Section 1: 10-K (10-K)

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

☐ **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)

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.001 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 ☒

There is no established public market for the registrant's shares of common stock. On March 20, 2018, the board of directors of the registrant determined an estimated per share net asset value of the registrant's common stock of $22.35. Based on this estimated per share net asset value, the aggregate value of the registrant's common stock held by non-affiliates as of June 30, 2018 (the last business day of the registrant's most recently completed second fiscal quarter) was $786,260,115. As of March 14, 2019, there were 35,590,899 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant incorporates by reference portions of its Definitive Proxy Statement for the 2019 Annual Meeting of Stockholders, which is expected to be filed no later than 120 days after the end of the fiscal year, into Part III of this Form 10-K to the extent stated herein.

INLAND REAL ESTATE INCOME TRUST, INC.

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PART I

Item 1. Business

General

Inland Real Estate Income Trust, Inc. (which we refer to herein as the "Company", "we", "our" or "us") was incorporated on August 24, 2011 to acquire and manage a portfolio of commercial real estate investments located in the United States. We have primarily focused on acquiring retail properties and intend to target a portfolio of 100% grocery-anchored properties as described below. We have 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 our 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 ("CMBS"). Our sponsor, Inland Real Estate Investment Corporation, referred to herein as our "Sponsor" or "IREIC," is an indirect subsidiary of The Inland Group, Inc. Various affiliates of our Sponsor provide services to us. We are externally managed and advised by IREIT Business Manager & Advisor, Inc., referred to herein as our "Business Manager," an indirect wholly owned subsidiary of our Sponsor. Our Business Manager is responsible for overseeing and managing our day-to-day operations. Our properties are managed by Inland Commercial Real Estate Services LLC, referred to herein as our "Real Estate Manager," an indirect wholly owned subsidiary of our Sponsor.

On January 16, 2018, we effected a 1-for-2.5 reverse stock split of our issued and outstanding common stock whereby every 2.5 shares of our issued and outstanding common stock were converted into one share of our common stock (the "Reverse Stock Split"). In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), all share information presented has been retroactively adjusted to reflect the Reverse Stock Split.

We commenced an initial public "best efforts" offering (the "Offering") on October 18, 2012, which concluded on October 16, 2015. We sold 33,534,022 shares of common stock generating gross proceeds of $834.4 million from the Offering. On March 5, 2019, our board of directors determined an estimated per share net asset value (the "Estimated Per Share NAV") of our common stock as of December 31, 2018 of $20.12. The previously estimated per share net asset value of $22.35 as of December 31, 2017 was established on March 20, 2018.

At December 31, 2018, we owned 59 retail properties, totaling 6.9 million square feet. At December 31, 2018, our portfolio had weighted average physical and economic occupancy of 94.1% and 94.7%, respectively. As of December 31, 2018, 2017 and 2016, annualized base rent ("ABR") per square foot averaged $17.30, $17.16 and $17.25, respectively, for all properties owned. ABR is calculated by annualizing the current, in-place monthly base rent for leases, including any tenant concessions, such as rent abatement or allowances, which may have been granted and excluding ground leases. ABR including ground leases averaged $14.94, $14.81 and $15.13 as of December 31, 2018, 2017 and 2016, respectively.

On February 11, 2019, our board of directors approved a strategic plan with the goals of providing a liquidity event in the next 24 to 36 months, or sooner, market conditions permitting, most likely through a listing on a public securities exchange. The strategic plan centers around owning a portfolio of 100% grocery-anchored properties with lower exposure to big box retailers. As part of this strategy, our management team and our board of directors will consider the opportunistic sale of certain assets with the goal of redeploying capital into the acquisition of strategically located grocery-anchored centers, as well as the redevelopment of select centers within the current portfolio. In connection with the strategic plan, our board approved amendments to the SRP as further described below under "–Share Repurchase Program," and the business management agreement with the Business Manager was amended and restated on February 11, 2019 to, among other things, eliminate all future acquisition and disposition fees. There can be no assurance that the strategic plan will not evolve or change over time or that we will be able to successfully implement the strategic plan, including listing our common stock.

We provide the following programs to facilitate additional investment in our shares and to provide limited liquidity for stockholders.

Distribution Reinvestment Plan

Through the distribution reinvestment plan ("DRP"), we provide stockholders with the option to purchase additional shares from us by automatically reinvesting distributions, subject to certain share ownership restrictions. We do not pay any selling commissions or a marketing contribution and due diligence expense allowance in connection with the DRP. The price per share for shares of common stock purchased under the DRP is equal to the Estimated Per Share NAV unless and until the shares become listed for trading. On March 20, 2018, we reported a new Estimated Per Share NAV of $22.35 and on March 11, 2019, we reported a new Estimated Per Share NAV of $20.12. Beginning with the first quarter 2019 distribution payable in April, shares sold through the DRP will be at a price equal to $20.12 until we update the Estimated Per Share NAV in 2020.

Distributions reinvested through the DRP were $19.3 million, $27.1 million and $27.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Share Repurchase Program

We adopted a share repurchase program (as amended, "SRP") effective October 18, 2012, under which 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 purchase them. In the case of repurchases made upon the death of a stockholder or qualifying disability, the one year holding period does not apply. The SRP was amended and restated effective January 1, 2018 to change the processing of repurchase requests from a monthly to a quarterly basis to align with the move to quarterly distributions. On February 11, 2019, our board adopted a second amended and restated SRP (the "A&R SRP"), which will become effective on March 21, 2019.

Under the A&R SRP, we are authorized to make ordinary repurchases at a price equal to 80.0% of the "share price," which is defined in the A&R SRP as an amount equal to the lesser of: (A) $25, as adjusted under certain circumstances, including, among other things, if the applicable shares were purchased from the Company at a discounted price; or (B) the most recently disclosed estimated value per share. Prior to the amendment, we were authorized to make ordinary repurchases at a price ranging from 92.5% to 100% of the "share price." We may repurchase shares upon a stockholder's death or qualifying disability at a price equal to 100% of the "share price." Beginning with repurchases in April 2019, the "share price" will be equal to $20.12 per share until we announce a new Estimated Per Share NAV. Accordingly, ordinary repurchases will be at $16.10 per share and repurchases for death or qualifying disability will be at $20.12 per share.

The A&R SRP provides our board of directors with the discretion to reduce the funding limit for share repurchases. Prior to the amendment, the funding for ordinary repurchases was limited to the proceeds from the DRP during a particular quarter. The A&R SRP limits the dollar amount for any repurchases made by us each calendar quarter to an amount equal to a percentage determined in the sole discretion of our board on a quarterly basis that will not be less than 50% of the net proceeds from the DRP during the applicable quarter. We continue to limit 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, as adjusted for the Reverse Stock Split.

If either or both of the repurchase limitations prevent us from repurchasing all of the shares offered for repurchase during a calendar quarter, we will repurchase shares, on a pro rata basis within each category below, in accordance with the repurchase limitations in the following order: (a) first, all repurchases sought upon a stockholder's death or qualifying disability and (b) second, all ordinary repurchases. Shares not repurchased due to the pro rata impact will be included in the list of requests in the immediately following calendar quarter, unless the request is withdrawn. The A&R SRP provides that a requesting party must own shares of at least $500 after giving effect to any repurchase by the Company. If a requesting party would fail to maintain this minimum balance after giving effect to any repurchase, we may, in our discretion, repurchase the remaining balance of shares which is less than $500, subject to the 5% share limit described above. 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.

Repurchases through the SRP were $22.5 million, $21.1 million and $9.7 million for the years ended December 31, 2018, 2017 and 2016, respectively. At December 31, 2018 and 2017, our liability related to the SRP was $5.5 million and $2.5 million, respectively, recorded in other liabilities on our consolidated balance sheets.

Segment Data

We currently view our real estate portfolio as one reportable segment in accordance with U.S. GAAP. Accordingly, we did not report any other segment disclosure for the years ended December 31, 2018, 2017 and 2016. For information related to our business segment, reference is made to Note 12 – "Segment Reporting" which is included in our December 31, 2018 Notes to Consolidated Financial Statements in Item 8.

Tax Status

We 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 ("Internal Revenue Code"), commencing with the tax year ended December 31, 2013. Commencing with such taxable year, we were organized and began operating in such a manner as to qualify for taxation as a REIT under the Internal Revenue Code and believe we have so qualified. As a result, we generally will not be subject to federal income tax on taxable income that is distributed to stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distributes at least 90% of its REIT taxable income (subject to certain adjustments and excluding any net capital gain) to its stockholders. We will monitor the business and transactions that may potentially impact our REIT status. If we fail to qualify as a REIT in any taxable year, without the benefit of certain relief provisions, we will be subject to federal and state income tax on our taxable income at regular corporate tax rates. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income, property or net worth and federal income and excise taxes. The earnings of any taxable REIT subsidiaries, generally will be subject to U.S. federal corporate income tax.

Competition

The commercial real estate market is highly competitive. We compete in all of our markets with other owners and operators of commercial properties. We compete based on a number of factors that include location, rental rates, security, suitability of the property's design to tenants' needs and the manner in which the property is operated and marketed. The number of competing properties in a particular market could have a material effect on a property's occupancy levels, rental rates and operating expenses.

We are subject to significant competition in seeking real estate investments and tenants. We compete with many third parties engaged in real estate investment activities including other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, lenders, hedge funds, governmental bodies and other entities. Some of these competitors, including larger REITs, have substantially greater financial resources than we do and generally enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies.

Employees

We do not have any employees. In addition, all of our executive officers are officers of IREIC or one or more of its affiliates and are compensated by those entities, in part, for their services rendered to us. We neither separately compensate our executive officers for their service as officers, nor do we reimburse either our Business Manager or Real Estate Manager for any compensation paid to individuals who also serve as our executive officers, or the executive officers of our Business Manager or its affiliates or our Real Estate Manager; provided that, for these purposes, the corporate secretaries of our Company and our Business Manager are not considered "executive officers."

Conflicts of Interest

Certain persons performing services for our Business Manager and Real Estate Manager are employees of IREIC or its affiliates, and may also perform services for its affiliates and other IREIC-sponsored entities. These individuals face competing demands for their time and services and may have conflicts in allocating their time between our business and assets and the business and assets of these other entities. IREIC also may face a conflict of interest in allocating personnel and resources among these entities. In addition, conflicts exist to the extent that we acquire properties in the same geographic areas where properties owned by other IREIC-sponsored programs are located. In these cases, a conflict may arise in the acquisition or leasing of properties if we and another IREIC-sponsored program are competing for the same properties or tenants in negotiating leases, or a conflict may arise in connection with the resale of properties if we and another IREIC-sponsored program are selling similar properties at the same time.

Our charter contains provisions setting forth our ability to engage in certain related party transactions. Our board of directors reviews all of these transactions and, as a general rule, any related party transactions must be approved by a majority of the directors, including a majority of the independent directors, not otherwise interested in the transaction. Further, we may not engage in certain transactions with entities sponsored by, or affiliated with, IREIC unless a majority of our board of directors, including a majority of our independent directors, finds the transaction to be fair and reasonable and on terms no less favorable to us than those from an unaffiliated party under the same circumstances. Our board has adopted a conflicts of interest policy prohibiting us from engaging in the following types of transactions with IREIC-affiliated entities:

- purchasing real estate assets from, or selling real estate assets to, any IREIC-affiliated entities (excluding circumstances where an entity affiliated with IREIC, such as Inland Real Estate Acquisitions, LLC ("IREA"), from time to time may enter into a purchase agreement to acquire a property and then assign the purchase agreement to us);
- making loans to, or borrowing money from, any IREIC-affiliated entities (this excludes expense advancements under existing agreements and the deposit of monies in any banking institution affiliated with IREIC); and
- investing in joint ventures with any IREIC-affiliated entities.

This policy does not impact agreements or relationships between us and IREIC and its affiliates, including, for example, agreements with our Business Manager or Real Estate Manager that relate to the day-to-day management of our business.

Environmental Matters

As an owner of real estate, we are subject to various environmental laws, rules and regulations adopted by various governmental bodies or agencies. Compliance with these laws, rules and regulations has not had a material adverse effect on our business, assets, or results of operations, financial condition and ability to pay distributions. We do not believe that our existing portfolio as of December 31, 2018 will require us to incur material expenditures to comply with these laws and regulations.

Access to Company Information

We electronically file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports with the Securities and Exchange Commission ("SEC"). The public may read and copy any of the reports that are filed with the SEC at the SEC's Internet address located at www.sec.gov. The website contains reports, proxy and information statements and other information regarding issuers that file electronically.

We make available, free of charge, on our website, inland-investments.com/inland-income-trust, or by responding to requests addressed to our investor services group, the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports. These reports are available as soon as reasonably practicable after such material is electronically filed or furnished to the SEC.

Certifications

We have filed with the SEC the certifications required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, which are attached as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K.

Item 1A. Risk Factors

The factors described below represent our principal risks. Other factors may exist that we do not consider significant based on information that is currently available or that we are not currently able to anticipate. The occurrence of any of the risks discussed below could have a material adverse effect on our business, financial condition, results of operations and ability to pay distributions to our stockholders.

Risks Related to Our Business

We have incurred net losses on a basis in accordance with U.S. GAAP for the years ended December 31, 2018, 2017 and 2016.

We have incurred net losses on a U.S. GAAP basis for the years ended December 31, 2018, 2017 and 2016 of $23.3 million, $19.1 million and $8.0 million, respectively. Our losses can be attributed, in part, to non-cash expenses, such as depreciation and amortization, acquisition related expenses and, in 2018 and 2017, impairment charges. 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.

The amount and timing of distributions, if any, may vary. We have paid and may continue to pay distributions from sources other than cash flow from operations, including the proceeds of our DRP.

There are many factors that can affect the availability and timing of distributions paid to our stockholders such as our ability to buy, and earn positive yields on, assets, our operating expense levels, as well as many other variables. We may not generate sufficient cash flow from operations to fund any distributions to our stockholders. The actual amount and timing of distributions, if any, is determined by our board of directors in its discretion, based on its analysis of our actual and expected cash flow, capital expenditures and investments, as well as general financial conditions. Actual cash available for distribution may vary substantially from estimates made by our board. In addition, to the extent we invest in development or redevelopment projects, or in real estate assets that have significant capital requirements, our ability to make distributions may be negatively impacted.

Historically, we have 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 proceeds of our 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.

Funding distributions from the proceeds of our DRP, borrowings or asset sales will result in us having fewer funds available to acquire properties or other real estate-related investments. As a result, the return our stockholders realize on their investment may be reduced. Doing so may also negatively impact our ability to generate cash flows. Likewise, funding distributions from the sale of additional securities will dilute our stockholders interest in us on a percentage basis and may impact the value of their investment especially if we sell these securities at prices less than the price our stockholders paid for their shares. A decrease in the level of stockholder participation in the DRP could have an adverse impact on our ability to fund distributions and other operating and capital needs. There is no assurance we will continue to generate sufficient cash flow from operations to cover distributions. If these sources are not available or are not adequate, our board may have to consider reducing or eliminating distributions.

Our Business Manager is under no obligation, and may not agree, to continue to forgo or defer its business management fee.

Prior to December 31, 2015, our Business Manager had forgone business management fees and acquisition fees of $0.7 million and $4.8 million, respectively.

We have funded and may continue to fund distributions from, among other things, advances or contributions from our Business Manager or IREIC or from the cash retained by us in the case that our Business Manager defers, accrues or waives all, or a portion, of its business management fee, or waives its right to be reimbursed for certain expenses. Neither our Business Manager nor IREIC has any obligation to provide us with advances or contributions, and our Business Manager is not obligated to defer, accrue or waive any portion of its business management fee, or reimbursements. Further, there is no assurance that any of these other sources will be available to fund distributions.

There is no established public trading market for our shares, and our stockholders may not be able to sell their shares under our 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.

There is no established public trading market for our shares and no assurance that one may develop. This may inhibit the transferability of our shares. Our charter does not require our directors to seek stockholder approval to liquidate our assets by a specified date, nor does our charter require our directors to list our shares for trading by a specified date. There is no assurance the board will pursue a listing or other liquidity event at any time in the future. In addition, even if our board decides to seek a listing of our shares of common stock, there is no assurance that we will satisfy the listing requirements or that our shares will be approved for listing. Even if our shares of common stock are approved for listing, we can provide no assurance regarding the price at which our shares may trade. Thus, holders of our common stock should be prepared to hold their shares for an unlimited period of time. Our charter also prohibits the ownership of more than 9.8% in value of the aggregate of the outstanding shares of our stock or more than 9.8% (in value or number whichever is more restrictive) of the aggregate of the outstanding shares of our common stock by any single investor unless exempted by our board.

Moreover, our SRP contains numerous restrictions that limit our stockholders' ability to sell their shares, including those relating to the number of shares of our common stock that we can repurchase at any time and the type and amount of funds we may use to repurchase shares pursuant to the program. Also, under the SRP, we are only 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. The SRP will immediately terminate if our shares become listed for trading on a national securities exchange.

Our board of directors, in its sole discretion, may amend, suspend (in whole or in part), or terminate our SRP. Further, our board reserves the right in its sole discretion to change the repurchase prices or reject any requests for repurchases. Any amendments to, or suspension or termination of, the SRP may restrict or eliminate our stockholders’ ability to have us repurchase their shares and otherwise prevent our stockholders from liquidating their investment. Therefore, our stockholders may not have the opportunity to make a repurchase request prior to a potential termination of the SRP and our stockholders may not be able to sell any of their shares of common stock back to us. As a result of these restrictions and circumstances, the ability of our stockholders to sell their shares should they require liquidity is significantly restricted. Moreover, if our stockholders do sell their shares of common stock back to us pursuant to the SRP, they may be forced to do so at a discount to the purchase price such stockholders paid for their shares.

The Estimated Per Share NAV of our common stock is based on a number of assumptions and estimates that may not be accurate or complete and is also subject to a number of limitations.

On March 11, 2019, we announced an Estimated Per Share NAV of our common stock as of December 31, 2018 equal to $20.12 per share. To assist our board of directors in establishing the Estimated Per Share NAV, we engaged a third party specializing in providing real estate financial services. As with any methodology used to estimate value, the methodology employed by this third party was based upon a number of estimates and assumptions that may not have been accurate or complete. Further, different parties using different assumptions and estimates could have derived a different estimated per share net asset value, which could be significantly different from our Estimated Per Share NAV. The Estimated Per Share NAV will fluctuate over time and does not represent: (i) the price at which our shares would trade on a national securities exchange, (ii) the amount per share a stockholder would obtain if he, she or it tried to sell his, her or its shares, (iii) the amount per share stockholders would receive if we liquidated our assets and distributed the proceeds after paying all our expenses and liabilities or (iv) the price a third party would pay to acquire our Company.

There is also no assurance that the methodology used to estimate our value per share will be acceptable to broker dealers for customer account purposes or to the Financial Industry Regulatory Authority, Inc. (“FINRA”) or that the estimated value per share will satisfy the applicable annual valuation requirements under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code with respect to employee benefit plans subject to ERISA and other retirement plans or accounts subject to Section 4975 of the Internal Revenue Code.

Our charter authorizes us to issue additional shares of stock, which may reduce the percentage of our common stock owned by our other stockholders, subordinate stockholders' rights or discourage a third party from acquiring us.

Existing stockholders do not have preemptive rights to purchase any shares issued by us in the future. Our charter authorizes us to issue up to 1,500,000,000 shares of capital stock, of which 1,460,000,000 shares are classified as common stock and 40,000,000 shares are classified as preferred stock. We may, in the sole discretion of our board:

- sell additional shares in any future offerings including pursuant to the DRP;
- issue equity interests in a private offering of securities;
- classify or reclassify any unissued shares of common or preferred stock by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, or terms or conditions of redemption of the stock;
- amend our charter from time to time to increase or decrease the aggregate number of shares or the number of shares of any class or series that we have authority to issue; or
- issue shares of our capital stock in exchange for properties.

Future issuances of common stock will reduce the percentage of our outstanding shares owned by our other stockholders. Further, our board of directors could authorize the issuance of stock with terms and conditions that could subordinate the rights of the holders of our current common stock or have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for our stockholders.

Market disruptions may adversely impact many aspects of our operating results and operating condition.

The availability of debt financing secured by commercial real estate is subject to tightened underwriting standards. Further, interest rates have increased in the last three years, and may continue to increase, which may affect U.S. economic conditions as a whole, or real estate industry conditions such as:

- an increase in the number of bankruptcies or insolvency proceedings of our tenants and lease guarantors, which could delay our efforts to collect rent and any past balances due under the relevant leases and ultimately could preclude collection of these sums;
- our ability to borrow on terms and conditions that we find acceptable may be limited, which could result in our investment operations (real estate assets) generating lower overall economic returns and a reduced level of cash flow from what was anticipated at the time we acquired the asset, which could potentially impact our ability to make distributions to our stockholders, or pursue acquisition opportunities, among other things, and increase our interest expense;
- a reduction in the amount of capital that is available to finance real estate, which, in turn, could lead to a decline in real estate values generally, slow real estate transaction activity, and reduce the loan to value ratio upon which lenders are willing to lend;
- the value of certain of our real estate assets may decrease below the amounts we pay for them, which would limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by these assets and could reduce the availability of unsecured loans;
- the value and liquidity of short-term investments, if any, could be reduced as a result of the dislocation of the markets for our short-term investments and increased volatility in market rates for these investments or other factors; and
- one or more counterparties to derivative financial instruments that we have entered into, or may enter into, could default on their obligations to us, or could fail, increasing the risk that we may not realize the benefits of these instruments.

For these and other reasons, we cannot assure our stockholders that we will be profitable or that we will realize growth in the value of our investments.

Our board of directors may change our investment policies without stockholder approval, which could alter the nature of our stockholders' investment.

Our charter requires our independent directors to review our investment policies at least annually to determine that the policies we are following are in the best interest of our stockholders. These policies may change over time. The methods of implementing our investment policies may also vary, as new investment techniques are developed. Our investment policies, the methods for implementing them, and our other objectives, policies and procedures may be altered by a majority of the directors (which must include a majority of the independent directors), without the approval of our stockholders. As a result, the nature of our stockholders' investment could change without their consent. A change in our investment strategy may, among other things, increase our exposure to interest rate risk, default risk and commercial real property market fluctuations, all of which could materially adversely affect our ability to achieve our investment objectives.

We may not be able to successfully implement the strategic plan adopted by our board of directors on February 11, 2019.

On February 11, 2019, our board of directors adopted a strategic plan, pursuant to which we now plan to target a portfolio of 100% grocery-anchored properties. As part of this strategy, our management team and board will consider the opportunistic sale of certain assets with the goal of redeploying capital into the acquisition of strategically located grocery-anchored centers, as well as the redevelopment of select centers within the current portfolio. There can be no assurance that we will be able to successfully implement the strategic plan, including acquiring grocery-anchored properties or selling non-core assets on acceptable terms. In addition, we cannot assure that our strategic plan will allow us to generate new capital or retain existing capital.

Competition with other non-traditional grocery retailers may reduce our profitability.

Tenants in the grocery industry will face potentially changing consumer preferences and increasing competition from other forms of retailing, such as online grocery retailers and non-traditional grocery retailers such as mass merchandisers, super-centers, warehouse club stores and drug stores. Other retail centers within the market area of our properties will compete with our properties for customers, affecting their tenants' cash flows and thus affecting their ability to pay rent.

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

We have entered into, may continue to enter into, joint ventures with third parties. Our organizational documents do not limit the amount of funds that we may invest in these joint ventures. We intend to develop and acquire properties through joint ventures with other persons or entities when warranted by the circumstances. The venture partners may share certain approval rights over major decisions and these investments may involve risks not otherwise present with other methods of investment in real estate, including, but not limited to:

- the current economic conditions make it more likely that our partner in an investment may become bankrupt, which would mean that we and any other remaining partner would generally remain liable for the entity's liabilities;
- that our partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals, and we may not agree on all proposed actions to certain aspects of the venture;
- that our partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our objective to qualify as a REIT;
- that, if our partners fail to fund their share of any required capital contributions, we may be required to contribute that capital;
- that venture agreements often restrict the transfer of a partner's interest or may otherwise restrict our ability to sell the interest when we desire or on advantageous terms;
- that our relationships with our partners are contractual in nature and may be terminated or dissolved under the terms of the agreements and, in each event, we may not continue to own or operate the interests or assets underlying the relationship or may need to purchase these interests or assets at an above-market price to continue ownership;
- that disputes between us and our partners may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business; and
- that we may in certain circumstances be liable for our partner's actions.

The failure of any bank in which we deposit our funds could reduce the amount of cash we have available to fund our capital and operating needs and distributions.

The Federal Deposit Insurance Corporation, or "FDIC," generally only insures limited amounts per depositor per insured bank. The FDIC insures up to $250,000 per depositor per insured bank account. At December 31, 2018, we had cash and cash equivalents exceeding these federally insured levels. If any of the banking institutions in which we have deposited funds ultimately fail, we may lose our deposits over the federally insured levels. The loss of our deposits would reduce the amount of cash we have available to fund our capital and operating needs and distributions.

We rely on IREIC and its affiliates and subsidiaries to manage and conduct our operations. Any material adverse change in IREIC's financial condition or our relationship with IREIC could have a material adverse effect on our business and ability to achieve our investment objectives.

We depend on IREIC and its affiliates and subsidiaries to manage and conduct our operations. IREIC, through one or more of its subsidiaries, owns and controls our Business Manager and Real Estate Manager. IREIC has sponsored numerous public and private programs and through its affiliates or subsidiaries has provided offering, asset, property and other management and ancillary services to these entities. From time to time, IREIC or the applicable affiliate or subsidiary has waived or deferred fees or made capital contributions to support these public or private programs. IREIC or its applicable affiliates or subsidiaries may waive or defer fees or make capital contributions in the future. Further, IREIC and its affiliates or subsidiaries may from time to time be parties to litigation or other claims arising from sponsoring these entities or providing these services. As such, IREIC and these other entities may incur costs, liabilities or other expenses arising from litigation or claims that are either not reimbursable or not covered by insurance. Future waivers or deferrals of fees, additional capital contributions or costs, liabilities or other expenses arising from litigation or claims could have a material adverse effect on IREIC's financial condition and ability to fund our Business Manager or Real Estate Manager to the extent necessary.

