Sabshon

Name: Mitchell A. Sabshon
Title: President and Chief Executive Officer
(Principal Executive Officer)
Date: November 8, 2017

(Back To Top)

Section 3: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION

I, Catherine L. Lynch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of **Inland Real Estate Income Trust, Inc.**;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Catherine L. Lynch

Name: Catherine L. Lynch
Title: Chief Financial Officer
(Co-Principal Financial Officer)
Date: November 8, 2017

(Back To Top)

Section 4: EX-31.3 (EX-31.3)

Exhibit 31.3

CERTIFICATION

I, David Z. Lichterman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of **Inland Real Estate Income Trust, Inc.**;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

	/s/ David Z. Lichterman
Name:	David Z. Lichterman
Title:	Vice President, Treasurer and Chief Accounting Officer (Co-Principal Financial Officer and Principal Accounting Officer
Date:	November 8, 2017

(Back To Top)

Section 5: EX-32.1 (EX-32.1)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of **Inland Real Estate Income Trust, Inc.** (the "Company") for the fiscal quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mitchell A. Sabshon, President and Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2017

By:	/s/ Mitchell A. Sabshon
Name:	Mitchell A. Sabshon
Title:	President and Chief Executive Officer (Principal Executive Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)

Section 6: EX-32.2 (EX-32.2)

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of **Inland Real Estate Income Trust, Inc.** (the "Company") for the fiscal quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Catherine L. Lynch, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2017

By: /s/ Catherine L. Lynch
Name: Catherine L. Lynch
Title: Chief Financial Officer
(Co-Principal Financial Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)

Section 7: EX-32.3 (EX-32.3)

Exhibit 32.3

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

In connection with the Quarterly Report on Form 10-Q of **Inland Real Estate Income Trust, Inc.** (the "Company") for the fiscal quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David Z. Lichterman, Vice President, Treasurer and Chief Accounting Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

Date: November 8, 2017

By: /s/ David Z. Lichterman
Name: David Z. Lichterman
Title: Vice President, Treasurer and Chief Accounting Officer
(Co-Principal Financial Officer and Principal Accounting Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)