If our Business Manager or Real Estate Manager lose or are unable to obtain key personnel, our ability to implement our investment strategies could be hindered.

Our success depends to a significant degree upon the contributions of certain of our executive officers and other key personnel of our Business Manager and Real Estate Manager. Neither we nor our Business Manager or Real Estate Manager has employment agreements with these persons, and we cannot guarantee that all, or any particular one, will continue to be available to provide services to us. If any of the key personnel of our Business Manager or Real Estate Manager were to cease their employment or other relationship with our Business Manager or Real Estate Manager, respectively, our results and ability to pursue our business plan could suffer. Further, we do not intend to separately maintain "key person" life insurance that would provide us with proceeds in the event of death or disability of these persons. We believe our future success depends, in part, upon the ability of our Business Manager and Real Estate Manager to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure our stockholders that our Business Manager or Real Estate Manager will be successful in attracting and retaining skilled personnel. If our Business Manager or Real Estate Manager lose or are unable to obtain the services of key personnel, our ability to implement our investment strategies could be delayed or hindered, and the value of our stockholders' investment could decline.

If we become self-managed by internalizing our management functions, we may be unable to retain key personnel, and our ability to achieve our investment objectives could be delayed or hindered, which could adversely affect our ability to pay distributions to our stockholders and the value of their investments.

At some point in the future, we may consider becoming self-managed by internalizing the functions performed for us by our Business Manager. Even if we become self-managed, we may not be able to hire certain key employees of the Business Manager and its affiliates, even if we are allowed to offer them positions with our Company. Although we are generally restricted from soliciting these persons pursuant to certain provisions set forth in the business management agreement, during the one-year period after the Business Manager's receipt of an internalization notice the Business Manager will permit us to solicit for hire the "key" employees of the Business Manager and its affiliates, including all of the persons serving as the executive officers of our Company or the Business Manager who do not also serve as directors or officers of any other IREIC-sponsored REITs. However, at any given moment, many or all of the executive officers of the Company and the Business Manager may also be serving as a director or officer of one or more other IREIC-sponsored REITs. Failure to hire or retain key personnel could result in increased costs and deficiencies in our disclosure controls and procedures or our internal control over financial reporting. These deficiencies could cause us to incur additional costs and divert management's attention from most effectively managing our investments, which could result in us being sued and incurring litigation-associated costs in connection with the internalization transaction.

If we seek to internalize our management functions other than as provided for under our business management agreement, we could incur greater costs and lose key personnel.

Our board may decide that we should pursue an internalization by hiring our own group of executives and other employees or entering into an agreement with a third party, such as a merger, instead of by transitioning the services performed by, and hiring the persons providing services for, our Business Manager. The costs that we would incur in this case are uncertain and may be substantial. Further, we would lose the benefit of the experience of our Business Manager.

Further, if we seek to internalize the functions performed for us by our Real Estate Manager, the purchase price will be separately negotiated by our independent directors, or a committee thereof, and will not be subject to the transition procedures described in our business management agreement.

Our stockholders' return on investment in our common stock may be reduced if we are required to register as an investment company under the Investment Company Act.

The Company is not registered, and does not intend to register itself or any of its subsidiaries, as an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"). If we become obligated to register the Company or any of its subsidiaries as an investment company, the registered entity would have to comply with regulation under the Investment Company Act with respect to capital structure (including the registered entity's ability to use borrowings), management, operations, transactions with affiliated persons (as defined in the Investment Company Act) and portfolio composition, including disclosure requirements and restrictions with respect to diversification and industry concentration, and other matters. Compliance with the Investment Company Act would limit our ability to make certain investments and require us to significantly restructure our operations and business plan. The costs we would incur and the limitations that would be imposed on us as a result of such compliance and restructuring would negatively affect the value of our common stock, our ability to make distributions and the sustainability of our business and investment strategies.

The Company conducts its operations, directly and through wholly or majority-owned subsidiaries, so that none of the Company and its subsidiaries is registered or will be required to register as an investment company under the Investment Company Act. Section 3(a)(1) of the Investment Company Act, in relevant part, defines an investment company as (i) any issuer that is, or holds itself out as being, engaged primarily in the business of investing, reinvesting or trading in securities, or (ii) any issuer that is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns, or proposes to acquire, "investment securities" having a value exceeding 40% of the value of its total assets (exclusive of government securities and cash items) on an unconsolidated basis, which we refer to as the "40% test." The term "investment securities" generally includes all securities except government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exemption from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. We believe we are not considered an investment company under Section 3(a)(1)(A) of the Investment Company Act because we do not engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, we and our subsidiaries are primarily engaged in the business of investing in real property. We also conduct our operations and the operations of our subsidiaries in a manner designed so that we do not come within the definition of an investment company under Section 3(a)(1)(C) because less than 40% of the value of our adjusted total assets on an unconsolidated basis consist of "investment securities." This requirement limits the types of businesses in which we may engage through our subsidiaries. Furthermore, the assets we and our subsidiaries may originate or acquire are limited by the provisions of the Investment Company Act and the rules and regulations promulgated under the Investment Company Act, which may adversely affect our business.

We and our subsidiaries also may rely upon the exemption from registration as an investment company pursuant to Section 3(c)(5)(C) of the Investment Company Act, which is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." As reflected in no-action letters, the SEC staff's position on Section 3(c)(5)(C) generally requires that at least 55% of an entity's assets comprise qualifying real estate assets and that at least 80% of its assets must comprise qualifying real estate assets and real estate-related assets under the Investment Company Act. Specifically, we expect each of our subsidiaries relying on Section 3(c)(5)(C) to invest at least 55% of its assets in mortgage loans, certain mezzanine loans and other interests in real estate that constitute qualifying real estate assets in accordance with SEC staff guidance, and an additional 25% of its assets in other types of mortgages, securities of REITs and other real estate-related assets such as debt and equity securities of companies primarily engaged in real estate businesses and securities issued by pass-through entities of which substantially all of the assets consist of qualifying real estate assets and/or real estate-related assets. The remaining 20% of the entity's assets can consist of miscellaneous assets. These criteria may limit what we buy, sell and hold.

We classify our assets for purposes of Section 3(c)(5)(C) based in large measure upon no-action letters issued by the SEC staff and other interpretive guidance provided by the SEC and its staff or on our analysis of such guidance published with respect to other types of assets to determine which assets are qualifying real estate assets and real estate-related assets. However, the SEC's guidance was issued in accordance with factual situations that may be substantially different from the factual situations we may encounter. No assurance can be given that the SEC will concur with how we classify our assets or the assets of our subsidiaries. The SEC may in the future take a view different than or contrary to our analysis with respect to the types of assets we have determined to be qualifying real estate assets or real estate-related assets. For example, on August 31, 2011 the SEC issued a concept release and request for comments regarding the Section 3(c)(5)(C) exemption (Release No. IC-29778) in which it contemplated the possibility of issuing new rules or providing new interpretations of the exemption that might, among other things, define the phrase "liens on and other interests in real estate" or consider sources of income in determining a company's "primary business." To the extent that the SEC or its staff provides more specific or different guidance, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC or its staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen. If we are required to re-classify our assets, we may no longer be in compliance with the exclusion from the definition of an "investment company" provided by Section 3(c)(5)(C) of the Investment Company Act. There can be no assurance that the laws and regulations governing the Investment Company Act status of REITs, including the SEC or its staff providing more specific or different guidance regarding these exemptions, will not change in a manner that adversely affects our operations.

Certain of our subsidiaries may rely on the exemption provided by Section 3(c)(6) to the extent that they hold mortgage assets through majority-owned subsidiaries that rely on the exemption provided by Section 3(c)(5)(C). The SEC staff has issued little interpretive guidance with respect to Section 3(c)(6) and any guidance published by the staff could require us to adjust our strategy accordingly.

A change in the value of any of our assets could cause us to fall within the definition of "investment company" and negatively affect our ability to be free from registration and regulation under the Investment Company Act. To avoid being required to register the Company or any of its subsidiaries as an investment company under the Investment Company Act, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. Sales may be required during adverse market conditions, and we could be forced to accept a price below that which we would otherwise consider appropriate. In addition, we may have to acquire additional income- or loss-generating assets that we might not otherwise have acquired or may have to forgo opportunities to acquire interests in companies that we would otherwise want to acquire and would be important to our investment strategy. Furthermore, if the value of securities issued by our subsidiaries that are exempted from the definition of "investment company" by Sections 3(c)(1) or 3(c)(7) of the Investment Company Act, together with any other investment securities we own, exceeds 40% of our adjusted total assets on an unconsolidated basis, or if one or more of such subsidiaries fail to maintain an exemption from registration under the Investment Company Act, we could, among other things, be required to substantially change the manner in which we conduct our operations to avoid being required to register as an investment company, effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so or register as an investment company. Any of these activities could negatively affect the value of our common stock, our ability to make distributions and the sustainability of our business and investment strategies, which may have a material adverse effect on our business, results of operations and financial condition.

If we were required to register the Company or any of its subsidiaries as an investment company but failed to do so, we or the applicable subsidiary would be prohibited from engaging in our or its business, and criminal and civil actions could be brought against us or the applicable subsidiary. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationship with our tenants, and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

A failure of our information technology (IT) infrastructure could adversely impact our business and operations.

We rely upon the capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure in response to changing needs of our business. We face the challenge of supporting older systems and hardware and implementing necessary upgrades to our IT infrastructure. We may not be able to successfully implement these upgrades in an effective manner. In addition, we may incur significant increases in costs and extensive delays in the implementation and rollout of any upgrades or new systems. If there are technological impediments, unforeseen complications, errors or breakdowns in implementation, the disruptions could have an adverse effect on our business and financial condition.

Risks Related to Investments in Real Estate

There are inherent risks with real estate investments.

Investments in real estate assets are subject to varying degrees of risk. For example, an investment in real estate cannot generally be quickly sold, limiting our ability to promptly vary our portfolio in response to changing economic, financial and investment conditions. Investments in real estate assets also are subject to adverse changes in general economic conditions which, for example, reduce the demand for rental space.

Among the factors that could impact our real estate assets and the value of an investment in us are:

- local conditions such as an oversupply of space or reduced demand for properties of the type that we acquire;
- inability to collect rent from tenants;
- vacancies or inability to rent space on favorable terms;
- inflation and other increases in operating costs, including insurance premiums, utilities and real estate taxes;
- adverse changes in the federal, state or local laws and regulations applicable to us, including those affecting rents, zoning, prices of goods, fuel and energy consumption, water and environmental restrictions;
- the relative illiquidity of real estate investments;
- changing market demographics;
- an inability to acquire and finance real estate assets on favorable terms, if at all;
- acts of God, such as earthquakes, floods or other uninsured losses; and
- changes or increases in interest rates and availability of financing.

In addition, periods of economic slowdown or recession, or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or increased defaults under existing leases.

Our real estate assets and other investments may be subject to impairment charges.

Periodically, we assess whether there are any indicators that the value of our real estate properties and other investments may be impaired. Under U.S. GAAP, a property's value is impaired only if the estimate of the aggregate future cash flows to be generated by the property is less than the carrying value of the property. The valuation and possible subsequent impairment of real estate properties and other investments is a significant estimate that can change based on our continuous process of analyzing each property and reviewing assumptions about uncertain inherent factors, as well as the economic condition of the property at a particular point in time. We are required to make subjective assessments as to whether there are impairments in the value of our real estate properties and other investments.

Determining whether a property is impaired and, if impaired, the amount of write-down to fair value requires a significant amount of judgment by management and is based on the best information available to management at the time of evaluation. There can be no assurance that we will not take charges in the future related to the impairment of our assets. Any future impairment could have a material adverse effect on our results of operations in the period in which the charge is taken. For the year ended December 31, 2018, we recognized an impairment charge to fully impair our investment in Mainstreet Texas Development Fund, LLC a joint venture to develop three transitional care/rapid recovery centers ("Mainstreet JV"), equal to $9.9 million and an impairment charge of $5.5 million to fully impair our note receivable from Mainstreet JV. For the year ended December 31, 2017, we recognized an impairment charge related to an investment property of $8.5 million. During the year ended December 31, 2016, we incurred no impairment charges. For further information related to impairment provision, reference is made to Note 15 – "Fair Value Measurements" which is included in our December 31, 2018 Notes to Consolidated Financial Statements in Item 8.

Economic conditions in the United States have had, and may continue to have, an adverse impact on the retail industry generally. Slow or negative growth in the retail industry could result in defaults by retail tenants which could have an adverse impact on our financial operations.

Economic conditions in the United States have had an adverse impact on the retail industry generally. As a result, the retail industry is facing reductions in sales revenues and increased bankruptcies throughout the United States. The continuation of adverse economic conditions may result in an increase in distressed or bankrupt retail companies, which in turn would result in an increase in defaults by tenants at our commercial properties. Additionally, slow economic growth is likely to hinder new entrants into the retail market which may make it difficult for us to fully lease space at our retail properties or retail properties we plan to acquire. Tenant defaults and decreased demand for retail space would have an adverse impact on the value of our retail properties and any additional retail properties we acquire and our results of operations.

E-commerce can have an impact on our business.

The use of the internet by consumers continues to gain popularity. The migration towards e-commerce is expected to continue. This increase in internet sales could result in a downturn in the business of our current tenants in their "brick and mortar" locations and could affect the way future tenants lease space. While we devote considerable effort and resources to analyze and respond to tenant trends, preferences and consumer spending patterns, we cannot predict with certainty what future tenants will want, what future retail spaces will look like and how much revenue will be generated at traditional "brick and mortar" locations. If we are unable to anticipate and respond promptly to trends in the market, our occupancy levels and rental amounts may decline.

We face significant competition in the leasing market, which may decrease or prevent increases in the occupancy and rental rates of our properties.

As of December 31, 2018, we owned 59 properties located in 24 states. We compete with numerous developers, owners and operators of commercial properties, many of which own properties similar to, and in the same market areas as, our properties. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge in order to attract new tenants or retain existing tenants when their leases expire. To the extent we are unable to renew leases or re-let space as leases expire, it would result in decreased cash flow from tenants and reduce the income produced by our properties. Excessive vacancies (and related reduced shopper traffic) at one of our properties may hurt sales of other tenants at that property and may discourage them from renewing leases. Also, if our competitors develop additional properties in locations near our properties, there may be increased competition for creditworthy tenants, which may require us to make capital improvements to properties that we would not have otherwise made.

We depend on tenants for our revenue, and accordingly lease terminations, tenant default, and bankruptcies could adversely affect the income produced by our properties.

The success of our investments depends on the financial stability of our tenants. Certain economic conditions may adversely affect one or more of our tenants. For example, business failures and downsizings may contribute to reduced consumer demand for retail products and services which would impact tenants of our retail properties. In addition, our retail shopping center properties typically are anchored by large, nationally recognized tenants, any of which may experience a downturn in their business that may weaken significantly their financial condition. Further, mergers or consolidations among large retail establishments could result in the closure of existing stores or duplicate or geographically overlapping store locations, which could include tenants at our retail properties.

As a result of these factors, our tenants may delay lease commencements, decline to extend or renew their leases upon expiration, fail to make rental payments, or declare bankruptcy. Any of these actions could result in the termination of the tenants' leases, the expiration of existing leases without renewal, or the loss of rental income attributable to the terminated or expired leases. In the event of a tenant default or bankruptcy, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment and re-leasing our property.

Our revenue is impacted by the success and economic viability of our anchor retail tenants. Our reliance on single or significant tenants in certain buildings may decrease our ability to lease vacated space and adversely affect the returns on our stockholders' investment.

In the retail sector, a tenant occupying all or a large portion of the gross leasable area of a retail center, commonly referred to as an anchor tenant, may become insolvent, may suffer a downturn in business, or may decide not to renew its lease. Any of these events would result in a reduction or cessation in rental payments to us and would adversely affect our financial condition. A lease termination by an anchor tenant could result in lease terminations or reductions in rent by other tenants whose leases may permit cancellation or rent reduction if another tenant's lease is terminated. Similarly, the leases of some anchor tenants may permit the anchor tenant to transfer its lease to another retailer. The transfer to a new anchor tenant could cause customer traffic in the retail center to decrease and thereby reduce the income generated by that retail center. A lease transfer to a new anchor tenant could also allow other tenants to make reduced rental payments or to terminate their leases in accordance with lease terms. In the event that we are unable to re-lease the vacated space to a new anchor tenant, we may incur additional expenses in order to remodel the space to be able to re-lease the space to more than one tenant.

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.

Inflation may adversely affect our financial condition and results of operations.

Increases in the rate of inflation may adversely affect our net operating income from leases with stated rent increases or limits on the tenant's obligation to pay its share of operating expenses, which could be lower than the increase in inflation at any given time. Inflation could also have an adverse effect on consumer spending, which may impact our tenants' sales and, with respect to those leases including percentage rent clauses, our average rents.

We may be restricted from re-leasing space at our retail properties.

Leases with retail tenants may contain provisions giving the particular tenant the exclusive right to sell particular types of merchandise or provide specific types of services within the particular retail center. These provisions may limit the number and types of prospective tenants interested in leasing space in a particular retail property.

We have entered into long-term leases with some of our retail tenants, and those leases may not result in fair value over time, which could adversely affect our revenues and ability to make distributions.

We have entered into long-term leases with some of our retail tenants. Long-term leases do not allow for significant changes in rental payments and do not expire in the near term. If we do not accurately judge the potential for increases in market rental rates when negotiating these long-term leases, significant increases in future property operating costs could result in receiving less than fair value from these leases. These circumstances would adversely affect our revenues and funds available for distribution.

Retail conditions may adversely affect our income.

A retail property's revenues and value may be adversely affected by a number of factors, many of which apply to real estate investment generally, but which also include trends in the retail industry and perceptions by retailers or shoppers of the safety, convenience and attractiveness of the retail property. Our properties are located in public places, and any incidents of crime or violence, including acts of terrorism, would result in a reduction of business traffic to tenant stores in our properties. Any such incidents may also expose us to civil liability. In addition, to the extent that the investing public has a negative perception of the retail sector, the value of our retail properties may be negatively impacted.

A number of our retail leases are based on tenant gross sales. Under those leases which are based on the gross sales of our tenants, our revenue from tenants may increase as the sales of our tenants increase. Generally, retailers face declining revenues during downturns in the economy. As a result, the portion of our revenue which may derive from percentage rent leases could be adversely affected by a general economic downturn.

Acquiring or attempting to acquire multiple properties in a single transaction may adversely affect our operations.

From time to time, we have acquired multiple properties in a single transaction. Portfolio acquisitions typically are more complex and expensive than single property acquisitions, and the risk that a multiple-property acquisition does not close may be greater than in a single-property acquisition. Portfolio acquisitions may also result in us owning investments in geographically dispersed markets, placing additional demands on our Business Manager and Real Estate Manager in managing the properties in the portfolio. In addition, a seller may require that a group of properties be purchased as a package even though we may not want to purchase one or more properties in the portfolio. In these situations, if we are unable to identify another person or entity to acquire the unwanted properties, we may be required to operate or attempt to dispose of these properties. We also may be required to accumulate a large amount of cash to fund such acquisitions. We would expect the returns that we earn on such cash to be less than the returns on real property. Therefore, acquiring multiple properties in a single transaction may reduce the overall yield on our portfolio.

Short-term leases may expose us to the effects of declining market rent.

Some of our properties have short-term leases with tenants. There is no assurance that we will be able to renew these leases as they expire or attract replacement tenants on comparable terms, if at all. Therefore, the returns we earn on this type of investment may be more volatile than the returns generated by properties with longer term leases.

We do not own or control the land in any ground lease properties that we have or may acquire.

We have and may continue to acquire property on land owned by a third party known as a "leasehold interest." Although we have a right to use the property, we do not retain fee ownership in the underlying land. Accordingly, we will have no economic interest in the land or building at the expiration of the leasehold interest. As a result, we will not share in any increase in value of the land associated with the underlying property. Further, because we do not control the underlying land, the lessor could take certain actions to disrupt our rights in the property or our tenants' operation of the properties.

We may be unable to sell assets if or when we decide to do so.

Maintaining our REIT qualification and continuing to avoid registration under the Investment Company Act as well as many other factors, such as general economic conditions, the availability of financing, interest rates and the supply and demand for the particular asset type, may limit our ability to sell real estate assets. Many of these factors are beyond our control. We cannot predict whether we will be able to sell any real estate asset on favorable terms and conditions, if at all, or the length of time needed to sell an asset.

Sale leaseback transactions may be re-characterized in a manner unfavorable to us.

We may from time to time enter into a sale leaseback transaction where we purchase a property and then lease the property to the seller. The transaction may, however, be characterized as a financing instead of a sale in the case of the seller's bankruptcy. In this case, we would not be treated as the owner of the property but rather as a creditor with no interest in the property itself. The seller may have the ability in a bankruptcy proceeding to restructure the financing by imposing new terms and conditions. The transaction also may be re-characterized as a joint venture. In this case, we would be treated as a joint venture with liability, under some circumstances, for debts incurred by the seller relating to the property.

Operating expenses may increase in the future and to the extent these increases cannot be passed on to our tenants, our cash flow and our operating results would decrease.

Operating expenses, such as expenses for fuel, utilities, labor, building materials and insurance, are not fixed and may fluctuate from time to time. Unless specifically provided for in a lease, there is no guarantee that we will be able to pass increases on to our tenants. To the extent these increases cannot be passed on to our tenants, any increases would cause our cash flow and our operating results to decrease, which could have a material adverse effect on our ability to pay or sustain distributions.

We depend on the availability of public utilities and services, especially for water and electric power. Any reduction, interruption or cancellation of these services may adversely affect us.

Public utilities, especially those that provide water and electric power, are fundamental for the operation of our assets. The delayed delivery or any material reduction or prolonged interruption of these services could allow certain tenants to terminate their leases or result in an increase in our costs, as we may be forced to use backup generators, which also could be insufficient to fully operate our facilities and could result in our inability to provide services. Accordingly, any interruption or limitation in the provision of these essential services may adversely affect us.

An increase in real estate taxes may decrease our income from properties.

Some local real property tax assessors may seek to reassess some of our properties as a result of our acquisition of the property. Generally, from time to time our property taxes will increase as property values or assessment rates change or for other reasons deemed relevant by the assessors. In fact, property taxes may increase even if the value of the underlying property declines. An increase in the assessed valuation of a property for real estate tax purposes will result in an increase in the related real estate taxes on that property. Although some tenant leases may permit us to pass through the tax increases to the tenants for payment, there is no assurance that renewal leases or future leases will be negotiated on the same basis. Increases not passed through to tenants will adversely affect our cash flow from operations and our ability to pay distributions.

Potential development and construction delays and resulting increased costs and risks may reduce cash flow from operations.

We have acquired, and may continue to acquire, unimproved real property or properties that are under development or construction. Investments in these properties are subject to the uncertainties generally associated with real estate development and construction, including those related to re-zoning land for development, environmental concerns of governmental entities or community groups and the developers' ability to complete the property in conformity with plans, specifications, budgeted costs and timetables. If a developer fails to perform, we may resort to legal action to rescind the purchase or the construction contract or to compel performance. A developer's performance may also be affected or delayed by conditions beyond the developer's control. Delays in completing construction could also give tenants the right to terminate leases. We may incur additional risks when we make periodic progress payments or other advances to developers before they complete construction. These and other factors can result in increased costs of a project or loss of our investment. In addition, we will be subject to lease-up risks associated with newly constructed projects. We also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction when agreeing upon a purchase price at the time we acquire the property. If our projections are inaccurate, we may pay too much for a property, and the return on our investment could suffer.

We have invested in Mainstreet JV to develop three transitional care/rapid recovery centers. During 2018, we funded our remaining equity commitment to Mainstreet JV, as well as the full $5.4 million of mezzanine loans. Subsequently, during 2018, we identified several indicators that suggested it was probable that we would not recover our equity investment in or the mezzanine loans advanced to Mainstreet JV. Such indicators included construction overruns, loss of a planned tenant and the related cost of re-leasing. Additionally, the construction mortgage lender to Mainstreet JV stopped funding the construction draws for two of the properties and began foreclosure proceedings. As we do not intend to fund any more investments in Mainstreet JV and we do not expect to recover any of our previous investments, we have determined an impairment for both our investment in and notes receivable from Mainstreet JV is appropriate.

During the year ended December 31, 2018, we recorded an impairment to our investment in Mainstreet JV of $9.9 million and an impairment to our notes receivable from unconsolidated entities of $5.5 million, both included in provision for impairment of investment in and note receivable from unconsolidated entities on the consolidated statement of operations and comprehensive loss. Both amounts represent a full impairment of such investments.

If we contract with a development company for newly developed property, our earnest money deposit made to the development company may not be fully refunded.

We may enter into one or more contracts, either directly or indirectly through joint ventures with third parties, to acquire real property from a development company that is engaged in construction and development of commercial real estate. We may be required to pay a substantial earnest money deposit at the time of contracting with a development entity. At the time of contracting and the payment of the earnest money deposit by us, the development company typically will have only a contract to acquire land, a development agreement to develop a building on the land and an agreement with one or more tenants to lease all or part of the property upon its completion. If the development company fails to develop the property or all or a specified portion of the pre-leased tenants fail to take possession under their leases for any reason, we may not be able to obtain a refund of our earnest money deposit.

We may obtain only limited warranties when we purchase a property and would have only limited recourse in the event our due diligence did not identify any issues that lower the value of our property.

The seller of a property often sells the property in its “as is” condition on a “where is” basis and “with all faults,” without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk that we may lose some or all of our invested capital in the property, as well as the loss of rental income from that property.

Uninsured losses or premiums for insurance coverage may adversely affect our returns.

The nature of the activities at certain properties may expose us and our tenants or operators to potential liability for personal injuries and, in certain instances, property damage claims. In addition, there are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters that are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential terrorist acts could sharply increase the premiums we pay for coverage against property and casualty claims. These policies may or may not be available at a reasonable cost, if at all, which could inhibit our ability to finance or refinance our properties. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We cannot provide any assurance that we will have adequate coverage for these losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of the particular asset will likely be reduced by the uninsured loss. In addition, we cannot provide any assurance that we will be able to fund any uninsured losses.

The costs of complying with environmental laws and other governmental laws and regulations may adversely affect us.

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, and the remediation of contamination associated with disposals. We also are required to comply with various local, state and federal fire, health, life-safety and similar regulations. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators for the costs of investigating or remediating contaminated properties. These laws and regulations often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances. The cost of removing or remediating could be substantial. In addition, the presence of these substances, or the failure to properly remediate these substances, may adversely affect our ability to sell or rent a property or to use the property as collateral for borrowing.

Environmental laws and regulations also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures by us. Environmental laws and regulations provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with exposure to released hazardous substances. Compliance with new or more stringent laws or regulations or stricter interpretations of existing laws may require material expenditures by us. For example, various federal, regional and state laws and regulations have been implemented or are under consideration to mitigate the effects of climate change caused by greenhouse gas emissions. Among other things, “green” building codes may seek to reduce emissions through the imposition of standards for design, construction materials, water and energy usage and efficiency, and waste management. These requirements could increase the costs of maintaining or improving our existing properties or developing new properties.

We may acquire properties in regions that are particularly susceptible to natural disasters, which may make us susceptible to adverse climate developments from the effects of these natural disasters in those areas.

Our properties are located in certain geographical areas that may be impacted by adverse events such as hurricanes, floods, wildfires, earthquakes, blizzards or other natural disasters, which could cause a loss of revenues at our real estate properties. In addition, according to some experts, global climate change could result in heightened severe weather, thus further impacting these geographical areas. Natural disasters in these areas may cause damage to our properties beyond the scope of our insurance coverage, thus requiring us to make substantial expenditures to repair these properties and resulting in a loss of revenues from these properties. Any properties located near either coast will be exposed to more severe weather than properties located inland. These losses may not be insured or insurable at an acceptable cost. Elements such as water, wind, hail, fire damage and humidity in these areas can increase or accelerate wear on the properties' weatherproofing and mechanical, electrical and other systems, and cause mold issues over time. As a result, we may incur additional operating costs and expenditures for capital improvements at properties in these areas.

Our properties may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

The presence of mold at any of our properties could require us to undertake a costly program to remediate, contain or remove the mold. Mold growth may occur when moisture accumulates in buildings or on building materials. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing because exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. The presence of mold could expose us to liability from our tenants, their employees and others if property damage or health concerns arise.

We may incur significant costs to comply with the Americans With Disabilities Act or similar laws.

Our properties generally are subject to the Americans With Disabilities Act of 1990, as amended, which we refer to as the Disabilities Act. Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act has separate compliance requirements for "public accommodations" and "commercial facilities" that generally require that buildings and services be made accessible and available to people with disabilities.

The requirements of the Disabilities Act could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. We attempt to acquire properties that comply with the Disabilities Act or place the burden on the seller or other third party, such as a tenant, to ensure compliance with these laws. However, we cannot assure our stockholders that we will be able to acquire properties or allocate responsibilities in this manner. We may incur significant costs to comply with these laws.

Terrorist attacks and other acts of violence or war may affect the markets in which we operate our operations and our profitability.

We may acquire properties located in areas that are susceptible to attack. These attacks may directly impact the value of our assets through damage, destruction, loss or increased security costs. Although we may obtain terrorism insurance, we may not be able to obtain sufficient coverage to fund any losses we may incur. Risks associated with potential acts of terrorism could sharply increase the premiums we pay for coverage against property and casualty claims. Further, certain losses resulting from these types of events are uninsurable or not insurable at reasonable costs.

More generally, any terrorist attack, other act of violence or war, including armed conflicts, could result in increased volatility in, or damage to, the United States and worldwide financial markets and economy.

Risks Associated with Investments in Securities

Through owning real estate-related equity securities, we will be subject to the risks impacting each entity's assets.

We may invest in real estate-related securities. Equity securities are always unsecured and subordinated to other obligations of the issuer. Investments in real estate-related equity securities are subject to the risks associated with investing directly in real estate assets and numerous additional risks including: (1) limited liquidity in the secondary trading market in the case of unlisted or thinly traded securities; (2) substantial market price volatility resulting from, among other things, changes in prevailing interest rates in the overall market or related to a specific issuer, as well as changing investor perceptions of the market as a whole, REIT or real estate securities in particular or the specific issuer in question; (3) subordination to the liabilities of the issuer; (4) the possibility that earnings of the issuer may be insufficient to meet its debt service obligations or to pay distributions; and (5) with respect to investments in real estate-related preferred equity securities, the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the issuer to redeem the securities. In addition, investments in real estate-related securities involve special risks relating to the particular issuer of the securities, including the financial condition and business outlook of the issuer. Investing in real estate-related securities will expose our results of operations and financial condition to the factors impacting the trading prices of publicly-traded entities.

Recent market conditions and the risk of continued market deterioration may reduce the value of any real estate-related securities in which we may invest.

Mortgage loans experienced higher than historical rates of delinquency, foreclosure and loss during the dislocations in the world credit markets in recent years. These and other related events significantly impacted the capital markets associated not only with mortgage-backed securities, asset-backed securities and collateralized debt obligations, but also the world credit and financial markets as a whole. Investing significant amounts in real estate-related securities, including CMBS, will expose our results of operations and financial condition to the volatility of the credit markets.

Because there may be significant uncertainty in the valuation of, or in the stability of the value of, certain securities holdings, the fair values of these investments might not reflect the prices that we would obtain if we sold these investments. Furthermore, these investments are subject to rapid changes in value caused by sudden developments that could have a material adverse effect on the value of these investments, and cause us to incur impairment charges or unrealized losses.

Investments in CMBS are subject to all of the risks of the underlying mortgage loans and the risks of the securitization process.

CMBS are securities that evidence interests in, or are secured by, a single commercial mortgage loan or a pool of commercial mortgage loans. Accordingly, these securities are subject to all of the risks of the underlying mortgage loans. In a changing interest rate environment, the value of CMBS may be adversely affected when payments on underlying mortgages do not occur as anticipated, resulting in the extension of the security's effective maturity and the related increase in interest rate sensitivity of a longer-term instrument. The value of CMBS may also change due to shifts in the market's perception of issuers and regulatory or tax changes adversely affecting the mortgage securities market as a whole. In addition, CMBS are subject to the credit risk associated with the performance of the underlying mortgage properties. In certain instances, third-party guarantees or other forms of credit support designed to reduce credit risk may not be effective due, for example, to defaults by third party guarantors.

CMBS are also subject to several risks created through the securitization process. Generally, CMBS are issued in classes or tranches similar to mortgage loans. To the extent that we invest in a subordinate class or tranche, we will be paid interest only to the extent that there are funds available after paying the senior class. To the extent the collateral pool includes delinquent loans, subordinate classes will likely not be fully paid. Subordinate CMBS are also subject to greater credit risk than those CMBS that are more highly rated. Further, the ratings assigned to any particular class of CMBS may prove to be inaccurate. Thus, any particular class of CMBS may be riskier and more volatile than the rating may suggest, all of which may cause the returns on any CMBS investment to be less than anticipated.

Risks Associated with Debt Financing

Volatility in the financial markets and challenging economic conditions could adversely affect our ability to secure debt financing on attractive terms and our ability to service any future indebtedness that we may incur.

The domestic and international commercial real estate debt markets continue to be challenging resulting in, among other things, the tightening of underwriting standards by lenders and credit rating agencies, which could limit the availability of credit and increase costs for what is available. If the overall cost of borrowing increases, either by increases in the index rates or by increases in lender spreads, the increased costs may result in existing or future acquisitions generating lower overall economic returns and potentially reducing future cash flow available for distribution. If these disruptions in the debt markets persist, our ability to borrow monies to finance the purchase of, or other activities related to, real estate assets will be negatively impacted. In addition, we may find it difficult, costly or impossible to refinance indebtedness which is maturing. If we are unable to borrow monies on terms and conditions that we find acceptable, the return on our properties may be lower.

Further, economic conditions could negatively impact commercial real estate fundamentals and result in lower occupancy, lower rental rates and declining values in our real estate portfolio and in the collateral securing any loan investments we may make, which could have various negative impacts. Specifically, the value of collateral securing any loan investment we may make could decrease below the outstanding principal amounts of such loans, requiring us to pledge more collateral.

Borrowings may reduce the funds available for distribution and increase the risk of loss since defaults may cause us to lose the properties securing the loans.

We have acquired properties by either borrowing monies or, in some instances, by assuming existing financing. We typically borrow money to finance a portion of the purchase price of assets we acquire. In some instances, we have acquired properties by borrowing monies in an amount equal to the purchase price of the acquired properties. We may also borrow money for other purposes to, among other things, satisfy the requirement that we distribute at least 90% of our "REIT annual taxable income," subject to certain adjustments and excluding any net capital gain, or as is otherwise necessary or advisable to assure that we continue to qualify as a REIT for federal income tax purposes. Over the long term, however, payments required on any amounts we borrow reduce the funds available for, among other things, acquisitions, capital expenditures for existing properties or distributions to our stockholders because cash otherwise available for these purposes is used to pay principal and interest on this debt.

If there is a shortfall between the cash flow from a property and the cash flow needed to service mortgage debt secured by a property, then the amount of cash flow from operations available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In such a case, we could lose the property securing the loan that is in default, thus reducing the value of our stockholders' investment. For tax purposes, a foreclosure is treated as a sale of the property or properties for a purchase price equal to the outstanding balance of the debt secured by the property or properties. If the outstanding balance of the debt exceeds our tax basis in the property or properties, we would recognize taxable gain on the foreclosure action and we would not receive any cash proceeds. We also may fully or partially guarantee any monies that subsidiaries borrow to purchase or operate properties. In these cases, we will likely be responsible to the lender for repaying the loans if the subsidiary is unable to do so. If any mortgage contains cross-collateralization or cross-default provisions, more than one property may be affected by a default.

If we are unable to borrow at favorable rates, we may not be able to acquire new properties.

If we are unable to borrow money at favorable rates, we may be unable to acquire additional real estate assets or refinance existing loans at maturity. Further, we have obtained and may continue to enter into loan agreements or other credit arrangements that require us to pay interest on amounts we borrow at variable or "adjustable" rates. Increases in interest rates will increase our interest costs. If interest rates are higher when we refinance our loans, our expenses will increase and we may not be able to pass on this added cost in the form of increased rents, thereby reducing our cash flow and the amount available for distribution to our stockholders. Further, during periods of rising interest rates, we may be forced to sell one or more of our properties in order to repay existing loans, which may not permit us to maximize the return on the particular properties being sold. At December 31, 2018, we had $135.2 million or 19.1% of our total debt that bore interest at variable rates with a weighted average interest rate equal to 4.15%. We had variable rate debt subject to swap agreements fixing the rate of $402.2 million or 56.7% of our total debt at December 31, 2018.

Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for distribution to our stockholders.

We have obtained, and may continue to enter into, mortgage indebtedness that does not require us to pay principal for all or a portion of the life of the debt instrument. During the period when no principal payments are required, the amount of each scheduled payment is less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan is not reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal required during this period. After the interest-only period, we may be required either to make scheduled payments of principal and interest or to make a lump-sum or "balloon" payment at or prior to maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan if we do not have funds available or are unable to refinance the obligation.

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 $350.0 million credit facility (the "Credit Facility") consisting of a revolving credit facility providing initial revolving credit commitments in an aggregate amount of $200.0 million Revolving Credit Facility and a term loan facility providing initial term loan commitments in an aggregate amount of $150.0 million (the "Term Loan"). 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 ten unencumbered properties with an unencumbered pool value of $200.0 million or above and by a guaranty by certain of our subsidiaries. At December 31, 2018, we had $134.5 million outstanding under the Revolving Credit Facility and $150.0 million outstanding under the Term Loan. Our availability under the Revolving Credit Facility was $65.5 million as of December 31, 2018.

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 Funds from Operations, or “FFO,” excluding acquisition expenses, or “adjusted FFO,” for that period. For the year ended December 31, 2018, 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.

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 $5.5 million in the aggregate to the Mainstreet JV in connection with the development of three transitional care/rapid recovery centers. For the year ended December 31, 2018, we recognized an impairment charge to fully impair this receivable from Mainstreet JV, because we determined that the collection of the receivable is improbable. 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.

We may acquire or finance properties with lock-out provisions, which may prohibit us from selling a property, or may require us to maintain specified debt levels for a period of years on some properties.

The terms and conditions contained in certain of our loan documents preclude us from pre-paying the principal amount of the loan or could restrict us from selling or otherwise disposing of or refinancing properties. For example, lock-out provisions prohibit us from reducing the outstanding indebtedness secured by certain of our properties, refinancing this indebtedness on a non-recourse basis at maturity, or increasing the amount of indebtedness secured by our properties. Lock-out provisions could impair our ability to take other actions during the lock-out period. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders.

Fluctuations in interest rates could materially affect our financial results.

At December 31, 2018, we had $135.2 million of debt or 19.1% of our total debt bearing interest at variable rates with a weighted average interest rate equal to 4.15% per annum. We had variable rate debt subject to swap agreements of $402.2 million or 56.7% of our total debt at December 31, 2018. If interest rates on all debt which bears interest at variable rates as of December 31, 2018 increased by 1% (100 basis points), the increase in interest expense on all debt would decrease earnings and cash flows by $1.4 million annually. If interest rates on all debt which bears interest at variable rates as of December 31, 2018 decreased by 1% (100 basis points), the decrease in interest expense would increase earnings and cash flows by the same amount.

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. We have material contracts that are indexed to USD-LIBOR and are monitoring this activity and evaluating the related risks. However, at this time, it is not possible to predict the effect of any changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. Uncertainty as to the nature of these potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR-based securities, including our material contracts that are indexed to USD-LIBOR. Furthermore, we may need to renegotiate any floating LIBOR based debt extending beyond 2021 that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, potential effect of any such event on our business, financial condition and results of operations cannot yet be determined.

To hedge against interest rate fluctuations, we may use derivative financial instruments that may be costly and ineffective.

From time to time, we have used, and may continue to 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 will be determined in light of the facts and circumstances existing at the time of the hedge and may differ from our current hedging strategy. There is no assurance that our hedging strategy will achieve our objectives. We may be subject to costs, such as transaction fees or breakage costs, if we terminate these arrangements.

To the extent that we use derivative financial instruments to hedge against interest rate fluctuations, we will be exposed to credit risk, basis risk and legal enforceability risks. In this context, 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 owes us, which creates credit risk for us. Basis risk occurs when the index upon which the contract is based is more or less variable than the index upon which the hedged asset or liability is based, thereby making the hedge less effective. Finally, legal enforceability risks encompass general contractual risks including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract, increasing the risk that we may not realize the benefits of these instruments. There is a risk that counterparties could fail, shut down, file for bankruptcy or be unable to pay out contracts. The failure of a counterparty that holds collateral that we post in connection with an interest rate swap agreement could result in the loss of that collateral.

We may be contractually obligated to purchase property even if we are unable to secure financing for the acquisition.

We expect to finance a portion of the purchase price for each property that we acquire. However, to ensure that our offers are as competitive as possible, we do not expect to enter into contracts to purchase property that include financing contingencies. Thus, we may be contractually obligated to purchase a property even if we are unable to secure financing for the acquisition. In this event, we may choose to close on the property by using cash on hand, which would result in less cash available for our operations and distributions to stockholders. Alternatively, we may choose not to close on the acquisition of the property and default on the purchase contract. If we default on any purchase contract, we could lose our earnest money and become subject to liquidated or other contractual damages and remedies.

The total amount we may borrow is limited by our charter.

We may borrow up to 300% of our net assets, equivalent to 75% of the cost of our assets. We may exceed this limit only if our board of directors (including a majority of our independent directors) determines that a higher level is appropriate. This limit could adversely affect our business, including:

- limiting our ability to purchase real estate assets;
- causing us to lose our REIT status if we cannot borrow to fund the monies needed to satisfy the REIT distribution requirements;
- causing operational problems if there are cash flow shortfalls for working capital purposes; and
- causing the loss of a property if, for example, financing is necessary to cure a default on a mortgage.

Risks Related to Conflicts of Interest

IREIC may face a conflict of interest in allocating personnel and resources between its affiliates, our Business Manager and our Real Estate Manager.

We do not have any employees. We rely on persons performing services for our Business Manager and Real Estate Manager and their affiliates to manage our day-to-day operations. Some of these persons also provide services to one or more investment programs currently or previously sponsored by IREIC. These individuals face competing demands for their time and service, and are required to allocate their time between our business and assets and the business and assets of IREIC, its affiliates and the other programs formed and organized by IREIC. Certain of these individuals have fiduciary duties to both us and our stockholders. If these persons are unable to devote sufficient time or resources to our business due to the competing demands of the other programs, they may violate their fiduciary duties to us and our stockholders, which could harm our business and we may be unable to maintain or increase the value of our assets, and our operating cash flows and ability to pay distributions could be adversely affected.

In addition, if another investment program sponsored by IREIC decides to internalize its management functions in the future, it may do so by hiring and retaining certain of the persons currently performing services for our Business Manager and Real Estate Manager, and if it did so, would likely not allow these persons to perform services for us.

We do not have arm's-length agreements with our Business Manager, our Real Estate Manager or any other affiliates of IREIC.

The agreements and arrangements with our Business Manager, our Real Estate Manager and any other affiliates of IREIC were not negotiated at arm's-length. These agreements may contain terms and conditions that are not in our best interest or would not be present if we entered into arm's-length agreements with third parties.

Our Business Manager, our Real Estate Manager and other affiliates of IREIC 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.

We pay fees, which may be significant, to our Business Manager, Real Estate Manager and other affiliates of IREIC for services provided to us. Our Business Manager receives fees based on the aggregate book value, including acquired intangibles, of our invested assets. Further, our Real Estate Manager receives fees based on the gross income from properties under management and may also receive leasing and construction management fees. Other parties related to, or affiliated with, our Business Manager or Real Estate Manager may also receive fees or cost reimbursements from us. These compensation arrangements may cause these entities to take or not take certain actions. For example, these arrangements may provide an incentive for our Business Manager to: (1) borrow more money than prudent to increase the amount we can invest; or (2) retain instead of sell assets, even if our stockholders may be better served by a sale or other disposition of the assets. The interests of these parties in receiving fees may conflict with the interest of our stockholders in earning income on their investment in our common stock.

We rely on entities affiliated with IREIC to identify real estate assets.

We rely on the real estate professionals employed by IREA and other affiliates of our Sponsor to source potential investments in properties, real estate-related assets and other investments in which we may be interested. Our Sponsor and its affiliates maintain an investment committee ("Investment Committee") that reviews each potential investment and determines whether an investment is acceptable for acquisition. In determining whether an investment is suitable, the Investment Committee considers investment objectives, portfolio and criteria of all programs currently advised by our Sponsor or its affiliates (collectively referred to as the "Programs"). Other factors considered by the Investment Committee may include cash flow, the effect of the acquisition on portfolio diversification, the estimated income or unrelated business tax effects of the purchase, policies relating to leverage, regulatory restrictions and the capital available for investment. Our Business Manager will not recommend any investments for us unless the investment is approved for consideration in advance by the Investment Committee. Once an investment has been approved for consideration by the Investment Committee, the Programs are advised and provided an opportunity to elect to acquire the investment. If more than one Program is interested in acquiring an investment, then the Program that has had the longest period of time elapse since it was allocated and invested in a contested investment is awarded the investment by the allocation committee. We may not, therefore, be able to acquire properties that we otherwise would be interested in acquiring.

Our properties may compete with the properties owned by other programs sponsored by IREIC or IPCC.

Certain programs sponsored by IREIC or Inland Private Capital Corporation ("IPCC") own and manage the type of properties that we own or seek to acquire, including in the same geographical areas. Therefore, our properties, especially those located in the same geographical area, may compete for tenants or purchasers with other properties owned and managed by other IREIC- or IPCC-sponsored programs. Persons performing services for our Real Estate Manager may face conflicts of interest when evaluating tenant leasing opportunities for our properties and other properties owned and managed by IREIC- or IPCC-sponsored programs, and these conflicts of interest may have an adverse impact on our ability to attract and retain tenants. In addition, a conflict could arise in connection with the resale of properties in the event that we and another IREIC- or IPCC-sponsored program were to attempt to sell similar properties at the same time, including in particular in the event another IREIC- or IPCC-sponsored program engages in a liquidity event at approximately the same time as us, thus impacting our ability to sell the property or complete a proposed liquidity event.

Risks Related to Our Corporate Structure

Our rights, and the rights of our stockholders, to recover claims against our officers, directors, Business Manager and Real Estate Manager are limited.

Under our charter, no director or officer will be liable to us or to any stockholder for money damages to the extent that Maryland law permits the limitation of the liability of directors and officers of a corporation. We may generally indemnify our directors, officers, employees, Business Manager, Real Estate Manager and their respective affiliates for any losses or liabilities suffered by any of them as long as: (1) the directors have determined in good faith that the course of conduct that caused the loss or liability was in our best interest; (2) these persons or entities were acting on our behalf or performing services for us; (3) the loss or liability was not the result of the negligence or misconduct of the directors (gross negligence or willful misconduct of the independent directors), officers, employees, Business Manager, Real Estate Manager or their respective affiliates; and (4) the indemnity or agreement to hold harmless is recoverable only out of our net assets and not from our stockholders. As a result, we and our stockholders may have more limited rights against our directors, officers and employees, our Business Manager, the Real Estate Manager and their respective affiliates, than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors, officers and employees or our Business Manager and the Real Estate Manager and their respective affiliates in some cases.

Our board of directors may, in the future, adopt certain measures under Maryland law without stockholder approval that may have the effect of making it less likely that a stockholder would receive a "control premium" for his or her shares.

Corporations organized under Maryland law with a class of registered securities and at least three independent directors are permitted to protect themselves from unsolicited proposals or offers to acquire the company by electing to be subject, by a charter or bylaw provision or a board of directors resolution and notwithstanding any contrary charter or bylaw provision, to any or all of five provisions:

- staggering the board of directors into three classes;
- requiring a two-thirds vote of stockholders to remove directors;
- providing that only the board can fix the size of the board;
- providing that all vacancies on the board, regardless of how the vacancy was created, may be filled only by the affirmative vote of a majority of the remaining directors in office and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- requiring that special stockholders meetings be called only by holders of shares entitled to cast a majority of the votes entitled to be cast at the meeting.

These provisions may discourage an extraordinary transaction, such as a merger, tender offer or sale of all or substantially all of our assets, all of which might provide a premium price for stockholders' shares. Our charter does not prohibit our board from opting into any of the above provisions.

Further, under the Maryland Business Combination Act, we may not engage in any merger or other business combination with an "interested stockholder" or any affiliate of that interested stockholder for a period of five years after the most recent date on which the interested stockholder became an interested stockholder. After the five-year period ends, any merger or other business combination with the interested stockholder must be recommended by our board of directors and approved by the affirmative vote of at least:

- 80% of all votes entitled to be cast by holders of outstanding shares of our voting stock; and
- two-thirds of all of the votes entitled to be cast by holders of outstanding shares of our voting stock other than those shares owned or held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder unless, among other things, our stockholders receive a minimum payment for their common stock equal to the highest price paid by the interested stockholder for its common stock.

Our directors have adopted a resolution exempting any business combination involving us and The Inland Group or any affiliate of The Inland Group, including our Business Manager and Real Estate Manager, from the provisions of this law.

Our charter places limits on the amount of common stock that any person may own without the prior approval of our board of directors.

No more than 50% of the outstanding shares of our common stock may be beneficially owned, directly or indirectly, by five or fewer individuals at any time during the last half of each taxable year (other than the first taxable year for which an election to be a REIT has been made). Our charter prohibits any persons or groups from owning more than 9.8% in value of our outstanding stock or more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding common stock without the prior approval of our board of directors. These provisions may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction such as a merger, tender offer or sale of all or substantially all of our assets that might involve a premium price for holders of our common stock. Further, any person or group attempting to purchase shares exceeding these limits could be compelled to sell the additional shares and, as a result, to forfeit the benefits of owning the additional shares.

Maryland law limits, in some cases, the ability of a third party to vote shares acquired in a "control share acquisition."

The Maryland Control Share Acquisition Act provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by stockholders by a vote of two-thirds of the votes entitled to be cast on the matter. Shares of stock owned by the acquirer, by officers or by employees who are directors of the corporation, are excluded from shares entitled to vote on the matter. "Control shares" are voting shares of stock which, if aggregated with all other shares of stock owned by the acquirer or in respect of which the acquirer can exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within specified ranges of voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of issued and outstanding control shares. The control share acquisition statute does not apply: (1) to shares acquired in a merger, consolidation or share exchange if the Maryland corporation is a party to the transaction; or (2) to acquisitions approved or exempted by the charter or bylaws of the Maryland corporation. Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions of our stock by any person. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

Federal Income Tax Risks

If we fail to remain qualified as a REIT, our operations and distributions to stockholders will be adversely affected.

If we were to fail to remain qualified as a REIT, without the benefit of certain relief provisions, in any taxable year:

- we would not be allowed to deduct dividends paid to stockholders when computing our taxable income;
- we would be subject to federal and state income tax on our taxable income at regular corporate rates;
- we would be disqualified from being taxed as a REIT for the four taxable years following the year during which we failed to qualify, unless entitled to relief under certain statutory provisions;
- we would have less cash to pay distributions to stockholders; and
- we may be required to borrow additional funds or sell some of our assets in order to pay corporate tax obligations we may incur as a result of being disqualified.

In addition, if we were to fail to qualify as a REIT, we would not be required to pay distributions to stockholders, and all distributions to stockholders that we did pay would be subject to tax as regular corporate dividends to the extent of our current and accumulated earnings and profits. This means that our U.S. stockholders who are taxed as individuals generally would be taxed on our dividends at long-term capital gains rates and that our corporate stockholders would be entitled to the dividends received deduction with respect to such dividends, subject, in each case, to applicable limitations under the Internal Revenue Code.

The taxation of distributions to our stockholders can be complex; however, distributions that we make to our stockholders generally will be taxable as ordinary income.

Distributions that we make to our taxable stockholders out of current and accumulated earnings and profits (and not designated as capital gain dividends or qualified dividend income) generally will be taxable as ordinary income. For tax years beginning after December 31, 2017, noncorporate stockholders are entitled to a 20% deduction with respect to these ordinary REIT dividends which would result in a maximum effective federal income tax rate on them of 29.6% (or 33.4% including the 3.8% surtax on net investment income); although, the 20% deduction is scheduled to sunset after December 31, 2025. However, a portion of our distributions may: (1) be designated by us as capital gain dividends generally taxable as long-term capital gain to the extent that they are attributable to net capital gain recognized by us; (2) be designated by us as qualified dividend income, taxable at capital gains rates, generally to the extent they are attributable to dividends we receive from any taxable REIT subsidiaries or certain other taxable C corporations in which we own shares of stock; or (3) constitute a return of capital generally to the extent that they exceed our current and accumulated earnings and profits as determined for U.S. federal income tax purposes. A return of capital is generally not taxable, but has the effect of reducing the tax basis of a stockholder's investment in our common stock. Distributions that exceed our current and accumulated earnings and profits and a stockholder's tax basis in our common stock generally will be taxable as capital gain.

To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions to make distributions to our stockholders.

To qualify as a REIT, we must distribute to our stockholders each year 90% of our taxable income, subject to certain adjustments and excluding any net capital gain. At times, we may not have sufficient funds to satisfy these distribution requirements and may need to borrow funds to make these distributions and maintain our REIT status and avoid the payment of income and excise taxes. These borrowing needs could result from: (1) differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes; (2) the effect of non-deductible capital expenditures; (3) the creation of reserves; or (4) required debt amortization payments. We may need to borrow funds at times when market conditions are unfavorable. Further, if we are unable to borrow funds when needed for this purpose, we would have to find alternative sources of funding or risk losing our status as a REIT.

Certain of our business activities are potentially subject to the prohibited transaction tax.

Our ability to dispose of property during the first two years following acquisition is restricted to a substantial extent as a result of our REIT status. Under applicable provisions of the Internal Revenue Code regarding prohibited transactions by REITs, while we qualify as a REIT and provided we do not meet a safe harbor available under the Internal Revenue Code, we will be subject to a 100% tax on any gain realized on the sale or other disposition of any property (other than foreclosure property) we own, directly or through any wholly owned subsidiary (or entity in which we are treated as a partner), excluding our taxable REIT subsidiaries, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. Determining whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. We cannot provide assurance that any particular property we own, directly or through any wholly owned subsidiary (or entity in which we are treated as a partner), excluding our taxable REIT subsidiaries, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business. The Internal Revenue Code sets forth a safe harbor for REITs that wish to sell property without risking the imposition of the 100% tax; however, there is no assurance that we will be able to qualify for the safe harbor. Even if we do not hold property for sale in the ordinary course of a trade or business, there is no assurance that our position will not be challenged by the Internal Revenue Service, especially if we make frequent sales or sales of property in which we have short holding periods.

Certain fees paid to us may affect our REIT status.

Income received in the nature of rental subsidies or rent guarantees, in some cases, may not qualify as rental income from real estate and could be characterized by the Internal Revenue Service as non-qualifying income for purposes of satisfying the 75% and 95% gross income tests required for REIT qualification. If the aggregate of non-qualifying income under the 95% gross income test in any taxable year ever exceeded 5% of our gross revenues for the taxable year or non-qualifying income under the 75% gross income test in any taxable year ever exceeded 25% of our gross revenues for the taxable year, we could lose our REIT status for that taxable year and the four taxable years following the year of losing our REIT status.

Complying with the REIT requirements may force us to liquidate otherwise attractive investments.

To continue to qualify as a REIT, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, certain government securities and qualified real estate assets, including shares of stock in other REITs, certain mortgage loans and mortgage-backed securities. The remainder of our investment in securities (other than securities that qualify for the 75% asset test and securities of qualified REIT subsidiaries and taxable REIT subsidiaries) generally cannot exceed 10% of the outstanding voting securities of any one issuer, 10% of the total value of the outstanding securities of any one issuer, or 5% of the value of our assets as to any one issuer. In addition, no more than 25% of the value of our total assets may be securities (other than securities that qualify for the 75% asset test and securities of qualified REIT subsidiaries), no more than 20% of the value of our total assets may consist of stock or securities of one or more taxable REIT subsidiaries and no more than 25% of our assets may be represented by publicly offered REIT debt instruments that do not otherwise qualify under the 75% asset test. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within thirty days after the end of the calendar quarter, or otherwise qualify to cure the failure under a relief provision, to avoid losing our REIT status and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments.

Our ability to dispose of some of our properties may be constrained by their tax attributes.

Our ability to dispose of some of our properties is constrained by their tax attributes. Properties which we own for a significant period of time often have low tax bases. If we dispose of low-basis properties outright in taxable transactions, we may recognize a significant amount of taxable gain that we must distribute to our stockholders in order to avoid tax, and potentially, if the gain does not qualify as a net capital gain, in order to meet the minimum distribution requirements of the Internal Revenue Code for REITs, which in turn would impact our cash flow. To dispose of low basis properties efficiently we may use like-kind exchanges, which qualify for non-recognition of taxable gain, but can be difficult to consummate and result in the property for which the disposed assets are exchanged inheriting their low tax bases and other tax attributes (including tax protection covenants).

Our stockholders may have tax liability on distributions that they elect to reinvest in our common stock.

If our stockholders participate in our DRP, they will be deemed to have received, and for income tax purposes will be taxed on, the fair market value of the share of our common stock that they receive in lieu of cash distributions. As a result, unless a stockholder is a tax-exempt entity, it will have to use funds from other sources to pay its tax liability.

In certain circumstances, we may be subject to federal and state income taxes as a REIT, which would reduce our cash available to pay distributions.

Even if we maintain our status as a REIT, we may become subject to federal income taxes and related state taxes. For example, if we have net income from a "prohibited transaction," we will incur taxes equal to the full amount of the net income from the prohibited transaction. We may not be able to make sufficient distributions to avoid excise taxes applicable to REITs. We also may decide to retain income we earn from the sale or other disposition of our property and pay income tax directly on this income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have to file income tax returns to receive a refund of the income tax paid on their behalf. We also may be subject to state and local taxes on our income, property or net worth, either directly or at the level of the other companies through which we indirectly own our assets. Any federal or state taxes paid by us will reduce our cash available to pay distributions.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code may limit our ability to hedge the risks inherent to our operations. Under current law, any income that we generate from derivatives or other transactions intended to hedge risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made, or to be made, to acquire or carry real estate assets or in certain cases to hedge previously acquired hedges entered into to manage risks associated with property that has been disposed of or liabilities that have been extinguished, if properly identified under applicable Treasury Regulations, generally will not constitute gross income for purposes of the 75% and 95% income requirements applicable to REITs. However, we may be required to limit the use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur.

Legislative or regulatory action could adversely affect investors.

Changes to the tax laws are likely to occur, and these changes may adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets. Our stockholders are urged to consult with their own tax advisors with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares.

Future legislation might result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be taxed, for federal income tax purposes, as a corporation. As a result, our charter provides our board of directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a corporation, without the vote of our stockholders. Our board of directors has fiduciary duties to us and our stockholders and could only cause changes in our tax treatment if it determines in good faith that such changes are in the best interest of our stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

(Dollar amounts in thousands, except per square foot amounts)

The table below presents a summary of our investment properties as of December 31, 2018 and 2017.

	As of December 31, 2018	As of December 31, 2017
Number of properties	59	59
Purchase price	$ 1,414,253	$ 1,412,841
Total square footage	6,870,124	6,860,923
Weighted average physical occupancy	94.1%	93.9%
Weighted average economic occupancy	94.7%	94.8%
Weighted average remaining lease term (years)	6.0	6.4

As of December 31, 2018 and 2017, ABR per square foot averaged $17.30 and $17.16, respectively, for all properties owned. ABR is calculated by annualizing the current, in-place monthly base rent for leases, including any tenant concessions, such as rent abatement or allowances, which may have been granted and excluding ground leases. ABR including ground leases averaged $14.94 and $14.81, as of December 31, 2018 and 2017, respectively.

The table below presents information for each of our investment properties as of December 31, 2018.

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 (a)	Olive Branch, MS	159,258	98.1%	98.1%	—	—
Park Avenue (a)	Little Rock, AR	79,131	66.7%	100.0%	—	—
North Hills Square (a)	Coral Springs, FL	63,829	100.0%	100.0%	—	—
Mansfield Shopping Center (a)	Mansfield, TX	148,529	72.0%	72.0%	—	—
Lakeside Crossing (a)	Lynchburg, VA	67,034	100.0%	100.0%	—	—
MidTowne Shopping Center (a)	Little Rock, AR	126,288	88.6%	88.6%	—	—
Dogwood Festival (a)	Flowood, MS	187,610	92.7%	92.7%	—	—
Pick N Save Center (a)	West Bend, WI	94,000	89.4%	89.4%	—	—
Harris Plaza (a)	Layton, UT	125,965	84.7%	84.7%	—	—
Dixie Valley	Louisville, KY	119,981	92.5%	94.1%	6,798	3.62%
The Landings at Ocean Isle (a)	Ocean Isle, NC	53,203	94.6%	94.6%	—	—
Shoppes at Prairie Ridge (a)	Pleasant Prairie, WI	232,606	94.8%	94.8%	—	—
Harvest Square	Harvest, AL	70,590	94.1%	94.1%	6,599	4.65%
Heritage Square	Conyers, GA	22,385	100.0%	100.0%	4,460	5.10%
The Shoppes at Branson Hills (a)	Branson, MO	256,329	92.9%	92.9%	—	—
Branson Hills Plaza (a)	Branson, MO	210,201	100.0%	100.0%	—	—
Copps Grocery Store (a)	Stevens Point, WI	69,911	100.0%	100.0%	—	—
Fox Point Plaza (a)	Neenah, WI	171,121	98.1%	98.1%	—	—
Shoppes at Lake Park (a)	West Valley City, UT	52,997	93.2%	93.2%	—	—
Plaza at Prairie Ridge (a)	Pleasant Prairie, WI	9,035	100.0%	100.0%	—	—
Green Tree Shopping Center	Katy, TX	147,621	96.4%	96.4%	13,100	3.24%
Eastside Junction	Athens, AL	79,700	87.7%	87.7%	6,126	4.60%
Fairgrounds Crossing	Hot Springs, AR	155,127	95.7%	95.7%	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	95.8%	95.8%	26,000	4.50%
Shops at Hawk Ridge (a)	St. Louis, MO	75,951	100.0%	100.0%	—	—
Walgreens Plaza	Jacksonville, NC	42,219	83.5%	95.6%	4,650	5.30%
Whispering Ridge (a)	Omaha, NE	69,676	39.8%	39.8%	—	—
Frisco Marketplace (a)	Frisco, TX	112,024	96.4%	96.4%	—	—
White City	Shrewsbury, MA	257,121	93.4%	94.7%	49,400	3.24%
Treasure Valley (a)	Nampa, ID	133,292	100.0%	100.0%	—	—
Yorkville Marketplace (a)	Yorkville, IL	111,591	75.2%	75.2%	—	—
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	98.6%	98.6%	76,532	3.70%
Milford Marketplace	Milford, CT	111,720	96.1%	96.1%	18,727	4.02%
Marketplace at El Paseo	Fresno, CA	224,683	96.6%	97.4%	38,000	2.95%
Blossom Valley Plaza (a)	Turlock, CA	111,435	97.5%	97.5%	—	—
The Village at Burlington Creek	Kansas City, MO	158,049	80.8%	80.8%	17,722	4.25%
Oquirrh Mountain Marketplace (a)	South Jordan, UT	75,950	100.0%	100.0%	—	—
Marketplace at Tech Center	Newport News, VA	210,297	95.5%	95.5%	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 (a)	Wilson, NC	311,030	99.1%	99.1%	—	—
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		6,870,124	94.1%	94.7%	$ 424,574	3.71%

(a) Property is included in the pool of unencumbered properties 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 December 31, 2018.

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	3.6%	$ 12.72	276,038	4.0%
The Kroger Co	4	3,374	3.5%	13.52	249,493	3.6%
TJ Maxx/HomeGoods/Marshalls	13	3,194	3.3%	9.70	329,253	4.8%
Petsmart	10	2,830	2.9%	14.58	194,077	2.8%
Ross Dress for Less, Inc	9	2,409	2.5%	10.16	237,165	3.5%
Albertsons/Jewel/Shaws	2	2,304	2.4%	18.02	127,892	1.9%
Ulta Salon, Cosmetics & Fragrance	10	2,261	2.3%	21.69	104,276	1.5%
Kohl's Department Stores	4	1,888	1.9%	5.68	332,461	4.8%
LA Fitness (Fitness International)	2	1,810	1.9%	20.20	89,600	1.3%
Giant Eagle	1	1,805	1.8%	13.96	129,340	1.9%
Top ten tenants	61	$ 25,386	26.1%	$ 12.27	2,069,595	30.1%

The following table sets forth a summary of our tenant diversity for our entire portfolio and is based on leases in-place at December 31, 2018.

Tenant Type	Gross Leasable Area – Square Footage	Percent of Total Gross Leasable Area	Percent of Total Annualized Base Rent
Discount and Department Stores	1,541,604	23.7%	12.1%
Home Goods	987,023	15.2%	9.0%
Grocery	950,042	14.6%	13.9%
Lifestyle, Health Clubs, Books & Phones	806,560	12.4%	15.4%
Restaurant	545,530	8.4%	15.9%
Apparel & Accessories	461,960	7.1%	10.4%
Sporting Goods	333,719	5.1%	4.9%
Pet Supplies	288,642	4.4%	4.6%
Consumer Services, Salons, Cleaners, Banks	282,833	4.3%	7.4%
Health, Doctors & Health Foods	164,121	2.5%	4.6%
Other	143,137	2.3%	1.8%
Total	6,505,171	100.0%	100.0%

The following table sets forth a summary, as of December 31, 2018, 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	52%	7.0
Junior Box	5,000-9,999	15%	5.7
Small Shop	Less than 5,000	33%	4.4
Total		100%	6.0

Lease Expirations

The following table sets forth a summary, as of December 31, 2018, of lease expirations scheduled to occur during each of the calendar years from 2019 to 2028 and thereafter, assuming no exercise of renewal options or early termination rights for leases commenced on or prior to December 31, 2018. Annualized base rent represents the rent in place for the applicable property at December 31, 2018. The table below includes ground leases. If ground leases are excluded, annualized base rent would equal $87,562, or $17.30 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
2019 (including month-to-month)	78	301,026	4.6%	$ 4,935	5.1%	$ 16.40
2020	99	533,020	8.2%	8,815	9.1%	16.54
2021	92	363,879	5.6%	7,320	7.5%	20.12
2022	91	571,575	8.8%	10,800	11.1%	18.90
2023	109	822,398	12.6%	12,517	12.9%	15.22
2024	74	722,996	11.1%	12,451	12.8%	17.22
2025	71	631,811	9.7%	11,372	11.7%	18.00
2026	39	445,879	6.9%	6,093	6.3%	13.66
2027	35	376,558	5.8%	4,641	4.8%	12.32
2028	33	689,019	10.6%	6,303	6.5%	9.15
Thereafter	29	1,047,010	16.1%	11,923	12.3%	11.39
Leased Total	750	6,505,171	100.0%	$ 97,170	100.0%	$ 14.94

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

There is no established public trading market for our shares of common stock. Our board will determine when, and if, to apply to have our shares of common stock listed for trading on a national securities exchange, subject to satisfying existing listing requirements. Pursuant to a strategic plan adopted by our board on February 11, 2019, we plan to move toward a liquidity event in the next 24 to 36 months, or sooner, market conditions permitting, most likely through a listing on a national securities exchange. However, there is no assurance that we will list our shares. Further, there is no assurance that stockholders will be able to sell their shares at a time or price acceptable to them. We publish an estimated per share value of our common stock to assist broker dealers that sold our common stock in the Offering to comply with the rules published by FINRA. On March 5, 2019, our board established an Estimated Per Share NAV of our common stock as of December 31, 2018 equal to $20.12 per share. The previously established estimated per share NAV of our common stock as of December 31, 2017 was equal to $22.35 per share.

We engaged CBRE Capital Advisors, Inc., a FINRA registered broker dealer firm that specializes in providing real estate financial services ("CBRE Cap"), to assist our board in establishing an Estimated Per Share NAV as of December 31, 2017. CBRE Cap provided an analysis of our assets and liabilities (including individual property-level analysis), all of which was used to estimate a range of Estimated Per Share NAVs. The engagement of CBRE Cap was based on a number of factors, including CBRE Cap's expertise in valuation services and its, and its affiliates, breadth and depth of experience in real estate services. CBRE Cap engaged CBRE Valuation & Advisory Services, an affiliate of CBRE Cap that conducts appraisals and valuations of real properties (the "MAI Appraisals"), to perform cash flow projections and unlevered, ten-year discounted cash flow analyses from restricted-use appraisals for each of our wholly-owned operating assets as of December 31, 2017 (the "Valuation Date"). Based, in part, on the MAI Appraisals, CBRE Cap developed a valuation analysis of our assets and liabilities and provided that analysis to our board in a report dated March 20, 2018 that contained, among other information, a range of per share net asset values for our common stock as of the Valuation Date (the "Valuation Report"). There were no changes between December 31, 2017 and the date of the Valuation Report that our Business Manager believes would have materially impacted the overall Estimated Per Share NAV. We are not affiliated with CBRE, CBRE Cap or any of their affiliates. While we and affiliates or related parties of our Business Manager have engaged and may engage CBRE Cap or its affiliates in the future for valuations and commercial real estate-related services of various kinds, we believe that there are no material conflicts of interest with respect to our engagement of CBRE Cap.

To estimate our per share value, CBRE Cap utilized the "net asset value" or "NAV" method, also known as the appraised value methodology, which is based on the fair value of real estate, real estate related investments and all other assets, less the fair value of total liabilities. The fair value estimate of our real estate assets is equal to the sum of their individual real estate values. Generally, CBRE Cap estimated the value of our real estate assets using several methodologies, including a discounted cash flow, or "DCF," of projected net operating income, less capital expenditures, for each property, for the ten-year period ending December 31, 2028, and applied a discount rate which it believed was consistent with the inherent level of risk associated with the asset. The other methodologies considered consisted of the "direct cap rate" and "sales comparison" approaches. CBRE Cap believed use of the DCF approach was more appropriate because of the large percentage of multi-tenant assets owned by us. With respect to a joint venture to develop three transitional care/rapid recovery centers, because the investment was impaired, we assigned no value. For all other assets, such as other current assets, fair value was determined separately based on book value. The Business Manager determined the fair market value of our debt by comparing current market interest rates to the contract rates on our long-term debt and discounting to present value the difference in future payments. The fair market value of our debt was reviewed by CBRE Valuation & Advisory Services for reasonableness and utilized in the Valuation Report. The estimated value of the incentive fee payable to the Business Manager is equal to 10% of the amount by which the value of our shares, plus distributions paid, exceeds a return of stockholders' capital plus a 7% cumulative, pre-tax, non-compounded return to the stockholders. CBRE Cap determined that no incentive fee would be payable under a hypothetical liquidation occurring within the range of values provided in the Valuation Report. CBRE Cap determined NAV in a manner consistent with the definition of fair value under U.S. GAAP set forth in FASB's Topic ASC 820, *Fair Value Measurements and Disclosures*.

Net asset value per share was estimated by subtracting the fair value of our total liabilities from the fair value of our total assets and dividing the result by the number of common shares outstanding as of the Valuation Date. CBRE Cap created a valuation range by first establishing a discount rate and terminal capitalization rate for each real estate asset. CBRE Cap then applied a discount rate and terminal capitalization rate sensitivity analysis by varying the discount rate and terminal capitalization rate of each real estate asset by 2.5% in either direction, which represents an approximate 5% sensitivity on the discount rates and terminal capitalization rates, resulting in a value range equal to $19.57 to $21.79 per share. The mid-point in that range was $20.68. Discount rates and terminal capitalization rates were sourced from the MAI Appraisals and varied by location, asset quality and supply and demand metrics. The Estimated Per Share NAV determined by our board of $20.12 assumes a weighted average discount rate equal to 7.76% and a weighted average terminal capitalization rate of 7.08%. The estimated value of our real estate assets reflects an overall decrease of 1.0% compared to our original cost of the real estate assets plus any capital expenditures invested by us.

The terminal capitalization rate and discount rate have a significant impact on the estimated value under the net asset value method. The following chart presents the impact of changes to the Estimated Per Share NAV based on variations in the terminal capitalization rate and discount rate within the range of values determined by CBRE Cap.

	Range of Value and Rate			
	Low	Estimated Value	Mid-point	High
Share Price	$ 19.57	$ 20.12	$ 20.68	$ 21.79
Terminal Capitalization Rate	7.16%	7.08%	7.00%	6.81%
Discount Rate	7.85%	7.76%	7.66%	7.47%

The following table summarizes the individual components presented to our board to estimate per share values as of the dates presented:

	Per Share as of December 31, 2018	Per Share as of December 31, 2017
Real Estate Assets	$ 40.33	$ 41.34
Cash and Other Assets, Net of Other Liabilities (1)	(0.13)	0.30
Fair Market Value of Debt (2)	(20.08)	(19.29)
Estimated Per Share NAV	$ 20.12	$ 22.35

(1) Includes the following items based on book value: (i) cash and cash equivalents; (ii) investment in unconsolidated entities (after accounting for impairment charges); (iii) accounts and rent receivables; (iv) other assets; (v) accounts payable and accrued expenses; (vi) distributions payable; (vii) due to related parties and (viii) other liabilities. Includes present value of unpaid earnout liabilities of ($0.03) as of December 31, 2017. There was no earnout liability outstanding as of December 31, 2018.

(2) Comprised of mortgage loans and credit facility payable, as adjusted for fair market value.

The primary factors that impacted our Estimated Per Share NAV as compared to our prior NAV determination as of December 31, 2017 were (i) a decrease in the value of the real estate assets due to higher terminal capitalization rates and discount rates applied to certain assets and an increase in vacancies and a decrease in rents at certain properties, (ii) a decrease in cash and other assets, net of other liabilities, as a result of the impairment in value of the joint venture investment plus increased liability for distributions and share repurchases payable as the timing of payments was adjusted from a monthly to a quarterly basis (iii) an increase in the fair market value of debt due to an increase in the line of credit balance outstanding, which was partially used to fund capital expenditures, the joint venture investment that was impaired and earnouts, and a decrease in market interest rates.

Our board reviewed the Valuation Report, met with representatives from CBRE Cap in person and considered the material assumptions and valuation methodologies applied and described therein. Taking into consideration the reasonableness of the valuation methodologies, assumptions, and the conclusions contained in the Valuation Report, on March 5, 2019, our board unanimously determined our total estimated net asset value to be approximately $711.1 million, or $20.12 per share, based on a share count of approximately 35.3 million shares issued and outstanding as of the Valuation Date. The Valuation Report contained a range for the Estimated Per Share NAV of $19.57 to $21.79. The mid-point of the range of values provided by CBRE Cap was $20.68. The Estimated Per Share NAV of $20.12 is lower than the mid-point of the range. While our portfolio is stabilized with an economic occupancy of 94.7%, our board observed that retail real estate continues to experience volatility as a result of, among other things, shifting consumer preferences and Internet competition. Approximately 38% of annualized base rent for leases in-place as of December 31, 2018 is generated from non-grocery big box retailers, a retail sector the Business Manager believes is currently impacted relatively more than certain other retail sectors by the evolution in consumer shopping preferences and, as a result, experiencing price dislocation. Given these factors, as well as the volatility in the equity markets, our board selected an Estimated Per Share NAV slightly lower than the mid-point of the range of values provided by CBRE Cap.

Our board's determination of the Estimated Per Share NAV was undertaken in accordance with our valuation policy and the recommendations and methodologies of the Institute for Portfolio Alternatives (formerly known as the Investment Program Association), a trade association for non-listed direct investment vehicles ("IPA"), as set forth in IPA Practice Guideline 2013-01 "Valuations of Publicly Registered Non-Listed REITs" (the "IPA Practice Guideline"). In accordance with the valuation policy and the IPA Practice Guideline, the Estimated Per Share NAV excludes any value adjustments due to the size and diversification of our portfolio of assets.

In performing its analyses, CBRE Cap made numerous assumptions as of various points in time with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are necessarily subject to change and beyond the control of CBRE Cap and us. The analyses performed by CBRE Cap are not necessarily indicative of actual values, trading values or actual future results of our common stock that might be achieved, all of which may be significantly more or less favorable than suggested by such analyses. The analyses do not purport to be appraisals or to reflect the prices at which the properties may actually be sold, and such estimates are inherently subject to uncertainty. The actual value of our common stock may vary significantly depending on numerous factors that generally impact the price of securities, our financial condition and the state of the real estate industry more generally. Accordingly, with respect to the Estimated Per Share NAV, neither we nor CBRE Cap can give any assurance that:

- a stockholder would be able to resell his or her shares at the Estimated Per Share NAV;
- a stockholder would ultimately realize distributions per share equal to the Estimated Per Share NAV upon liquidation of our assets and settlement of our liabilities or a sale of us;
- our shares would trade at a price equal to or greater than the Estimated Per Share NAV if we listed them on a national securities exchange;
- a third party would acquire us at a value equal to or greater than the Estimated Per Share NAV; or
- the methodology used to estimate the Estimated Per Share NAV would be acceptable to FINRA or under ERISA for compliance with its reporting requirements.

The Estimated Per Share NAV represents a snapshot in time, will likely change, and does not represent the amount a stockholder would receive now or in the future for his or her shares of our common stock. Stockholders should not rely on the Estimated Per Share NAV in making a decision to buy or sell shares of our common stock. The Estimated Per Share NAV is based on a number of assumptions, estimates and data that are inherently imprecise and susceptible to uncertainty and changes in circumstances, including changes to the value of individual assets as well as changes and developments in the real estate and capital markets, changes in interest rates, and changes in the composition of our portfolio.

We have engaged CBRE Cap for the past four years, and currently intends to continue to engage CBRE Cap in the future, to perform appraisals of our properties and report a range of possible net asset values per share for our common stock. We currently expect to publish an updated Estimated Per Share NAV on at least an annual basis.

As of March 14, 2019, we had 16,557 stockholders of record.

Distributions

On November 17, 2017, our board approved a change to our distribution policy to transition the payment of cash distributions from a monthly basis to a quarterly basis, effective January 1, 2018. The actual amount and timing of distributions, if any, is determined by our board of directors in its discretion, based on its analysis of our actual and expected cash flow, capital expenditures and investments, as well as general financial conditions.

During the year ended December 31, 2018, we declared quarterly distributions in an amount equal to $0.335 per share, which represents an annualized rate of 6% based on the previously estimated per share NAV as of December 31, 2017 of $22.35, payable in arrears the following quarter. During the year ended December 31, 2017, we declared distributions based on a daily record date. The distributions declared in 2017 were equal to a daily amount $0.00410959 per share based upon a 365-day period.

The following table shows the sources for the payment of distributions to common stockholders for the periods indicated (Dollar amounts in thousands):

	Year Ended December 31, 2018		Year Ended December 31, 2017	
		% of Distributions		% of Distributions
Distributions:				
Distributions paid in cash	$ 20,974		$ 26,246	
Distributions reinvested through DRP	19,339		27,069	
Total distributions	$ 40,313		$ 53,315	
Source of distribution coverage:				
Cash flows provided by operating activities	$ 40,313	100%	$ 50,871	95%
Proceeds from DRP	—	0%	2,444	5%
Total source of distribution coverage	$ 40,313	100%	$ 53,315	100%
Cash flows provided by operating activities (U.S. GAAP basis)	$ 45,051		$ 50,871	
Net loss (in accordance with U.S. GAAP)	$ (23,276)		$ (19,102)	

The following table compares cumulative distributions paid to cumulative net loss (in accordance with U.S. GAAP) for the period from August 24, 2011 (date of inception) through December 31, 2018 (Dollar amounts in thousands):

	For the Period from August 24, 2011 (Date of Inception) to December 31, 2018
Distributions paid:	
Common stockholders in cash	$ 99,176
Common stockholders reinvested through DRP	100,942
Total distributions paid	$ 200,118
Reconciliation of net loss:	
Revenues	$ 477,772
Acquisition and transaction related expenses	(19,669)
Provision for asset impairment	(8,530)
Depreciation and amortization	(222,796)
Other operating expenses	(197,623)
Provision for impairment of investment in and note receivable from unconsolidated entities	(15,405)
Other non-operating expenses	(85,567)
Net loss (in accordance with U.S. GAAP) (1)	$ (71,818)
Funds from operations (2)	$ 174,914
Cash flows provided by operating activities	$ 160,624

(1) Net loss, as defined by U.S. GAAP, includes the non-cash impact of depreciation and amortization expense as well as costs incurred relating to acquisitions and related transactions and provision for impairment related to our joint venture investment and asset impairment.
(2) For information related to the calculation of funds from operations, see "Non-U.S. GAAP Financial Measures" in this Item 7.

Share Repurchase Program

We adopted a share repurchase program effective October 18, 2012, under which 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 purchase them. In the case of "exceptional repurchases," the one year holding period does not apply. The SRP was amended and restated effective January 1, 2018 to change the processing of repurchase requests from a monthly to a quarterly basis to align with the move to quarterly distributions. On February 11, 2019, our board adopted the A&R SRP, which will become effective on March 21, 2019.

Under the A&R SRP, we are authorized to make ordinary repurchase at a price equal to 80.0% of the "share price," which is defined in the A&R SRP as an amount equal to the lesser of: (A) $25, as adjusted under certain circumstances, including, among other things, if the applicable shares were purchased from the Company at a discounted price; or (B) the most recently disclosed estimated value per share. Prior to the amendment, we were authorized to make ordinary repurchases at a price ranging from 92.5% to 100% of the "share price." In the case of "exceptional repurchases," we may repurchase shares at a repurchase price equal to 100% of the "share price." Beginning with repurchases in April 2019, the "share price" will be equal to $20.12 per share until we announce a new Estimated Per Share NAV. Accordingly, ordinary repurchases will be at $16.10 per share and "exceptional repurchases" will be at $20.12 per share.

The A&R SRP provides our board of directors with the discretion to reduce the funding limit for share repurchases. Prior to the amendment, the funding for ordinary repurchases was limited to the proceeds from the DRP during a particular quarter. The A&R SRP limits the dollar amount for any repurchases made by us each calendar quarter to an amount equal to a percentage determined in the sole discretion of our board on a quarterly basis that will not be less than 50% of the net proceeds from the DRP during the applicable quarter. We continue to limit 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, as adjusted for the Reverse Stock Split.

If either or both of the repurchase limitations prevent us from repurchasing all of the shares offered for repurchase during a calendar quarter, we will repurchase shares, on a pro rata basis within each category below, in accordance with the repurchase limitations in the following order: (a) first, all repurchases sought upon a stockholder's death or qualifying disability and (b) second, all ordinary repurchases. Shares not repurchased due to the pro rata impact will be included in the list of requests in the immediately following calendar quarter, unless the request is withdrawn. The A&R SRP provides that a requesting party must own shares of at least $500 after giving effect to any repurchase by the Company. If a requesting party would fail to maintain this minimum balance after giving effect to any repurchase, we may, in our discretion, repurchase the remaining balance of shares which is less than $500, subject to the 5% share limit described above.

The SRP will immediately terminate if our shares are listed on any national securities exchange. In addition, our board of directors, in its sole discretion, may amend, suspend (in whole or in part), or terminate our SRP. In the event that we amend, suspend or terminate the SRP, however, we will send stockholders notice of the change at least thirty days prior to the change, and we will disclose the change in a report filed with the SEC on either Form 8-K, Form 10-Q or Form 10-K, as appropriate. Further, our board reserves the right in its sole discretion, at any time, and from time to time to reject any requests for repurchases.

The following table summarizes the repurchases of shares under the SRP during the year ended December 31, 2018 (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	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
January 2018	—	—	—	—	—	1,774,922
February 2018	—	—	—	—	—	1,774,922
March 2018	309,725	262,792	$ 22.00	$ 5,782	262,792	1,512,130
April 2018	—	—	—	—	—	1,512,130
May 2018	—	—	—	—	—	1,512,130
June 2018	492,462	257,232	$ 22.09	$ 5,682	257,232	1,254,898
July 2018	—	—	—	—	—	1,254,898
August 2018	—	—	—	—	—	1,254,898
September 2018	718,161	253,776	$ 22.14	5,618	253,776	1,001,122
October 2018	—	—	—	—	—	1,001,122
November 2018	—	—	—	—	—	1,001,122
December 2018	1,010,699	246,423	$ 22.17	$ 5,463	246,423	754,699
Total	2,531,047	1,020,223	$ 22.10	$ 22,545	1,020,223	

Securities Authorized for Issuance under Equity Compensation Plans

For information regarding the securities authorized for issuance under our equity compensation plan, reference is made to Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" which is included in this Annual Report on Form 10-K.

Item 6. Selected Financial Data

The following table shows our selected financial data relating to our consolidated historical financial condition and results of operations. This selected data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. (Dollar amounts in thousands, except per share amounts):

	As of December 31,				
	2018	2017	2016	2015	2014
Balance Sheet Data:					
Total assets	$ 1,320,069	$ 1,375,370	$ 1,357,560	$ 1,401,368	$ 569,797
Mortgages and credit facility payable, net (a)	$ 705,884	$ 691,465	$ 606,025	$ 584,499	$ 184,344

	For the year ended December 31				
	2018	2017	2016	2015	2014
Total income	$ 128,701	$ 129,157	$ 121,498	$ 76,542	$ 18,946
Net loss (b)	$ (23,276)	$ (19,102)	$ (7,961)	$ (13,436)	$ (4,356)
Net loss per common share, basic and diluted (c)	$ (0.65)	$ (0.54)	$ (0.23)	$ (0.48)	$ (0.53)
Distributions paid to common stockholders	$ 40,313	$ 53,315	$ 52,358	$ 42,537	$ 10,597
Distributions declared to common stockholders	$ 47,700	$ 53,364	$ 52,449	$ 44,908	$ 12,318
Distributions declared per common share	$ 1.34	$ 1.50	$ 1.50	$ 1.58	$ 1.50
Cash flows provided by operating activities	$ 45,051	$ 50,871	$ 36,203	$ 27,080	$ 2,922
Cash flows used in investing activities	$ (18,623)	$ (83,282)	$ (89,991)	$ (740,542)	$ (310,485)
Cash flows (used in) provided by financing activities	$ (27,032)	$ 32,398	$ (21,151)	$ 691,434	$ 386,800
Weighted average number of common shares outstanding, basic and diluted	35,589,729	35,571,249	34,963,827	27,737,301	8,226,376

(a) Includes unamortized mortgage premiums and debt issuance costs.

(b) For the year ended December 31, 2018, we recognized an asset impairment of $5.5 million and an impairment charge of $9.9 million related to our joint venture investment. For the year ended December 31, 2017, we recognized an asset impairment related to an investment property of $8.5 million.

(c) The net loss per common share, basic and diluted is based upon the weighted average number of common shares outstanding for the period ended.

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

Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Annual Report on Form 10-K 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 our management 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 Annual Report on Form 10-K and the factors described below:

- *Market disruptions may adversely impact many aspects of our operating results and operating condition;*
- *We have incurred net losses on a U.S. GAAP basis for the years ended December 31, 2018, 2017 and 2016;*
- *There is no established public trading market for our shares, our stockholders may not be able to sell their shares under our 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;*
- *There is no assurance our board of directors will pursue a listing or other liquidity event at any time in the future;*
- *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;*
- *Our Sponsor may face a conflict of interest in allocating personnel and resources between its affiliates, our Business Manager and 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 IPCC for, among other things, tenants;*
- *Our Business Manager is under no obligation, and may not agree, to continue to forgo or defer its business management fee;*
- *If we fail to continue to qualify as a REIT, our operations and distributions to stockholders will be adversely affected; and*
- *We may not be able to successfully implement the strategic plan adopted by our board of directors on February 11, 2019, which is described further below.*

Forward-looking statements in this Annual Report on Form 10-K reflect our management's view only as of the date of this 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 is based on the consolidated financial statements for the years ended December 31, 2018, 2017 and 2016. Our stockholders should read the following discussion and analysis along with our consolidated financial statements and the related notes thereto.

Overview

We were formed as a Maryland corporation on August 24, 2011 and elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code, commencing with the year ended December 31, 2013. We are managed by our business manager, IREIT Business Manager & Advisor, Inc.

We have primarily focused on acquiring retail properties and intend to target a portfolio of 100% grocery-anchored properties as described below. We have 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.

At December 31, 2018, we had total assets of $1.3 billion and owned 59 properties located in 24 states containing 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.

On January 16, 2018, we effected a 1-for-2.5 Reverse Stock Split whereby every 2.5 shares of our issued and outstanding common stock were converted into one share of our common stock. In accordance with U.S. GAAP, all share information presented has been retroactively adjusted to reflect the Reverse Stock Split.

We commenced Offering on October 18, 2012, which concluded on October 16, 2015. We sold 33,534,022 shares of common stock generating gross proceeds of $834.4 million from the Offering. On March 5, 2019, our board of directors determined an Estimated Per Share NAV of our common stock as of December 31, 2018 of $20.12. The previously estimated per share net asset value as of December 31, 2017 equal to $22.35 was established on March 20, 2018.

Our board of directors approved a change to our distribution policy to transition the payment of cash distributions from a monthly basis to a quarterly basis, effective January 1, 2018.

We have invested in Mainstreet JV to develop three transitional care/rapid recovery centers. During 2018, we funded our remaining equity commitment to Mainstreet JV, as well as the full $5.4 million of mezzanine loans. Subsequently, during 2018, we identified several indicators that suggested it was probable that we would not recover our equity investment in or the mezzanine loans advanced to Mainstreet JV. Such indicators included construction overruns, loss of a planned tenant and the related cost of re-leasing. Additionally, the construction mortgage lender to Mainstreet JV stopped funding the construction draws for two of the properties and began foreclosure proceedings. As we do not intend to fund any more investments in Mainstreet JV and we do not expect to recover any of our previous investments, we have determined an impairment for both our investment in and notes receivable from Mainstreet JV is appropriate.

During the year ended December 31, 2018, we recorded an impairment to our investment in Mainstreet JV of $9.9 million and an impairment to our notes receivable from unconsolidated entities of $5.5 million, both included in provision for impairment of investment in and note receivable from unconsolidated entities on the consolidated statement of operations and comprehensive loss. Both amounts represent a full impairment of such investments.

On February 11, 2019, our board of directors approved a strategic plan with the goals of providing a liquidity event in the next 24 to 36 months, or sooner, market conditions permitting, most likely through a listing on a public securities exchange. The strategic plan centers around owning a portfolio of 100% grocery-anchored properties with lower exposure to big box retailers. As part of this strategy, our management team and our board of directors will consider the opportunistic sale of certain assets with the goal of redeploying capital into the acquisition of strategically located grocery-anchored centers, as well as the redevelopment of select centers within the current portfolio. In connection with the strategic plan, the business management agreement with the Business Manager was amended and restated on February 11, 2019 to, among other things, eliminate all future acquisition and disposition fees. In addition, our board of directors approved amendments to the SRP providing for ordinary repurchases at a price equal to 80.0% of the “share price,” as defined in the A&R SRP, and providing our board with the discretion to reduce the funding limit for share repurchases. For information related to the A&R SRP, reference is made to Note 3 – “Equity” which is included in our December 31, 2018 Notes to Consolidated Financial Statements in Item 8. There can be no assurance that the strategic plan will not evolve or change over time or that we will be able to successfully implement the strategic plan, including listing our common stock.

Company Highlights - Year Ended December 31, 2018

Financings

On August 1, 2018, we amended and restated our Credit Facility to among other things:

- Increase the facility from $110.0 million to $350.0 million including a $200.0 million Revolving Credit Facility and $150.0 million Term Loan, with an accordion feature that allows for an increase in available borrowings up to $700.0 million, subject to certain conditions;
- Extend the maturity date of the Revolving Credit Facility to August 1, 2022 with one 12-month extension;
- Provide a Term Loan with a maturity date of August 1, 2023.

As a result of the additional liquidity available under the amended Credit Facility, we paid-off twelve mortgage loans with a principal balance of $184.7 million and terminated ten interest rate swap agreements with a notional amount of $131.3 million.

During the year ended December 31, 2018, we recorded a gain of $1.2 million related to the early termination of certain interest rate swap agreements that had corresponding early mortgage pay-offs.

We realized a loss on extinguishment of debt in the consolidated statements of operations and comprehensive loss of $0.4 million due to the write-off of the unamortized balance of debt issuance costs associated with ten loans that were repaid prior to maturity.

Outlook

Our portfolio provided another year of steady results with our properties performing as predicted and delivering high occupancy driven by robust leasing activity. Our primary focus is grocery-anchored neighborhood shopping centers with high levels of foot traffic that serves as a magnet for smaller in-line retailers. As the retail real estate market continues to evolve to accommodate consumers’ wants and needs, it is important to note that approximately 38% of our income derives from big box retailers that continue to be at risk of bankruptcy or downsizing due to shifting consumer preferences and pressure from online sales.

In an effort to maximize long-term stockholder value and lower our exposure to big box retailers, we instituted a strategic plan that centers around owning a portfolio of 100% grocery-anchored properties. We may consider selling or redeveloping certain properties with the goal of redeploying capital into strategically located grocery-anchored centers. We believe we will create value in the long term as we shift the portfolio in this direction and move toward a liquidity event in 24 to 36 months.

The current economic environment favors consumers. Chain Store Age (February 7, 2019) reports that wages are up 3.4 percent from last year, 3.5 million new jobs have been created in the past two years, and average gasoline prices are 65 cents per gallon below their October 2018 peak– a powerful combination of retail sales growth drivers behind consumer spending. U.S. retail sales from December 1 through 24, 2018, were up 5.1 percent to more than $850 billion – the strongest holiday retail sales performance in six years, according to Fortune (December 26, 2018).

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

Long-term liquidity and capital needs such as:

- Acquisitions of real estate directly or through joint ventures
- 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

At December 31, 2018, we had $134.5 million outstanding under the Revolving Credit Facility and $150.0 million outstanding under the Term Loan. At December 31, 2018, the interest rate on the Revolving Credit Facility and the Term Loan was 4.15% and 4.29%, respectively. The Revolving Credit Facility matures on August 1, 2022, and we have the option to extend the maturity date for one additional year subject to the payment of an extension fee and certain other conditions. The Term Loan matures on August 1, 2023. As of December 31, 2018, we had $65.5 million available for borrowing under the Revolving Credit Facility.

As of December 31, 2018, we had total debt outstanding of $709.1 million, excluding mortgage premiums and unamortized debt issuance costs, which bore interest at a weighted average interest rate of 3.91% per annum. As of December 31, 2018, the weighted average years to maturity for our debt was 4.4 years. As of December 31, 2018 and December 31, 2017, our borrowings were 50% and 49%, respectively, of the purchase price of our investment properties. At December 31, 2018, our cash and cash equivalents balance is $15.2 million.

We anticipate using our Credit Facility to pay-off two secured mortgage loans totaling a principal amount of $7.4 million maturing at the end of 2019. The average interest rate of the loans is 4.33%.

For information related to our debt maturities reference is made to Note 7 – “Debt and Derivative Instruments” which is included in our December 31, 2018 Notes to Consolidated Financial Statements in Item 8.

Cash Flow Analysis

	For the year ended December 31,			Change	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
	(Dollar amounts in thousands)				
Net cash flows provided by operating activities	$ 45,051	$ 50,871	$ 36,203	$ (5,820)	$ 14,668
Net cash flows used in investing activities	$ (18,623)	$ (83,282)	$ (89,991)	$ 64,659	$ 6,709
Net cash flows (used in) provided by financing activities	$ (27,032)	$ 32,398	$ (21,151)	$ (59,430)	$ 53,549

Operating activities

Cash provided by operating activities decreased $5.8 million during 2018 compared to 2017 and increased $14.7 million during 2017 compared to 2016. The decrease from 2017 to 2018 was due to the timing of real estate tax payments, a decrease in prepaid rent and the payment of a deferred investment property acquisition obligation. The increase from 2016 to 2017 is primarily due to the growth of our real estate portfolio (acquisition of two properties in 2016 and three properties in 2017).

Investing activities

	For the year ended December 31,			Change	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
	(Dollar amounts in thousands)				
Purchases of investment properties	$ —	$ (69,953)	$ (79,034)	$ 69,953	$ 9,081
Capital expenditures	(10,087)	(6,209)	(9,320)	(3,878)	3,111
Investment in unconsolidated joint ventures	(2,736)	(6,917)	—	4,181	(6,917)
Other assets and restricted escrows	(5,800)	(203)	(1,637)	(5,597)	1,434
Net cash used in investing activities	$ (18,623)	$ (83,282)	$ (89,991)	$ 64,659	$ 6,709

During the year ended December 31, 2018, cash used in investing activities was lower than 2017 primarily due to the fact that no properties were purchased during 2018. This decrease was offset by an increase in capital expenditures for existing properties. Other assets in 2018 includes the fully funded note receivable from Mainstreet JV. During the year ended December 31, 2017 and 2016, cash was used primarily for acquisition related activities and capital improvements at certain of our properties. The decrease in cash used in investing activities in 2017 from 2016 was partially offset with our investment in an unconsolidated joint venture.

Financing activities

	For the year ended December 31,			Change	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
	(Dollar amounts in thousands)				
Total net changes related to debt	$ 13,412	$ 85,043	$ 21,167	$ (71,631)	$ 63,876
Proceeds from DRP	19,339	27,069	27,831	(7,730)	(762)
Shares repurchased	(19,612)	(19,984)	(8,754)	372	(11,230)
Distributions paid	(40,313)	(53,315)	(52,358)	13,002	(957)
Early termination of interest rate swap agreements	1,192	—	—	1,192	—
Other	(1,050)	(6,415)	(9,037)	5,365	2,622
Net cash (used in) provided by financing activities	$ (27,032)	$ 32,398	$ (21,151)	$ (59,430)	$ 53,549

During 2018, proceeds provided from debt decreased $71.6 million from 2017, primarily due to the funding of investment properties during 2017 and no purchases during 2018. During the years ended December 31, 2018, 2017 and 2016, we generated proceeds from the sale of shares pursuant to the DRP of $19.3 million, $27.1 million and $27.8 million, respectively. For the years ended December 31, 2018, 2017 and 2016, share repurchases were $19.6 million, $20.0 million and $8.7 million, respectively. During the years ended December 31, 2018, 2017 and 2016, we paid $40.3 million, $53.3 million and $52.4 million, respectively, in distributions. During 2018, we received cash of $1,192 related to the early termination of interest rate swap agreements.

Distributions

A summary of the distributions declared, distributions paid and cash flows provided by operations for the years ended December 31, 2018, 2017 and 2016 follows (Dollar amounts in thousands, except per share amounts):

Year Ended December 31, (1)	Distributions Declared	Distributions Declared Per Share	Cash	Reinvested via DRP	Total	Cash Flows From Operations
2018	$ 47,700	$ 1.34 (2)	$ 20,974	$ 19,339	$ 40,313	$ 45,051
2017	$ 53,364	$ 1.50	$ 26,246	$ 27,069	$ 53,315	$ 50,871
2016	$ 52,449	$ 1.50	$ 24,527	$ 27,831	$ 52,358	$ 36,203

(1) For the year ended December 31, 2018, distributions were funded by cash flow from operations. For the year ended December 31, 2017, distributions of $2,444 were paid from the proceeds of our DRP and the remaining distributions were paid from cash flow of operations. For the year ended December 31, 2016, distributions of $16,155 were paid from the cumulative net proceeds of our Offering and DRP and the remaining distributions were paid from cash flows from operations.

(2) This amount represents an annualized rate of 6% based on the previously estimated per share NAV of our common stock as of December 31, 2017 equal to $22.35 which was established on March 20, 2018.

Results of Operations

The following discussion is based on our consolidated financial statements for the years ended December 31, 2018, 2017 and 2016.

This section describes and compares our results of operations for the years ended December 31, 2018, 2017 and 2016. We generate primarily 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 the 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. (Dollar amounts in thousands)

Comparison of the Years ended December 31, 2018 and 2017

A total of 56 investment properties that were acquired on or before January 1, 2017 represent our “same store” properties during the years ended December 31, 2018 and 2017. “Non-same store,” as reflected in the table below, consists of properties acquired after January 1, 2017. For the years ended December 31, 2018 and 2017, three 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 years ended December 31, 2018 and 2017, along with a reconciliation to net loss, calculated in accordance with U.S. GAAP.

	Total			Same Store			Non-Same Store		
	For the year ended December 31,			For the year ended December 31,			For the year ended December 31,		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
Rental income	$ 97,103	$ 95,816	$ 1,287	$ 91,890	$ 91,564	$ 326	$ 5,213	$ 4,252	$ 961
Tenant recovery income	28,470	29,098	(628)	27,458	28,010	(552)	1,012	1,088	(76)
Other property income	423	474	(51)	421	472	(51)	2	2	—
Total income	$ 125,996	$ 125,388	$ 608	$ 119,769	$ 120,046	$ (277)	$ 6,227	$ 5,342	$ 885
Property operating expenses	$ 22,114	$ 21,681	$ 433	$ 21,213	$ 20,911	$ 302	$ 901	$ 770	$ 131
Real estate tax expense	15,841	15,992	(151)	15,260	15,472	(212)	581	521	60
Total property operating expenses	$ 37,955	$ 37,673	$ 282	$ 36,473	$ 36,383	$ 90	$ 1,482	$ 1,291	$ 191
Property net operating income	$ 88,041	$ 87,715	$ 326	$ 83,296	$ 83,663	$ (367)	$ 4,745	$ 4,051	$ 694
Straight-line income, net	$ 1,180	$ 1,678	$ (498)						
Intangible amortization and inducement	867	1,403	(536)						
General and administrative expenses	(4,869)	(5,200)	331						
Acquisition related costs	(29)	(754)	725						
Business management fee	(9,345)	(9,196)	(149)						
Provision for asset impairment	—	(8,530)	8,530						
Depreciation and amortization	(57,835)	(61,804)	3,969						
Interest expense	(27,137)	(24,582)	(2,555)						
Gain on early termination of interest rate swap agreements	1,151	—	1,151						
Loss on extinguishment of debt	(411)	—	(411)						
Interest and other income	516	147	369						
Provision for impairment of investment in and note receivable from unconsolidated entities	(15,405)	—	(15,405)						
Equity in earnings (loss) of unconsolidated entity	—	21	(21)						
Net loss	$ (23,276)	$ (19,102)	$ (4,174)						

Net loss. Net loss was $23,276 and $19,102 for the years ended December 31, 2018 and 2017, respectively.

Total property net operating income. On a “same store” basis, comparing the results of operations of investment properties owned during the year ended December 31, 2018 with the results of the same investment properties owned during the year ended December 31, 2017, property net operating income decreased $367, total property income decreased $277, and total property operating expenses including real estate tax expense increased $90.

The decrease in “same store” total property income is primarily due to a decrease in tenant recovery income. The increase in “same store” total property operating expenses is primarily due to an increase in current year non-recoverable property expenses offset by a decrease in real estate tax expense.

“Non-same store” total property net operating income increased $694 during 2018 as compared to 2017. The increase is a result of acquiring three retail properties after January 1, 2017. On a “non-same store” basis, total property income increased $885 and total property operating expenses increased $191 during the year ended December 31, 2018 as compared to 2017 as a result of these acquisitions.

Straight-line income, net. Straight-line rent income decreased $498 in 2018 compared to 2017. This decrease is due to certain tenant rent increases in 2018 that decreased straight-line rental income.

Intangible amortization. Intangible amortization income decreased $536 in 2018 compared to 2017. The decrease is primarily attributable to intangible assets and liabilities being written off or fully amortized.

General and administrative expenses. General and administrative expenses decreased $331 in 2018 compared to 2017. This decrease is primarily due to lower legal costs, lower salary expense reimbursements and a decrease in conference costs, partially offset by an increase in state tax expense.

Acquisition related costs. Acquisition related expenses decreased $725 in 2018 compared to 2017. The decrease is attributable to the fact that there were no acquisitions in 2018 as well as an adjustment to the deferred investment property acquisition obligations.

Business management fee. Business management fees increased $149 in 2018 compared to 2017. The increase is due to the 2017 acquisitions of real estate which increased assets under management. There have been no acquisitions in 2018.

Provision for asset impairment. During the year ended December 31, 2017, we recorded an impairment charge for one of our investment properties that was previously leased to Sports Authority based on the results of our evaluations for impairment due to a low occupancy rate, difficulty in leasing space, declining market rents and the related cost of re-leasing.

Depreciation and amortization. Depreciation and amortization decreased $3,969 in 2018 compared to 2017. The decrease is primarily due to write-offs of replaced assets and a redevelopment in 2017.

Interest expense. Interest expense increased $2,555 in 2018 compared to 2017. The increase is primarily due to additional financing of properties after January 1, 2017, increased amounts drawn under the Credit Facility and higher interest rates on our floating debt. Average debt outstanding increased $40,649 in 2018 compared to 2017.

Gain on early termination of interest rate swap agreements. During the year ended December 31, 2018, the Company recorded a gain of $1,151 related to the early termination of certain interest rate swap agreements that had corresponding early mortgage pay-offs.

Loss on extinguishment of debt. During the year ended December 31, 2018, the Company realized a loss on extinguishment of debt in the consolidated statements of operations and comprehensive income (loss) of $411 due to the write-off of the unamortized balance of debt issuance costs associated with ten loans that were repaid prior to maturity.

Interest and other income. Interest and other income increased $369 in 2018 compared to 2017. The increase is primarily due to interest earned on our note receivable which was funded in 2018 and settlement income.

Provision for impairment of investment in and note receivable from unconsolidated entities. During the year ended December 31, 2018, the Company recorded an impairment to its investment in and note receivable from Mainstreet JV of $9,865 and $5,540, respectively, as it determined that recovery is improbable. Both amounts represent a full impairment of such investments.

Comparison of the Years ended December 31, 2017 and 2016

A total of 54 investment properties that were acquired on or before January 1, 2016 represent our "same store" properties during the years ended December 31, 2017 and 2016. "Non-same store," as reflected in the table below, consists of properties acquired after January 1, 2016. For the year ended December 31, 2017, five properties constituted non-same store properties and for the year ended December 31, 2016, two 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 years ended December 31, 2017 and 2016, along with a reconciliation to net loss, calculated in accordance with U.S. GAAP.

	Total			Same Store			Non-Same Store		
	For the year ended December 31,			For the year ended December 31,			For the year ended December 31,		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
Rental income	$ 95,816	$ 90,228	$ 5,588	$ 86,856	$ 87,097	$ (241)	$ 8,960	$ 3,131	$ 5,829
Tenant recovery income	29,101	26,526	2,575	26,766	25,785	981	2,335	741	1,594
Other property income	472	1,056	(584)	469	1,055	(586)	3	1	2
Total income	$ 125,389	$ 117,810	$ 7,579	$ 114,091	$ 113,937	$ 154	$ 11,298	$ 3,873	$ 7,425
Property operating expenses	$ 21,681	$ 20,745	$ 936	$ 20,022	$ 20,109	$ (87)	$ 1,659	$ 636	$ 1,023
Real estate tax expense	15,992	14,202	1,790	14,665	13,771	894	1,327	431	896
Total property operating expenses	$ 37,673	$ 34,947	$ 2,726	$ 34,687	$ 33,880	$ 807	$ 2,986	$ 1,067	$ 1,919
Property net operating income	$ 87,716	$ 82,863	$ 4,853	$ 79,404	$ 80,057	$ (653)	$ 8,312	$ 2,806	$ 5,506
Straight-line income, net	$ 1,678	$ 2,164	$ (486)						
Intangible amortization	1,402	809	593						
General and administrative expenses	(5,200)	(5,908)	708						
Acquisition related costs	(754)	1,556	(2,310)						
Business management fee	(9,196)	(8,580)	(616)						
Provision for impairment of investment property	(8,530)	—	(8,530)						
Depreciation and amortization	(61,804)	(59,860)	(1,944)						
Interest expense	(24,582)	(21,635)	(2,947)						
Interest and other income	147	378	(231)						
Equity in earnings (loss) of unconsolidated entity	21	252	(231)						
Net loss	$ (19,102)	$ (7,961)	$ (11,141)						

Net loss. Net loss was $19,102 and $7,961 for the years ended December 31, 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 year ended December 31, 2017, with the results of the same investment properties owned during the year ended December 31, 2016, property net operating income decreased $653, total property income increased $154, and total property operating expenses including real estate tax expense increased $807 for the year ended December 31, 2017 compared to the year ended December 31, 2016.

The increase in "same store" total property income is primarily due to an increase in tenant recovery income partially offset by a decrease in other property income and a slight decrease in rental income.

The increase in "same store" total property operating expenses is primarily due to an increase in current year real estate tax expense.

"Non-same store" total property net operating income increased $5,506 during 2017 as compared to 2016. The increase is a result of acquiring 5 retail properties after January 1, 2016. On a "non-same store" basis, total property income increased $7,425 and total property operating expenses increased $1,919 during the year ended December 31, 2017 as a result of these acquisitions.

Straight-line income, net. Straight-line income decreased $486 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 $593 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 $708 in 2017 compared to 2016. This decrease is primarily due to lower stock administration expenses.

Acquisition related costs. Acquisition related expenses increased $2,310 in 2017 compared to 2016. The increase is attributed to adjustments to deferred investment property acquisition obligations.

Business management fee. Business management fees increased $616 in 2017 compared to 2016. The increase is due to the acquisition of real estate which increased assets under management.

Provision for asset impairment. Based on the results of our evaluations for impairment, we recorded impairment charges of $8,530 for the year ended December 31, 2017 with respect to a property that was previously leased to Sports Authority due to a low occupancy rate, difficulty in leasing space, declining market rents and the related cost of re-leasing.

Depreciation and amortization. Depreciation and amortization increased $1,944 in 2017, as compared to 2016. The increase is primarily due to acquisitions in 2016 and 2017.

Interest expense. Interest expense increased $2,947 in 2017 compared to 2016. The increase is primarily due to additional financing of properties after January 1, 2016, amounts drawn under the Credit Facility and higher interest rates on our floating rate debt.

Interest and other income. Interest and other income decreased $231. The decrease is primarily due to lower settlement income and interest earned as a result of lower cash balances in 2017 compared to 2016.

Leasing Activity

The following table sets forth leasing activity during the year ended December 31, 2018. Leases with terms of less than 12 months have been excluded from the table.

	Number of Leases Signed	Gross Leasable Area	New Contractual Rent per Square Foot	Prior Contractual Rent per Square Foot	% Change over Prior Annualized Base Rent	Weighted Average Lease Term	Tenant Allowances per Square Foot
Comparable Renewal Leases	70	369,944	$ 18.39	$ 18.25	0.8%	4.6	$ 0.54
Comparable New Leases	10	32,252	$ 24.19	$ 21.75	11.3%	9.1	$ 19.25
Non-Comparable New and Renewal Leases (a)	31	169,289	$ 11.05	N/A	N/A	5.1	$ 8.58
Total	111	571,485					

(a) Includes leases signed on units that were vacant for over 12 months, leases signed without fixed rent amounts and leases signed where the previous and current lease do not have similar lease structures

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 due primarily to non-cash depreciation and amortization expense. 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. On November 7, 2018, NAREIT's Executive Board approved the White Paper restatement, effective December 15, 2018. The purpose of the restatement was not to change the fundamental definition of FFO but to clarify existing guidance. The restated definition of FFO by NAREIT is net income (loss) computed in accordance with U.S. GAAP, excluding depreciation and amortization related to real estate, excluding gains (or losses) from sales of certain real estate assets, excluding impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate and excluding gains and losses from change in control. We have adopted the restated NAREIT definition for computing FFO. Previously presented periods were not impacted.

Under U.S. GAAP, acquisition related costs are treated differently if the acquisition is a business combination or an asset acquisition. An acquisition of a single property will likely be treated as an asset acquisition as opposed to a business combination and acquisition related costs will be capitalized rather than expensed when incurred. 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, publicly registered, non-listed REITs 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 Institute for Portfolio Alternatives, 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. We believe it is appropriate to use MFFO as a supplemental measure of operating performance because we believe that, when compared year-over-year, both before and after we have deployed all of our Offering proceeds and are no longer incurring a significant amount of acquisition fees or other related costs, it reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs, which may not be immediately apparent from net income.

MFFO excludes expensed 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, such as straight-lining of rents as required by U.S. GAAP. By excluding costs that we consider more reflective of acquisition activities and other non-operating items, the use of MFFO provides another measure of our operating performance once our portfolio is stabilized. 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 years ended December 31, 2018, 2017 and 2016 are calculated as follows (Dollar amounts in thousands):

		For the year ended December 31,		
		2018	2017	2016
	Net loss	$ (23,276)	$ (19,102)	$ (7,961)
Add:	Depreciation and amortization related to investment properties	57,835	61,804	59,860
	Provision for asset impairment	—	8,530	—
	Provision for impairment of investment in and note receivable from unconsolidated entities	15,405	—	—
	Funds from operations (FFO)	49,964	51,232	51,899
Add:	Acquisition related costs	29	754	(1,556)
	Loss on extinguishment of debt	411	—	—
	Mark-to-market adjustments	135	—	—
Less:	Amortization of acquired market lease intangibles, net	(917)	(1,415)	(812)
	Straight-line income, net	(1,180)	(1,678)	(2,164)
	Gain on early termination of interest rate swap agreements	(1,151)	—	—
	Modified funds from operations (MFFO)	$ 47,291	$ 48,893	$ 47,367

Critical Accounting Policies

Our accounting policies have been established to conform with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. Our significant accounting policies are described in Note 2 – "Summary of Significant Accounting Policies" which is included in our December 31, 2018 Notes to Consolidated Financial Statements in Item 8. We have identified *Impairment of Investment Properties and Equity Method Investments* as a critical accounting policy.

We consider this policy to be critical because it requires our management to use judgment in the application of accounting policy, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied, thus resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

Impairment of Investment Properties and Equity Method Investments

We assess the carrying values of the respective long-lived assets, whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. If it is determined that the carrying value is not recoverable because the undiscounted cash flows do not exceed the carrying value, we will be required to record an impairment loss to the extent that the carrying value exceeds fair value. The valuation and possible subsequent impairment of investment properties will be a significant estimate that can change based on our continuous process of analyzing each property and reviewing assumptions about uncertain inherent factors, as well as the economic condition of the property at a particular point in time.

We also evaluate our equity method investments for impairment indicators. The valuation analysis considers the investment positions in relation to the underlying business and activities of our investment and identifies potential declines in fair value. An impairment loss should be recognized if a decline in value of the investment has occurred that is considered to be other than temporary, without ability to recover or sustain operations that would support the value of the investment.

Recent Accounting Pronouncements

For information related to recently issued accounting pronouncements, reference is made to Note 2 – "Summary of Significant Accounting Policies" which is included in our December 31, 2018 Notes to Consolidated Financial Statements in Item 8.

Contractual Obligations

Our mortgages payable are generally non-recourse to us. We have, however, guaranteed the full amount of each of the mortgages payable by our subsidiaries in the event that the applicable subsidiary fails to provide access or information to the properties or fails to obtain a lender's prior written consent to any liens on or transfers of any of the properties, and in the event of any losses, costs or damages incurred by a lender as a result of fraud or intentional misrepresentation of the subsidiary borrower, gross negligence or willful misconduct, material waste of the properties and the breach of any representation or warranty concerning environmental laws, among other things.

The table below presents, on a consolidated basis, our obligations and commitments to make future payments under debt obligations (including interest) and ground leases as of December 31, 2018. The ground lease commenced on July 1, 2007 and extends through June 30, 2037, with six 5-year options. Debt obligations under debt which is subject to variable rates reflect interest rates as of December 31, 2018 (Dollar amounts in thousands).

	Payments due by period						
	2019	2020	2021	2022	2023	Thereafter	Total
Principal payments on debt	$ 7,679	$ 897	$ 84,271	$ 236,675	$ 241,230	$ 138,345	$ 709,097
Interest payments on debt	27,634	27,699	25,667	19,521	10,694	10,830	122,045
Rental payments on ground lease	1,140	1,140	1,140	1,202	1,202	88,438	94,262
Total	$ 36,453	$ 29,736	$ 111,078	$ 257,398	$ 253,126	$ 237,613	$ 925,404

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.

Item 7A. 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 December 31, 2018, we had outstanding debt of $709.1 million, excluding mortgage premium and unamortized debt issuance costs, bearing interest rates ranging from 2.95% to 5.48% per annum. The weighted average interest rate was 3.91%, which includes the effect of interest rate swaps. As of December 31, 2018, the weighted average years to maturity for our mortgages and credit facility payable was 4.4 years.

As of December 31, 2018, our fixed-rate debt consisted of secured mortgage financings with a carrying value of $171.6 million and a fair value of $171.7 million. Changes in interest rates do not affect interest expense incurred on our fixed-rate debt until their maturity or earlier repayment, but interest rates do affect the fair value of our fixed rate debt obligations. If market interest rates were to increase by 1% (100 basis points), the fair market value of our fixed-rate debt would decrease by $7.8 million at December 31, 2018. If market interest rates were to decrease by 1% (100 basis points), the fair market value of our fixed-rate debt would increase by $8.3 million at December 31, 2018.

At December 31, 2018, we had $135.2 million of debt or 19.1% of our total debt bearing interest at variable rates with a weighted average interest rate equal to 4.15% per annum. We had variable rate debt subject to swap agreements of $402.2 million or 56.7% of our total debt at December 31, 2018.

If interest rates on all debt which bears interest at variable rates as of December 31, 2018 increased by 1% (100 basis points), the increase in interest expense on all debt would decrease earnings and cash flows by $1.4 million annually. If interest rates on all debt which bears interest at variable rates as of December 31, 2018 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.

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The ARRC has proposed that the SOFR is the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. The Company has material contracts that are indexed to USD-LIBOR and is monitoring this activity and evaluating the related risks.

Derivatives

For information related to derivatives, reference is made to Note 7 – “Debt and Derivative Instruments” which is included in our December 31, 2018 Notes to Consolidated Financial Statements in Item 8.

INLAND REAL ESTATE INCOME TRUST, INC.

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Schedules not filed:

All schedules other than the one listed in the Index have been omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Inland Real Estate Income Trust, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Inland Real Estate Income Trust, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive loss, equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2011.

Chicago, Illinois
March 20, 2019

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

	December 31, 2018	December 31, 2017
ASSETS		
Assets:		
Investment properties:		
Land	$ 277,229	$ 277,229
Building and other improvements	1,021,607	1,011,688
Total	1,298,836	1,288,917
Less accumulated depreciation	(139,134)	(101,094)
Net investment properties	1,159,702	1,187,823
Cash and cash equivalents	15,239	11,904
Restricted cash	1,001	4,940
Investment in unconsolidated entities	—	7,125
Accounts and rent receivable	16,176	15,152
Acquired lease intangible assets, net	115,357	138,658
Deferred costs, net	2,570	1,317
Other assets	10,024	8,451
Total assets	$ 1,320,069	$ 1,375,370
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages and credit facility payable, net	$ 705,884	$ 691,465
Accounts payable and accrued expenses	8,849	10,167
Distributions payable	11,924	4,537
Acquired intangible liabilities, net	57,462	62,270
Deferred investment property acquisition obligations	—	1,050
Due to related parties	2,604	2,665
Other liabilities	16,268	11,744
Total liabilities	802,991	783,898
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, 35,343,256 and 35,498,444 shares issued and outstanding as of December 31, 2018 and 2017, respectively	35	35
Additional paid in capital	795,409	798,567
Accumulated distributions and net loss	(283,859)	(212,883)
Accumulated other comprehensive income	5,493	5,753
Total stockholders' equity	517,078	591,472
Total liabilities and stockholders' equity	$ 1,320,069	$ 1,375,370

See accompanying notes to consolidated financial statements.

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

For the years ended December 31, 2018, 2017 and 2016

	2018	2017	2016
Income:			
Rental income	$ 99,637	$ 99,413	$ 93,719
Tenant recovery income	28,641	29,270	26,723
Other property income	423	474	1,056
Total income	128,701	129,157	121,498
Expenses:			
Property operating expenses	22,772	22,369	21,460
Real estate tax expense	15,841	15,992	14,202
General and administrative expenses	4,869	5,200	5,908
Acquisition related costs	29	754	(1,556)
Business management fee	9,345	9,196	8,580
Provision for asset impairment	—	8,530	—
Depreciation and amortization	57,835	61,804	59,860
Total expenses	110,691	123,845	108,454
Operating income	18,010	5,312	13,044
Interest expense	(27,137)	(24,582)	(21,635)
Gain on early termination of interest rate swap agreements	1,151	—	—
Loss on extinguishment of debt	(411)	—	—
Interest and other income	516	147	378
Provision for impairment of investment in and note receivable from unconsolidated entities	(15,405)	—	—
Equity in earnings of unconsolidated entities	—	21	252
Net loss	$ (23,276)	$ (19,102)	$ (7,961)
Net loss per common share, basic and diluted	$ (0.65)	$ (0.54)	$ (0.23)
Weighted average number of common shares outstanding, basic and diluted	35,589,729	35,571,249	34,963,827
Comprehensive loss:			
Net loss	$ (23,276)	$ (19,102)	$ (7,961)
Unrealized gain on derivatives	291	1,043	1,861
Reclassification adjustment for amounts included in net loss	(551)	2,405	4,038
Comprehensive loss	$ (23,536)	$ (15,654)	$ (2,062)

See accompanying notes to consolidated financial statements.

INLAND REAL ESTATE INCOME TRUST, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(Dollar amounts in thousands)

For the years ended December 31, 2018, 2017 and 2016

	Number of Shares	Common Stock	Additional Paid in Capital	Accumulated Distributions and Net Loss	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2015	34,491,607	$ 34	$ 774,411	$ (80,007)	$ (3,594)	$ 690,844
Distributions declared	—	—	—	(52,449)	—	(52,449)
Proceeds from distribution reinvestment plan	1,213,419	1	27,830	—	—	27,831
Shares repurchased	(442,743)	—	(9,724)	—	—	(9,724)
Unrealized gain on derivatives	—	—	—	—	1,861	1,861
Reclassification adjustment for amounts included in net loss	—	—	—	—	4,038	4,038
Equity based compensation	—	—	14	—	—	14
Net loss	—	—	—	(7,961)	—	(7,961)
Balance at December 31, 2016	35,262,283	35	792,531	(140,417)	2,305	654,454
Distributions declared	—	—	—	(53,364)	—	(53,364)
Proceeds from distribution reinvestment plan	1,197,415	1	27,068	—	—	27,069
Shares repurchased	(961,698)	(1)	(21,065)	—	—	(21,066)
Unrealized gain on derivatives	—	—	—	—	1,043	1,043
Reclassification adjustment for amounts included in net loss	—	—	—	—	2,405	2,405
Equity based compensation	444	—	33	—	—	33
Net loss	—	—	—	(19,102)	—	(19,102)
Balance at December 31, 2017	35,498,444	35	798,567	$ (212,883)	5,753	591,472
Distributions declared	—	—	—	(47,700)	—	(47,700)
Proceeds from distribution reinvestment plan	864,039	1	19,338	—	—	19,339
Shares repurchased	(1,020,223)	(1)	(22,544)	—	—	(22,545)
Unrealized gain on derivatives	—	—	—	—	291	291
Reclassification adjustment for amounts included in net loss	—	—	—	—	(551)	(551)
Equity based compensation	996	—	48	—	—	48
Net loss	—	—	—	(23,276)	—	(23,276)
Balance at December 31, 2018	35,343,256	$ 35	$ 795,409	$ (283,859)	$ 5,493	$ 517,078

See accompanying notes to consolidated financial statements.

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

For the years ended December 31, 2018, 2017 and 2016

	2018	2017	2016
Cash flows from operating activities:			
Net loss	$ (23,276)	$ (19,102)	$ (7,961)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	57,835	61,804	59,860
Provision for asset impairment	—	8,530	—
Provision for impairment of investment in and note receivable from unconsolidated entities	15,405	—	—
Amortization of debt issuance costs and mortgage premiums, net	596	397	359
Loss on extinguishment of debt	411	—	—
Amortization of acquired market leases, net	(917)	(1,415)	(812)
Amortization of equity based compensation	48	33	14
Straight-line income, net	(1,180)	(1,678)	(2,164)
Equity in (earnings) loss of unconsolidated entity	—	(21)	(252)
Distributions from unconsolidated entity	—	146	126
Payment of leasing fees	(1,707)	(823)	(413)
Adjustment of contingent earnout liability	(853)	575	(3,709)
Gain on early termination of interest rate swap agreements	(1,151)	—	—
Other non-cash adjustments	149	(40)	(244)
Changes in assets and liabilities:			
Accounts payable and accrued expenses	(1,848)	3,249	(1,324)
Accounts and rent receivable	906	(1,020)	(1,386)
Due to related parties	(19)	(150)	(5,891)
Other liabilities	499	(118)	(197)
Other assets	153	504	197
Net cash flows provided by operating activities	45,051	50,871	36,203
Cash flows from investing activities:			
Purchase of investment properties	—	(69,953)	(79,034)
Capital expenditures	(10,087)	(6,209)	(9,320)
Investment in unconsolidated joint ventures	(2,736)	(6,917)	—
Other assets and other liabilities	(5,800)	(203)	(1,637)
Net cash flows used in investing activities	(18,623)	(83,282)	(89,991)
Cash flows from financing activities:			
Payment of offering costs	—	—	(199)
Payment of credit facility	(56,278)	(43,000)	(141,000)
Proceeds from credit facility	257,000	95,800	72,000
Proceeds from mortgages payable	—	39,179	150,335
Payment of mortgages payable	(184,947)	(6,494)	(58,494)
Proceeds from the distribution reinvestment plan	19,339	27,069	27,831
Shares repurchased	(19,612)	(19,984)	(8,754)
Distributions paid	(40,313)	(53,315)	(52,358)
Early termination of interest rate swap agreements	1,192	—	—
Payment of deferred investment property acquisition obligation	(1,050)	(6,415)	(8,838)
Payment of debt issuance costs	(2,363)	(442)	(1,674)
Net cash flows (used in) provided by financing activities	(27,032)	32,398	(21,151)
Net increase (decrease) in cash, cash equivalents and restricted cash	(604)	(13)	(74,939)
Cash, cash equivalents and restricted cash, at beginning of the year	16,844	16,857	91,796
Cash, cash equivalents and restricted cash, at end of the year	$ 16,240	$ 16,844	$ 16,857

See accompanying notes to consolidated financial statements.

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

For the years ended December 31, 2018, 2017 and 2016

Supplemental disclosure of cash flow information:	**2018**	**2017**	**2016**
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	—	(4,589)	(3,432)
Assumed liabilities, net	—	(149)	(359)
Purchase of investment properties	$ —	$ 69,953	$ 79,034
Cash paid for interest, net of amounts capitalized	$ 26,874	$ 24,206	$ 21,087
Supplemental schedule of non-cash investing and financing activities:			
Accrued SRP	$ 5,463	$ 2,530	$ 1,448
Distributions payable	$ 11,924	$ 4,537	$ 4,488

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION

Inland Real Estate Income Trust, Inc. (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 and intends to target a portfolio of 100% grocery-anchored 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 December 31, 2018, the Company owned 59 retail properties, totaling 6,870,124 square feet. The properties are located in 24 states. At December 31, 2018, the portfolio had a weighted average physical occupancy of 94.1% and economic occupancy of 94.7%.

On January 16, 2018, the Company effected a 1-for-2.5 reverse stock split of its issued and outstanding common stock whereby every 2.5 shares of issued and outstanding common stock were converted into one share of its common stock (the "Reverse Stock Split"). In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), all share information presented has been retroactively adjusted to reflect the Reverse Stock Split.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The 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. Information with respect to square footage and occupancy is unaudited.

Consolidation

The consolidated financial statements include the accounts of the Company, as well as all wholly owned subsidiaries. Wholly owned subsidiaries generally consist of limited liability companies ("LLCs"). All intercompany balances and transactions have been eliminated in consolidation. Each property is owned by a separate legal entity which maintains its own books and financial records and each entity's assets are not available to satisfy the liabilities of other affiliated entities.

The fiscal year-end of the Company is December 31.

Partially-Owned Entities

The Company will consolidate the operations of a joint venture if the Company determines that it is either the primary beneficiary of a variable interest entity (VIE) or has substantial influence and control of the entity. In instances where the Company determines that it is not the primary beneficiary of a VIE or the Company does not control the joint venture but can exercise influence over the entity with respect to its operations and major decisions, the Company will use the equity method of accounting. Under the equity method, the operations of a joint venture will not be consolidated with the Company's operations but instead its share of operations will be reflected as equity in earnings (loss) of unconsolidated entity on its consolidated statements of operations and comprehensive loss. Additionally, the Company's net investment in the joint venture will be reflected as investment in unconsolidated entity on the consolidated balance sheets.

Acquisitions

Upon acquisition of real estate investment properties, the Company allocates the total purchase price of each property that is accounted for as an asset acquisition based on the relative fair value of the tangible and intangible assets acquired and liabilities assumed based on Level 3 inputs, such as comparable sales values, discount rates, capitalization rates, revenue and expense growth rates and lease-up assumptions, from a third party appraisal or other market sources. The acquisition date is the date on which the Company obtains control of the real estate investment property and transaction costs are capitalized.

Assets and liabilities acquired typically include land, building and site improvements and identified intangible assets and liabilities, consisting of the value of above market and below market leases and the value of in-place leases. The portion of the purchase price allocated to above market lease values are included in acquired lease intangible assets, net and is amortized on a straight-line basis over the term of the related lease as a reduction to rental income. The portion allocated to below market lease values are included in acquired intangible liabilities, net and is amortized as an increase to rental income over the term of the lease including any renewal periods with fixed rate renewals. The portion of the purchase price allocated to acquired in-place lease value is included in acquired lease intangible assets, net and is amortized on a straight-line basis over the acquired leases' weighted average remaining term.

The Company determines the fair value of the tangible assets consisting of land and buildings by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and buildings. The Company determines the fair value of assumed debt by calculating the net present value of the mortgage payments using interest rates for debt with similar terms and maturities. Differences between the fair value and the stated value is recorded as a discount or premium and amortized over the remaining term using the effective interest method.

Certain of the Company's properties included earnout components to the purchase price, meaning the Company did not pay a portion of the purchase price of the property at closing, although the Company owns the entire property. The Company is not obligated to settle the contingent portion of the purchase price unless space which was vacant at the time of acquisition is later leased by the seller within the time limits and parameters set forth in the related acquisition agreements. The Company's policy is to record earnout components when estimable and probable. At December 31, 2018, there is no earnout liability outstanding.

In January 2017, the Financial Accounting Standards Board ("FASB") issued guidance that clarified the definition of a business and assists in the evaluation of whether a transaction should be accounted for as an acquisition of an asset or a business combination. The Company early adopted the new guidance and modified its accounting policy effective October 1, 2016. Prior to October 1, 2016, the Company expensed all acquisition expenses as incurred whether or not the acquisition was completed, and assets acquired and liabilities assumed were measured at their fair values rather than at their relative fair values as described above. Additionally, earnouts were recorded as additional purchase price of the related property and as a liability included in deferred investment property acquisition obligations on the consolidated balance sheets. The amount recorded was based on the Company's best estimate of the potential future earnout payments at the date of an acquisition. The Company recorded the effect of changes in the underlying liability assumptions in acquisition related costs on the consolidated statements of operations and comprehensive loss.

Impairment of Investment Properties and Equity Method Investments

The Company assesses the carrying values of its respective long-lived assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Recoverability of the assets is measured by comparison of the carrying amount of the asset to the estimated future undiscounted cash flows. In order to review its assets for recoverability, the Company considers current market conditions, as well as its intent with respect to holding or disposing of the asset. If the Company's analysis indicates that the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, the Company recognizes an impairment charge for the amount by which the carrying value exceeds the current estimated fair value of the real estate property. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third party appraisals, where considered necessary (Level 3 inputs).

The Company estimates the future undiscounted cash flows based on management's intent as follows: (i) for real estate properties that the Company intends to hold long-term, including land held for development, properties currently under development and operating buildings, recoverability is assessed based on the estimated future net rental income from operating the property and termination value; and (ii) for real estate properties that the Company intends to sell, including land parcels, properties currently under development and operating buildings, recoverability is assessed based on estimated net proceeds, including net rental income during the holding period, from disposition that are estimated based on future net rental income of the property and utilizing expected market capitalization rates.

The use of projected future cash flows is based on assumptions that are consistent with our estimates of future expectations and the strategic plan the Company uses to manage its underlying business. However, assumptions and estimates about future cash flows, including comparable sales values, discount rates, capitalization rates, revenue and expense growth rates and lease-up assumptions which impact the discounted cash flow approach to determining value are complex and subjective. Changes in economic and operating conditions and the Company's ultimate investment intent that occur subsequent to the impairment analysis could impact these assumptions and result in future impairment charges of real estate properties.

On a quarterly basis, management assesses whether there are any indicators that the carrying value of the Company's investment in unconsolidated entities and notes receivable may be other than temporarily impaired as a loss in value that is other than a temporary decline is required to be recognized. Indicators include significant delays in construction, significant costs over budget and financial concerns. To the extent indicators suggest that a loss in value may have occurred, the Company will evaluate both quantitative and qualitative factors to determine if the loss in value is other than temporary. If a potential loss in value is determined to be other than temporary, the Company will recognize an impairment loss based on the estimated fair value of the investment.

During the year ended December 31, 2018, the Company recorded an impairment charge of $9,865 related to its investment in Mainstreet Texas Development Fund, LLC, a joint venture formed to develop three transitional care/rapid recovery centers ("Mainstreet JV"). The Company has determined that, as of December 31, 2018, collection of its note receivable from Mainstreet JV is improbable and therefore, recorded an impairment charge of $5,540 to reduce the note receivable balance to zero. Both impairment charges related to Mainstreet JV are included in provision for impairment of investment in and note receivable from unconsolidated entities on the consolidated statements of operations and comprehensive loss. During the year ended December 31, 2017, the Company recorded an impairment charge of $8,530 which is included in provision for asset impairment on the consolidated statements of operations and comprehensive loss. During the year ended December 31, 2016 the Company incurred no impairment charges.

REIT Status

The Company elected to be taxed as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, for federal income tax purposes commencing with the tax year ended December 31, 2013. Commencing with such taxable year, the Company was organized and began operating in such a manner as to qualify for taxation as a REIT under the Internal Revenue Code and believes it has so qualified. As a result, the Company generally will not be subject to federal income tax on taxable income that is distributed to stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distributes at least 90% of its REIT taxable income (subject to certain adjustments and excluding any net capital gain) to its stockholders. The Company will monitor the business and transactions that may potentially impact its REIT status. If the Company fails to qualify as a REIT in any taxable year, without the benefit of certain relief provisions, the Company will be subject to federal and state income tax on its taxable income at regular corporate tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income, property or net worth and federal income and excise taxes. The earnings of any taxable REIT subsidiaries will generally be subject to U.S. Federal corporate income tax.

Cash and Cash Equivalents

The Company considers all demand deposits, money market accounts and all short-term investments with a maturity of three months or less, at the date of purchase, to be cash equivalents. The account balance may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance coverage and, as a result, there could be a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes that the risk will not be significant, as the Company does not anticipate the financial institutions' non-performance.

Valuation of Accounts and Rents Receivable

The Company takes into consideration certain factors that require judgments to be made as to the collectability of receivables. Collectability factors taken into consideration are the amounts outstanding and payment history of the tenant, which taken as a whole determines the valuation. Allowances are taken for those balances that the Company deems to be uncollectible, including any amounts relating to straight-line income receivables.

(Dollar amounts in thousands, except per share amounts)

Capitalization and Depreciation

Real estate properties are recorded at cost less accumulated depreciation. Improvement and betterment costs are capitalized, and ordinary repairs and maintenance are expensed as incurred.

Cost capitalization and the estimate of useful lives require judgment and include significant estimates that can and do change. Depreciation expense is computed using the straight-line method. The Company anticipates the estimated useful lives of its assets by class to be generally:

Building and other improvements	30 years
Site improvements	5-15 years
Furniture, fixtures and equipment	5-15 years
Tenant improvements	Shorter of the life of the asset or the term of the related lease
Leasing fees	Term of the related lease

Depreciation expense was $38,040, $39,497 and $35,086 for the years ended December 31, 2018, 2017 and 2016, respectively. Amortization of leasing fees were $360, $168, and $68 for the years ended December 31, 2018, 2017 and 2016, respectively.

Debt Issuance Costs

Debt issuance costs are amortized on a straight-line basis, which approximates the effective interest method, over the term, or anticipated repayment date, of the related agreements as a component of interest expense. These costs are reported as a direct deduction to the Company's outstanding mortgages and credit facility payable.

Fair Value Measurements

The Company has estimated fair value using available market information and valuation methodologies the Company believes to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that would be realized upon disposition.

The Company defines fair value based on the price that it believes would be received upon sale of an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

Level 1 − Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 − Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 − Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company's cash equivalents, accounts receivable and payables and accrued expenses all approximate fair value due to the short term nature of these financial instruments. The Company's financial instruments measured on a recurring basis include derivative interest rate instruments.

Derivatives

The Company uses derivative instruments, such as interest rate swaps, primarily to manage exposure to interest rate risks inherent in variable rate debt. The Company may also enter into forward starting swaps or treasury lock agreements to set the effective interest rate on a planned fixed-rate financing. The Company's interest rate swaps involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. In a forward starting swap or treasury lock agreement that the Company cash settles in anticipation of a fixed rate financing or refinancing, the Company will receive or pay an amount equal to the present value of future cash flow payments based on the difference between the contract rate and market rate on the settlement date. The Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedging instruments under the accounting requirements for derivatives and hedging.

Revenue Recognition

The Company commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the lessee takes possession of, or controls the physical use of, the leased asset. Generally, this occurs on the lease commencement date. The determination of who is the owner, for accounting purposes, of the tenant improvements determines the nature of the leased asset and when revenue recognition under a lease begins. If the Company is the owner, for accounting purposes, of the tenant improvements, then the leased asset is the finished space and revenue recognition begins when the lessee takes possession of the finished space, typically when the improvements are substantially complete. If the Company concludes it is not the owner, for accounting purposes, of the tenant improvements (the lessee is the owner), then the leased asset is the unimproved space and any tenant improvement allowances funded by the Company under the lease are treated as lease incentives which reduce revenue recognized over the term of the lease. In these circumstances, the Company begins revenue recognition when the lessee takes possession of the unimproved space for the lessee to construct their own improvements. The Company considers a number of different factors to evaluate whether it or the lessee is the owner of the tenant improvements for accounting purposes.

Rental income is recognized on a straight-line basis over the term of each lease. The difference between rental income earned on a straight-line basis and the cash rent due under the provisions of the lease agreements is recorded as deferred rent receivable and is included as a component of accounts and rent receivable in the consolidated balance sheets. Due to the impact of the straight-line basis, rental income generally will be greater than the cash collected in the early years and will decrease in the later years of a lease.

Reimbursements from tenants for recoverable real estate tax and operating expenses are accrued as revenue in the period the applicable expenses are incurred. The Company makes certain assumptions and judgments in estimating the reimbursements at the end of each reporting period. The Company does not expect the actual results to materially differ from the estimated reimbursement.

The Company records lease termination income if there is a signed termination agreement, all of the conditions of the agreement have been met, the tenant is no longer occupying the property and amounts due are considered collectible. Upon early lease termination, the Company provides for gains or losses related to unrecovered intangibles and other assets.

As a lessor, the Company defers the recognition of contingent rental income, such as percentage rent, until the specified target that triggered the contingent rental income is achieved.

Equity-Based Compensation

The Company has restricted shares and units outstanding at December 31, 2018 and 2017. The Company recognizes expense related to the fair value of equity-based compensation awards as general and administrative expense in the consolidated statements of operations and comprehensive loss. The Company primarily recognizes expense based on the fair value at the grant date on a straight-line basis over the vesting period representing the requisite service period. See Note 8 - "Equity-Based Compensation" for further information.

(Dollar amounts in thousands, except per share amounts)

Recently Adopted Accounting Pronouncements

In November 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash,* which requires 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 Company adopted ASU No. 2016-18 on a retrospective basis as of January 1, 2018. The Company now includes restricted cash in beginning, change and ending-of-period total amounts on the statement of cash flows rather than within an activity on the statement of cash flows. The Company applied ASU No. 2016-18 retrospectively to all prior periods presented that resulted in a decrease of $1,056 and $1,957 in net cash used in investing activities for the years ended December 31, 2017 and 2016, respectively.

Amounts included in restricted cash represent those required to be set aside by lenders for real estate taxes, insurance, capital expenditures and tenant improvements on our existing properties. These amounts also include post close escrows for tenant improvements, leasing commissions, master lease, general repairs and maintenance, and are classified as restricted cash on the Company's consolidated balance sheets.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on the Company's consolidated balance sheets to such amounts shown in the Company's consolidated statements of cash flows:

	December 31, 2018	
	2018	2017
Cash and cash equivalents	$ 15,239	$ 11,904
Restricted cash	1,001	4,940
Total cash, cash equivalents, and restricted cash	$ 16,240	$ 16,844

On January 1, 2018, the Company adopted Accounting Standards Codification ("ASC") 606, 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 Company selected the modified retrospective transition method which would include a cumulative effect of applying the standard on January 1, 2018. As the Company reviewed its revenue streams and concluded its previous recognition of revenue was in compliance with the new standard, no cumulative effect adjustment was required. Common area maintenance reimbursements that may be impacted will not be addressed until the Company's adoption of ASU No. 2016-02, Leases (Topic 842) considering its revisions to accounting for common area maintenance.

Concurrently with the adoption of ASC 606, the Company adopted ASC 610-20, Other Income: Gains and Losses from the De-recognition of Non-financial Assets ("ASC 610-20") using the modified retrospective approach. ASC 610-20 applies to the sale, transfer and derecognition of nonfinancial assets and in substance nonfinancial assets to non-customers, including partial sales, and eliminates the guidance specific to real estate in ASC 360-20. Beginning January 1, 2018, gains on sales of properties, including partial sales, of non-financial assets (and in-substance non-financial assets) to non-customer are recognized in accordance with ASC 610-20, while the sale of non-financial assets with customers are governed by ASC 606. The only difference in the treatment of sales to customers and non-customers is the presentation in the Consolidated Statements of Operations (revenue and expense is reported when the sale is to a customer and net gain or loss is reported when the sale is to a non-customer). Based on the nature of the Company's business, any property sales are expected to be transactions with non-customers. With respect to full disposals, the recognition will generally be consistent with the Company's current measurement and pattern of recognition. Any sales of non-financial assets would represent only one performance obligation and would be recognized when an enforceable contract is in place, collectability is ensured, and control is transferred to the buyer. With respect to partial sales of real estate to joint ventures, the new guidance requires the Company to recognize a full gain or loss where an equity investment is retained, to the extent control is not retained. Any noncontrolling interest retained by the Company would, accordingly, be measured at fair value. We have not disposed of any property or land, and therefore, the adoption of ASC 610-20 has not had an impact on the Company's consolidated financial statements.

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 was effective for fiscal years beginning after December 15, 2017, for public companies. The Company adopted the new accounting standard on January 1, 2018 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.

Recently Issued Accounting Pronouncements

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities*. The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018. The Company will adopt the ASU on January 1, 2019 with a modified retrospective transition. The Company will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the consolidated balance sheets as of the date of adoption. The Company expects that the transition adjustment on adoption of ASU 2017-12, will be a credit to retained earnings and debit to other comprehensive income of approximately $135.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. For lessors, lease accounting under ASU No. 2016-02 will remain mostly unchanged except that ASU No. 2016-02 allows only incremental costs of signing a lease to be capitalizable. Historically, the Company capitalized initial direct costs (commissions) that will still be considered capitalizable under the new standard.

On July 30, 2018 the FASB issued ASU No. 2018-11, *Targeted Improvements, Leases (Topic 842)*, which would provide lessors with a practical expedient, by class of underlying assets, to not separate non-lease components from the related lease components and, instead, to account for those components as a single lease component, if certain criteria are met. The Company believes that it will meet the criteria to account for lease and non-lease components as a single lease component.

ASU No. 2018-11 also provides companies with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company expects to adopt the ASU No. 2016-02 on its effective date without restating comparative periods and utilize the practical expedients available in the amendment as part of its adoption. The package of practical expedients, which must be elected for all leases, include relief from re-assessing a lease using the standard's new definition of a lease, relief from re-assessing the classification of a lease and allowing previously capitalized initial direct costs to continue to be amortized.

For lessees, ASU No. 2016-02 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. The Company is the lessee under a ground lease, for which it expects to recognize an ROU asset of approximately $15 to $17 million and a related lease liability of approximately $22 to $25 million on January 1, 2019 on its consolidated balance sheet upon adoption. Such amounts are subject to change and will be finalized on the Company's consolidated financial statements for the three months ended March 31, 2019.

NOTE 3 – EQUITY

The Company commenced an initial public "best efforts" offering (the "Offering") on October 18, 2012, which concluded on October 16, 2015. The Company sold 33,534,022 shares of common stock generating gross proceeds of $834,399 from the Offering. On March 5, 2019, 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 as of December 31, 2018. The previously estimated per share NAV of the Company's common stock as of December 31, 2017 was established on March 20, 2018.

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

On October 19, 2015, the Company registered 25,000,000 shares of common stock to be issued under its distribution reinvestment plan ("DRP") pursuant to a registration statement on Form S-3D. The Company provides stockholders with the option to purchase additional shares from the Company by automatically reinvesting cash 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.

Distributions reinvested through the DRP were $19,339, $27,069 and $27,831 for the years ended December 31, 2018, 2017 and 2016, respectively.

Share Repurchase Program

The Company adopted a share repurchase program (as amended, “SRP”) effective October 18, 2012, under which 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. In the case of repurchases made upon the death of a stockholder or qualifying disability, as defined in the SRP, the one year holding period does not apply. The SRP was amended and restated effective January 1, 2018 to change the processing of repurchase requests from a monthly to a quarterly basis to align with the move to quarterly distributions. On February 11, 2019, the Company’s board of directors adopted a second amended and restated SRP (the “A&R SRP”), which will become effective on March 21, 2019. Under the A&R SRP, the Company is authorized to make ordinary repurchase at a price equal to 80.0% of the “share price,” which is defined in the A&R SRP as an amount equal to the lesser of: (A) $25, as adjusted under certain circumstances, including, among other things, if the applicable shares were purchased from the Company at a discounted price; or (B) the most recently disclosed estimated value per share. Prior to the amendment, the Company was authorized to make ordinary repurchases at a price ranging from 92.5% to 100% of the “share price.” The Company may repurchase shares upon a stockholder’s death or qualifying disability at a price equal to 100% of the “share price.”

The A&R SRP provides the Company’s board of directors with the discretion to reduce the funding limit for share repurchases. Prior to the amendment, the funding for ordinary repurchases was limited to the proceeds from the DRP during a particular quarter. The A&R SRP limits the dollar amount for any repurchases made by the Company each calendar quarter to an amount equal to a percentage determined in the sole discretion of the board on a quarterly basis that will not be less than 50% of the net proceeds from the DRP during the applicable quarter. The Company continues to limit 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, as adjusted for the Reverse Stock Split.

If either or both of the repurchase limitations prevent the Company from repurchasing all of the shares offered for repurchase during a calendar quarter, the Company will repurchase shares, on a pro rata basis within each category below, in accordance with the repurchase limitations in the following order: (a) first, all repurchases sought upon a stockholder’s death or qualifying disability and (b) second, all ordinary repurchases. Shares not repurchased due to the pro rata impact will be included in the list of requests in the immediately following calendar quarter, unless the request is withdrawn. The A&R SRP provides that a requesting party must own shares of at least $500 after giving effect to any repurchase by the Company. If a requesting party would fail to maintain this minimum balance after giving effect to any repurchase, the Company may, in its discretion, repurchase the remaining balance of shares which is less than $500, subject to the 5% share limit described above. The SRP will immediately terminate if the Company’s shares become listed for trading on a national securities exchange.

Repurchases through the SRP were $22,545, $21,066 and $9,724 for the years ended December 31, 2018, 2017 and 2016, respectively. At December 31, 2018 and 2017, the liability related to the SRP was $5,463 and $2,530, respectively, recorded in other liabilities on the Company’s consolidated balance sheets.

NOTE 4 – ACQUISITIONS

2018 Acquisitions

During the year ended December 31, 2018, the Company did not acquire any additional properties.

(Dollar amounts in thousands, except per share amounts)

2017 Acquisitions

During the year ended December 31, 2017, the Company acquired, through its wholly owned subsidiaries, the three 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 (b)	Wilson, NC	Multi-Tenant Retail	311,030	$ 40,783
2nd Quarter					
4/3/2017	Pentucket Shopping Center (b)	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.
(b) Subsequent to the acquisition date, first mortgages were placed on the properties.

The above acquisitions were accounted for as asset acquisitions. For the year ended December 31, 2017, the Company incurred $2,213 of total acquisition costs and fees, $1,459 of which are capitalized as the acquisition of net investment properties in the consolidated balance sheets. An adjustment to the deferred investment property acquisition obligation of $574 and $180 of acquisition and dead deal costs are included in acquisition related costs in the consolidated statements of operations and comprehensive loss. For properties acquired during the year ended December 31, 2017, the Company recorded total income of $5,202 and property net income of $325, which excludes expensed acquisition related costs.

The following table presents certain additional information regarding the Company's acquisitions during the year ended December 31, 2017. The amounts recognized for major assets acquired and liabilities assumed as of the acquisition date are as follows:

	For the Year Ended December 31, 2017
Land	$ 17,513
Building and improvements	41,793
Acquired lease intangible assets, net	15,385
Acquired intangible liabilities, net	(4,589)
Assumed liabilities, net	(149)
Total	$ 69,953

NOTE 5 – INVESTMENT IN AND NOTES RECEIVABLE FROM UNCONSOLIDATED ENTITIES

In August 2017, the Company, through a wholly owned taxable REIT subsidiary, made an equity commitment to Mainstreet JV to develop, construct, lease, finance and sell parcels of land and related building improvements including personal property which were to be operated as rapid recovery healthcare facilities located in Beaumont, Amarillo and Temple, Texas. As of December 31, 2017, the equity investment in Mainstreet JV was $7,125.

In conjunction with its equity investment in Mainstreet JV, the Company also agreed to provide subsidiaries of Mainstreet JV mezzanine loans in the aggregate amount of $5,400. The loan term was for 48 months with the Company earning interest at a rate of 14.5% per annum and receiving monthly interest payments based on a 10.5% pay rate. The remaining unpaid interest was to be due at maturity or upon certain defined events. The mezzanine loans were guaranteed by one of the other members of the joint venture. The borrowers could draw on the mezzanine loans as needed in connection with the construction of the rapid recovery healthcare facilities, however, did not draw on the mezzanine loans until the Company had fully funded its equity commitment to Mainstreet JV. As of December 31, 2017, the Company had not loaned any funds related to the mezzanine loans.

(Dollar amounts in thousands, except per share amounts)

During 2018, the Company funded its remaining equity commitment to Mainstreet JV, as well as the full $5,400 of mezzanine loans. Subsequently, during 2018, the Company identified several indicators that suggested it was probable that the Company would not recover its equity investment in or the mezzanine loans advanced to Mainstreet JV. Such indicators included construction overruns, loss of a planned tenant and the related cost of re-leasing. Additionally, the construction mortgage lender to Mainstreet JV stopped funding the construction draws for two of the properties and began foreclosure proceedings. As the Company does not intend to fund any more investments in Mainstreet JV and it does not expect to recover any of its previous investments, the Company determined an impairment for both its investment in and notes receivable from Mainstreet JV is appropriate.

During the year ended December 31, 2018, the Company recorded an impairment to its investment in Mainstreet JV of $9,865 and an impairment to its notes receivable from unconsolidated entities of $5,540, both included in provision for impairment of investment in and note receivable from unconsolidated entities on the consolidated statement of operations and comprehensive loss. Both amounts represent a full impairment of such investments.

NOTE 6 – ACQUIRED INTANGIBLE ASSETS AND LIABILITIES

The following table summarizes the Company's identified intangible assets and liabilities as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Intangible assets:		
Acquired in-place lease value	$ 165,182	$ 165,182
Acquired above market lease value	45,824	45,824
Accumulated amortization	(95,649)	(72,348)
Acquired lease intangibles, net	$ 115,357	$ 138,658
Intangible liabilities:		
Acquired below market lease value	$ 71,551	$ 71,551
Above market ground lease	5,169	5,169
Accumulated amortization	(19,258)	(14,450)
Acquired below market lease intangibles, net	$ 57,462	$ 62,270

As of December 31, 2018, the weighted average amortization periods for acquired in-place lease, above market lease intangibles, below market lease intangibles and above market ground lease 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.

(Dollar amounts in thousands, except per share amounts)

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

Amortization recorded as amortization expense:	2018	2017	2016
Acquired in-place lease value	$ 19,410	$ 22,104	$ 24,174
Amortization recorded as a reduction to property operating expense:			
Above market ground lease	$ 94	$ 94	$ 94
Amortization recorded as a (reduction) increase to rental income:			
Acquired above market leases	$ (3,891)	$ (4,379)	$ (4,341)
Acquired below market leases	4,714	5,700	5,059
Net rental income increase	$ 823	$ 1,321	$ 718

Estimated amortization of the respective intangible lease assets and liabilities as of December 31, 2018 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
2019	$ 16,882	$ 3,405	$ (4,297)	$ (94)
2020	$ 13,884	$ 3,067	$ (4,078)	$ (94)
2021	$ 11,427	$ 2,997	$ (3,896)	$ (94)
2022	$ 8,781	$ 2,691	$ (3,637)	$ (94)
2023	$ 7,514	$ 2,489	$ (3,348)	$ (94)
Thereafter	$ 26,400	$ 15,820	$ (33,341)	$ (4,395)
Total	$ 84,888	$ 30,469	$ (52,597)	$ (4,865)

NOTE 7 – DEBT AND DERIVATIVE INSTRUMENTS

As of December 31, 2018 and 2017, the Company had the following mortgages and credit facility payable:

	December 31, 2018		December 31, 2017	
Type of Debt	Principal Amount	Weighted Average Interest Rate	Principal Amount	Weighted Average Interest Rate
Fixed rate mortgages payable	$ 171,646	4.25%	$ 171,851	4.25%
Variable rate mortgages payable with swap agreements	252,244	3.33%	383,517	3.49%
Variable rate mortgages payable	684	3.95%	54,153	3.26%
Mortgages payable	$ 424,574	3.71%	$ 609,521	3.69%
Credit facility payable	$ 284,523	4.22%	$ 83,800	3.21%
Total debt before unamortized mortgage premiums and debt issuance costs including impact of interest rate swaps	$ 709,097	3.91%	$ 693,321	3.63%
Add: Unamortized mortgage premiums	1,683		2,316	
Less: Unamortized debt issuance costs	(4,896)		(4,172)	
Total debt	$ 705,884		$ 691,465	

(Dollar amounts in thousands, except per share amounts)

The Company's indebtedness bore interest at a weighted average interest rate of 3.91% per annum at December 31, 2018, which includes the effects of interest rate swaps. 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 $709,097 and $693,321 as of December 31, 2018 and 2017, respectively, and its estimated fair value was $709,737 and $684,621 as of December 31, 2018 and 2017, respectively.

As of December 31, 2018, scheduled principal payments and maturities on the Company's debt were as follows:

	December 31, 2018			
Scheduled Principal Payments and Maturities by Year:	Scheduled Principal Payments	Maturities of Mortgage Loans	Maturity of Credit Facility	Total
2019	$ 232	$ 7,447	$ —	$ 7,679
2020	897	—	—	897
2021	1,531	82,740	—	84,271
2022	615	101,537	134,523	236,675
2023	—	91,230	150,000	241,230
Thereafter	962	137,383	—	138,345
Total	$ 4,237	$ 420,337	$ 284,523	$ 709,097

Credit Facility Payable

On August 1, 2018, the Company amended and restated its Credit Facility to, among other things, increase the facility from $110,000 to $350,000 including a $200,000 revolving credit facility (the "Revolving Credit Facility") and a $150,000 term loan (the "Term Loan"), with an accordion feature that allows for an increase in available borrowings up to $700,000, subject to certain conditions.

At December 31, 2018, the Company had $134,523 outstanding under the Revolving Credit Facility and $150,000 outstanding under the Term Loan. At December 31, 2018 the interest rate on the Revolving Credit Facility and the Term Loan was 4.15% and 4.29%, respectively. The Revolving Credit Facility matures on August 1, 2022, and the Company has the option to extend the maturity date for one additional year subject to the payment of an extension fee and certain other conditions. The Term Loan matures on August 1, 2023. As of December 31, 2018 the Company had $65,477 available for borrowing under the Revolving Credit Facility.

The Company's performance of the obligations under the Credit Facility, including the payment of any outstanding indebtedness under the Credit Facility, is guaranteed by certain subsidiaries of the Company, including each of the subsidiaries of the Company which owns or leases any of the properties included in the pool of unencumbered properties comprising the borrowing base. Additional properties will be added to and removed from the pool from time to time to support amounts borrowed under the Credit Facility. At December 31, 2018, there were 28 properties included in the pool of unencumbered properties. During the year ended December 31, 2018, the Company paid-off twelve mortgage loans with a principal balance of $184,700 and ten interest rate swap agreements with a notional amount of $131,300.

The Credit Facility requires compliance with certain covenants, 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.

Gain on early termination of interest rate swap agreements

During the year ended December 31, 2018, the Company recorded a net gain of $1,151 of which $1,192 was received in cash, related to the early termination of certain interest rate swap agreements that had corresponding early mortgage pay-offs.

(Dollar amounts in thousands, except per share amounts)

Loss on extinguishment of debt

During the year ended December 31, 2018, the Company realized a loss on extinguishment of debt in the consolidated statements of operations and comprehensive loss of $411 due to the write-off of the unamortized balance of debt issuance costs associated with ten loans that were repaid prior to maturity.

Mortgages Payable

The mortgage loans require compliance with certain covenants, such as debt service ratios, investment restrictions and distribution limitations. As of December 31, 2018, 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 December 31, 2018, the weighted average years to maturity for the Company's mortgages payable was 4.6 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. See Note 15 - "Fair Value Measurements" for further information.

The following table summarizes the Company's interest rate swap contracts outstanding as of December 31, 2018.

Date Entered	Effective Date	Maturity Date	Pay Fixed Rate (a)	Notional Amount	Fair Value at December 31, 2018
Assets					
February 11, 2015	March 2, 2015	March 1, 2022	2.02%	6,114	76
April 7, 2015	April 7, 2015	April 7, 2022	1.74%	49,400	1,057
September 17, 2015	September 17, 2015	September 17, 2022	1.90%	13,700	258
October 2, 2015	November 1, 2015	November 1, 2022	1.79%	13,100	304
December 23, 2015	December 23, 2015	January 2, 2026	2.30%	26,000	304
January 25, 2016	February 1, 2016	February 1, 2021	1.40%	38,000	831
June 7, 2016	July 1, 2016	July 1, 2023	1.42%	43,680	1,869
July 21, 2016	August 1, 2016	August 1, 2023	1.30%	47,550	2,336
June 5, 2017	May 31, 2017	May 15, 2022	1.90%	14,700	251
				$ 252,244	$ 7,286
Liabilities					
August 23, 2018	September 4, 2018	August 1, 2023	2.73%	60,000	(768)
August 23, 2018	September 4, 2018	August 1, 2023	2.74%	25,000	(320)
August 23, 2018	September 4, 2018	August 1, 2023	2.74%	25,000	(325)
August 23, 2018	September 4, 2018	August 1, 2023	2.73%	40,000	(513)
				$ 150,000	$ (1,926)

(a) Receive floating rate index based upon one month LIBOR. At December 31, 2018, the one month LIBOR equaled 2.50%.

(Dollar amounts in thousands, except per share amounts)

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 income (loss). 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 years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
Derivatives in Cash Flow Hedging Relationships:	**2018**	**2017**	**2016**
Effective portion of derivatives	$ 291	$ 1,043	$ 1,861
Reclassification adjustment for amounts included in net gain or loss (effective portion)	$ (551)	$ 2,405	$ 4,038
Ineffective portion of derivatives	$ (176)	$ 7	$ 233

The amount that is expected to be reclassified from accumulated other comprehensive income into income in the next twelve months is $1,989.

NOTE 8 – 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. On June 12, 2018, we issued 1,677 restricted shares and 650 restricted share units to our independent directors pursuant to the automatic grant provisions of the RSP, which become vested in equal installments of 33-1/3% on each of the first three anniversaries of June 12, 2018, subject to certain exceptions. 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 the 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 $48 and $33, in the aggregate, for the year ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Company had $48 and $44, respectively, of unrecognized compensation expense 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 1.5 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	1,330	460	$ 40	$ 40
Granted	1,657	600	51	51
Vested	(444)	(156)	(13)	(13)
Converted	—	—	—	—
Forfeited	—	—	—	—
Outstanding at December 31, 2017	2,543	904	78	78
Granted	1,677	650	52	52
Vested	(996)	(353)	(30)	(30)
Converted	—	—	—	—
Forfeited	—	—	—	—
Outstanding at December 31, 2018	3,224	1,201	$ 100	$ 100

(Dollar amounts in thousands, except per share amounts)

NOTE 9 – INCOME TAX AND DISTRIBUTIONS

In 2018, the Company paid pays quarterly distributions in an amount equal to $0.335 per share, which represents an annualized rate of 6% based on the previously estimated per share NAV as of December 31, 2017, payable in arrears the following quarter. The Company paid distributions based on daily record dates, payable in arrears the following month, equal to a daily amount of $0.00410959 per share, based upon a 365-day period for 2017. The Company paid distributions based on daily record dates, payable in arrears the following month, equal to a daily amount of $0.00409836 per share, based upon a 366-day period for 2016. The table below presents the distributions paid and declared for the years ended December 31, 2018, 2017 and 2016.

	December 31,		
	2018	2017	2016
Distributions paid	$ 40,313	$ 53,315	$ 52,358
Distributions declared	$ 47,700	$ 53,364	$ 52,449

For federal income tax purposes, distributions may consist of ordinary dividend income, qualified dividend income, non-taxable return of capital, capital gains or a combination thereof. Distributions to the extent of the Company's current and accumulated earnings and profits for federal income tax purposes are taxable to the recipient as either ordinary dividend income or, if so declared by the Company, qualified dividend income or capital gain dividends. Distributions in excess of these earnings and profits (calculated for income tax purposes) constitute a non-taxable return of capital rather than ordinary dividend income or a capital gain dividend and reduce the recipient's tax basis in the shares to the extent thereof. Distributions in excess of earnings and profits that reduce a recipient's tax basis in the shares have the effect of deferring taxation of the amount of the distribution until the sale of the stockholder's shares. If the recipient's tax basis is reduced to zero, distributions in excess of the aforementioned earnings and profits (calculated for income tax purposes) constitute taxable gain.

In order to maintain the Company's status as a REIT, the Company must annually distribute at least 90% of its REIT taxable income, subject to certain adjustments and excluding any net capital gain, to its stockholders. For the years ended December 31, 2018, 2017 and 2016, the Company's taxable income was $9,073 (unaudited), $10,045 (unaudited) and $9,890 (unaudited), respectively.

The following table sets forth the taxability of distributions on common shares, on a per share basis, paid in 2018, 2017 and 2016:

	2018	2017	2016
Ordinary income	$ 0.26	$ 0.29	$ 0.29
Capital gain	$ 0.04	$ —	$ —
Nontaxable return of capital	$ 1.04	$ 1.21	$ 1.18

As a result of the $15,405 impairment for the Mainstreet JV recorded on the Company's consolidated statements of operations and comprehensive loss during the year ended December 31, 2018, the Company will likely recognize either a capital or net operating loss or a combination thereof, for income tax purposes, from this venture in the future. The Company's investment in Mainstreet JV is held through a taxable REIT subsidiary. Based on an effective tax rate of 28.51%, which is calculated by combining a 21% Federal tax rate and an IL tax rate of 7.51% (9.5% state rate net of the Federal benefit), the deferred tax benefit related to the impairment is approximately $4,400. Since the taxable REIT subsidiary does not currently conduct any activities outside the investment in Mainstreet JV, management does not believe it is more likely than not that the taxable REIT subsidiary will be able to utilize these losses in future tax periods. As a result, management recorded a full valuation allowance of $4,400 to account for this uncertainty.

(Dollar amounts in thousands, except per share amounts)

NOTE 10 – 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 for the year ended December 31, 2018 and 2017, 2,625 shares and 1,507 shares, respectively, were excluded from the computation of diluted EPS, because they would have been antidilutive.

NOTE 11 – 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"). At December 31, 2018, there is no earnout liability outstanding.

The table below presents the change in the Company's Earnout liability for the years ended December 31, 2018 and 2017.

	December 31, 2018	December 31, 2017
Earnout liability-beginning of period	$ 1,050	$ 6,856
Increases:		
Additional earnout liability	816	—
Amortization expense	24	35
Decreases:		
Earnout payments	(1,865)	(6,415)
Other:		
Adjustments to acquisition related costs	(25)	574
Earnout liability – end of period	$ —	$ 1,050

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.

NOTE 12 – SEGMENT REPORTING

The Company has one reportable segment, retail real estate, as defined by U.S. GAAP for the years ended December 31, 2018, 2017 and 2016.

(Dollar amounts in thousands, except per share amounts)

NOTE 13 – TRANSACTIONS WITH RELATED PARTIES

The following table summarizes the Company's related party transactions for the years ended December 31, 2018, 2017 and 2016. Certain compensation and fees payable to the Business Manager for services to be provided to the Company are limited to maximum amounts.

		Year ended December 31,			Unpaid amounts as of	
		2018	2017	2016	December 31, 2018	December 31, 2017
General and administrative reimbursements	(a)	$ 1,526	$ 1,608	$ 1,975	$ 216	$ 203
Acquisition related costs		$ 8	$ 274	$ 409	$ —	$ —
Acquisition fees		28	1,266	1,327	—	51
Total acquisition costs and fees	(b)	$ 36	$ 1,540	$ 1,736	$ —	$ 51
Real estate management fees		$ 4,907	$ 4,800	$ 4,473	$ —	$ —
Property operating expenses		$ 1,135	$ 1,114	$ 1,026	$ —	$ —
Construction management fees		220	113	121	6	35
Leasing fees		251	214	168	37	51
Total real estate management related costs	(c)	$ 6,513	$ 6,241	$ 5,788	$ 43	$ 86
Business management fees	(d)	$ 9,345	$ 9,196	$ 8,580	$ 2,345	$ 2,325

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

(b) Prior to February 11, 2019, the Company was required to pay 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 management agreement was amended and restated to, among other things, remove the obligation to pay acquisition fees and disposition fees payable to the Business Manager by the Company with respect to transactions occurring on or after February 11, 2019. The Business Manager and its related parties continue to be 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 $36 related party acquisition costs and fees incurred during the year ended December 31, 2018, $12 are capitalized as the acquisition of net investment properties in the consolidated balance sheets. Of the $1,540 related party acquisition costs incurred during the year ended December 31, 2017, $1,260 are capitalized as the acquisition of net investment properties in the consolidated balance sheets, $134 are capitalized as investment in unconsolidated entities in the consolidated balance sheets, and $146 of such costs are included in acquisition related costs in the consolidated statements of operations and comprehensive loss. Unpaid amounts are included in due to related parties in the consolidated balance sheets. Of the $1,736 related party acquisition costs incurred during the year ended December 31, 2016, $74 are capitalized as the acquisition of net investment properties in the consolidated balance sheets, and $1,662 of such costs are included in acquisition related costs in the consolidated statements of operations and comprehensive loss.

(c) For each property that is managed by Inland Commercial Real Estate Services LLC (the "Real Estate Manager") (and its predecessor), 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 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 consolidated statements of operations and comprehensive loss.

(Dollar amounts in thousands, except per share amounts)

(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 December 31, 2018 for the years indicated, assuming no expiring leases are renewed, are as follows:

	Minimum Lease Payments
2019	$ 92,014
2020	$ 85,453
2021	$ 79,935
2022	$ 70,313
2023	$ 58,788
Thereafter	$ 194,708
Total	$ 581,211

The remaining lease terms range from less than one year to 19 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 expenses are paid directly by the tenant rather than the landlord, such expenses are not included in the consolidated statements of operations and comprehensive loss. Under leases where all expenses are paid by the Company, subject to reimbursement by the tenant, the 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 – FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

The Company defines fair value based on the price that it believes would be received upon sale of an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

Level 1 − Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 − Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 − Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company has estimated the fair value of its financial and non-financial instruments using available market information and valuation methodologies the Company believes to be appropriate for these purposes.

(Dollar amounts in thousands, except per share amounts)

Recurring Fair Value Measurements

For assets and liabilities measured at fair value on a recurring basis, 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 December 31, 2018 and 2017, respectively.

	Fair Value			
	Level 1	Level 2	Level 3	Total
December 31, 2018				
Interest rate swap agreements - Other assets	$ —	$ 7,286	$ —	$ 7,286
Interest rate swap agreements - Other liabilities	$ —	$ 1,926	$ —	$ 1,926
December 31, 2017				
Interest rate swap agreements - Other assets	$ —	$ 6,136	$ —	$ 6,136
Interest rate swap agreements - Other liabilities	$ —	$ 340	$ —	$ 340

The fair value of derivative instruments was estimated based on data observed in the forward yield curve which is widely observed in the marketplace. The Company also incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the counterparty's nonperformance risk in the fair value measurements which utilize Level 3 inputs, such as estimates of current credit spreads. The Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivative interest rate swap agreements and therefore has classified these in Level 2 of the hierarchy.

Non-recurring Fair Value Measurements

The table below presents activity for the Company's assets measured at fair value on a non-recurring basis.

	Fair Value				
	Level 1	Level 2	Level 3	Total	Total Impairment Loss
December 31, 2017					
Asset impairment	$ —	$ —	$ 5,557	$ 5,557	$ 8,530
Total	$ —	$ —	$ 5,557	$ 5,557	$ 8,530

As of December 31, 2017, the Company identified indicators of impairment at one of its investment properties. Such indicators included a low occupancy rate, difficulty in leasing space, declining market rents and the related cost of re-leasing. The fair value of this investment property was estimated using the 10-year discounted cash flow model, which includes estimated inflows and outflows over a specific holding period and estimated net disposition proceeds at the end of the 10-year period. The Company utilized a capitalization rate of 7.50% and a discount rate of 8.50% which it believes are reasonable based on current market rates. The table above presents activity for the Company's assets measured at fair value on a non-recurring basis. For the year ended December 31, 2017, the Company recognized an asset impairment charge to reflect an investment at its estimated fair value, which is included in provision for asset impairment on the consolidated statements of operations and comprehensive loss.

During the year ended December 31, 2016, the Company incurred no impairment charges.

NOTE 16 – QUARTERLY SUPPLEMENTAL FINANCIAL INFORMATION (UNAUDITED)

The following represents the results of operations, for each quarterly period, during 2018 and 2017.

	2018			
	Dec 31	Sept 30	Jun 30	Mar 31
Total income	$ 31,893	$ 32,290	$ 31,870	$ 32,648
Net loss	$ (13,071)	$ (5,791)	$ (2,174)	$ (2,240)
Net loss per common share, basic and diluted (1)	$ (0.37)	$ (0.16)	$ (0.06)	$ (0.06)
Weighted average number of common shares outstanding, basic and diluted (1)	35,587,000	35,589,157	35,588,790	35,594,052

(Dollar amounts in thousands, except per share amounts)

	2017			
	Dec 31	**Sept 30**	**Jun 30**	**Mar 31**
Total income	$ 32,529	$ 32,110	$ 32,911	$ 31,607
Net loss	$ (10,811)	$ (2,856)	$ (3,631)	$ (1,804)
Net loss per common share, basic and diluted (1)	$ (0.30)	$ (0.08)	$ (0.10)	$ (0.05)
Weighted average number of common shares outstanding, basic and diluted (1)	35,615,539	35,657,535	35,580,556	35,428,360

(1) Quarterly net loss per common share amounts may not total the annual amounts due to rounding and the changes in the number of weighted common shares outstanding.

NOTE 17 – SUBSEQUENT EVENTS

Announcement of the Company's Strategic Plan

On February 11, 2019, the Company's board of directors approved a strategic plan (the "Strategic Plan") with the goals of providing future liquidity to investors and creating long-term stockholder value. Key elements of the Strategic Plan include, among other things:

- **Asset Management Strategy.** The Strategic Plan centers around owning a portfolio of 100% grocery-anchored properties with lower exposure to big box retailers. As part of this strategy, the Company's management team and board will consider the opportunistic sale of certain assets with the goal of redeploying capital into the acquisition of strategically located grocery-anchored centers, as well as the redevelopment of select centers within the current portfolio.
- **Liquidity Plan.** The Company plans to move toward a liquidity event in the next 24 to 36 months, or sooner, market conditions permitting, most likely through a listing on a public securities exchange.
- **Amend the Company's Share Repurchase Program** in connection with the Strategic Plan, the Board adopted the A&R SRP, which will become effective on March 21, 2019. For additional information regarding the A&R SRP, reference is made to Note 3 – "Equity"
- **Amend the Company's Business Management Agreement.** The Business Manager has agreed to eliminate all future acquisition and disposition fees.

Announcement of the Company's Estimated Per Share NAV

On March 11, 2019, the Company announced that the Company's board of directors unanimously approved: (i) an Estimated Per Share NAV as of December 31, 2018; (ii) the same per share purchase price for shares issued under the DRP beginning with the first quarter distribution payment to stockholders to be paid in April 2019 until the Company announces a new Estimated Per Share NAV, and (iii) that, in accordance with the A&R SRP, which will be effective March 21, 2019, beginning with repurchases in April 2019 and until the Company announces a new Estimated Per Share NAV, any shares accepted for ordinary repurchases will be repurchased at 80% of the Estimated Per Share NAV and any shares accepted for "exceptional repurchases" will be repurchased at the Estimated Per Share NAV.

Determination of Funding Limit for the A&R SRP

On March 19, 2019, pursuant to the A&R SRP, the Company's board of directors determined to reduce the funding limit for share repurchases in April 2019 to an amount equal to 50% of the net proceeds from the DRP during the first quarter of 2019. The Company continues to limit 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, as adjusted for the Reverse Stock Split.

Declaration of Distributions

On March 19, 2019, the Company's board of directors declared the first quarter distribution in an amount equal to $0.30 per share payable to stockholders of record as of the close of business on March 31, 2019. The amount of distribution declared represents an annualized rate of 6% based on the Estimated Per Share NAV as of December 31, 2018. The first quarter distribution is expected to be paid on or before April 5, 2019.

INLAND REAL ESTATE INCOME TRUST, INC.
Schedule III

Real Estate and Accumulated Depreciation
December 31, 2018
Dollar amounts in thousands)

		Initial cost (A)			Gross amount carried at end of period (B)						
Property Name	Encum-brance	Land	Buildings and Improve-ments	Cost Capita-lized Subse-quent to Acquisi-tions (C)	Land (D)	Buildings and Improve-ments (D)	Total (D)	Accumu-lated Deprecia-tion (E)	Date Con-structed	Date Acquired	Depre-ciable Lives
2727 Iowa St	$ —	$ 2,154	$ 16,079	$ 215	$ 2,154	$ 16,294	$18,448	$ (2,096)	2014-2015	2015	15-30
Lawrence, KS											
Blossom Valley Plaza	—	9,515	11,142	576	9,515	11,718	21,233	(1,431)	1988	2015	15-30
Turlock, CA											
Branson Hills Plaza	—	3,787	6,039	174	3,787	6,213	10,000	(931)	2005	2014	15-30
Branson, MO											
Coastal North Town Center	43,680	13,725	49,673	(1,369)	13,725	48,304	62,029	(4,748)	2014	2016	15-30
Myrtle Beach, SC											
Coastal North Town Center - Phase II	—	365	3,034	—	365	3,034	3,399	(163)	2016	2017	15-30
Myrtle Beach, SC											
Dixie Valley	6,798	2,807	9,053	949	2,807	10,002	12,809	(1,577)	1988	2014	15-30
Louisville, KY											
Dogwood Festival	—	4,500	41,865	2,687	4,500	44,552	49,052	(7,308)	2002	2014	5-30
Flowood, MO											
Dollar General	558	159	857	—	159	857	1,016	(192)	2012	2012	15-30
Brooks, GA											
Dollar General	481	69	761	—	69	761	830	(170)	2012	2012	15-30
Daleville, AL											
Dollar General	520	148	780	—	148	780	928	(179)	2012	2012	15-30
East Brewton, AL											
Dollar General (Hamilton)	621	100	986	—	100	986	1,086	(220)	2012	2012	15-30
LaGrange, GA											
Dollar General (Wares Cross)	681	248	943	—	248	943	1,191	(211)	2012	2012	15-30
LaGrange, GA											
Dollar General	695	273	939	—	273	939	1,212	(216)	2012	2012	15-30
Madisonville, TN											
Dollar General	631	249	841	—	249	841	1,090	(188)	2012	2012	15-30
Maryville, TN											
Dollar General	601	208	836	—	208	836	1,044	(187)	2012	2012	15-30
Mobile, AL											
Dollar General	586	200	818	—	200	818	1,018	(178)	2012	2012	15-30
Newport, TN											
Dollar General	847	324	1,178	—	324	1,178	1,502	(270)	2012	2012	15-30
Robertsdale, AL											
Dollar General	531	119	805	—	119	805	924	(180)	2012	2012	15-30
Valley, AL											
Dollar General	692	272	939	—	272	939	1,211	(216)	2012	2012	15-30
Wetumpka, AL											
Eastside Junction	6,126	2,411	8,393	8	2,411	8,401	10,812	(1,221)	2008	2015	15-30
Athens, AL											
Fairgrounds Crossing	13,453	6,069	22,637	187	6,069	22,824	28,893	(3,081)	2008	2015	15-30
Hot Springs, AR											
Fox Point Plaza	—	3,518	12,681	753	3,518	13,434	16,952	(2,220)	2008	2014	15-30
Neenah, WI											
Frisco Marketplace	—	6,618	3,315	—	6,618	3,315	9,933	(571)	2002	2015	15-30

Frisco, TX											
Green Tree Shopping Center	13,100	7,218	17,846	456	7,218	18,302	25,520	(2,449)	1997	2015	5-30
Katy, TX											
Harris Plaza	—	6,500	19,403	1,780	6,500	21,183	27,683	(3,969)	2001-2008	2014	15-30
Layton, UT											
Harvest Square	6,600	2,186	9,330	136	2,186	9,466	11,652	(1,495)	2008	2014	15-30
Harvest, AL											
Heritage Square	4,460	2,028	5,538	322	2,028	5,860	7,888	(889)	2010	2014	15-30
Conyers, AL											
Kroger - Copps Grocery Store (D)	—	1,440	11,799	—	1,440	11,799	13,239	(1,738)	2012	2014	15-30
Stevens Point, WI											
Kroger - Pick n Save Center	—	3,150	14,283	1,345	3,150	15,628	18,778	(2,308)	2011	2014	15-30
West Bend, WI											
Lakeside Crossing	—	1,460	16,999	432	1,460	17,431	18,891	(2,890)	2013	2014	15-30
Lynchburg, VA											
Landing at Ocean Isle Beach	—	3,053	7,081	105	3,053	7,186	10,239	(1,210)	2009	2014	15-30
Ocean Isle, NC											
Mansfield Pointe	—	5,350	20,002	133	5,350	20,135	25,485	(3,555)	2008	2014	15-30
Mansfield, TX											
Marketplace at El Paseo	38,000	16,390	46,971	(627)	16,390	46,344	62,734	(5,343)	2014	2015	15-30
Fresno, CA											
Marketplace at Tech Center	47,550	10,684	68,580	(113)	10,684	68,467	79,151	(7,263)	2015	2015	15-30
Newport News, VA											
MidTowne Shopping Center	—	8,810	29,699	565	8,810	30,264	39,074	(5,271)	2005/2008	2014	5-30
Little Rock, AR											
Milford Marketplace	18,727	—	35,867	824	—	36,691	36,691	(4,199)	2007	2015	15-30
Milford, CT											
Newington Fair	—	7,833	8,329	331	7,833	8,660	16,493	(2,365)	1994/2009	2012	15-30
Newington, CT											
North Hills Square	—	4,800	5,493	236	4,800	5,729	10,529	(1,006)	1997	2014	15-30
Coral Springs, FL											
Oquirrh Mountain Marketplace	—	4,254	14,467	177	4,254	14,644	18,898	(1,608)	2014-2015	2015	15-30
Jordan, UT											
Oquirrh Mountain Marketplace Phase II	—	1,403	3,727	(54)	1,403	3,673	5,076	(354)	2014-2015	2016	15-30
Jordan, UT											
Park Avenue Shopping Center	—	5,500	16,365	2,947	5,500	19,312	24,812	(3,271)	2012	2014	15-30
Little Rock, AR											
Pentucket Shopping Center	14,700	5,993	11,251	30	5,993	11,281	17,274	(765)	1986	2017	15-30
Plaistow, NH											
Plaza at Prairie Ridge	—	618	2,305	—	618	2,305	2,923	(316)	2008	2015	15-30
Pleasant Prairie, WI											
Prattville Town Center	15,930	5,336	27,672	91	5,336	27,763	33,099	(3,850)	2007	2015	15-30
Prattville, AL											
Regal Court	26,000	5,873	41,181	1,361	5,873	42,542	48,415	(5,777)	2008	2015	5-30
Shreveport, LA											
Settlers Ridge	76,533	25,961	98,157	238	25,961	98,395	124,356	(12,031)	2011	2015	15-30
Pittsburgh, PA											
Shoppes at Lake Park	—	2,285	8,527	—	2,285	8,527	10,812	(1,214)	2008	2015	15-30
West Valley City. UT											
Shoppes at Market Pointe	13,700	12,499	8,388	783	12,499	9,171	21,670	(1,693)	2006-2007	2015	15-30
Papillion, NE											
Shoppes at Prairie Ridge	—	7,521	22,468	351	7,521	22,819	30,340	(3,343)	2009	2014	15-30
Pleasant Prairie, WI											
The Shoppes at Branson Hills	—	4,418	37,229	961	4,418	38,190	42,608	(5,476)	2005	2014	15-30

Branson, MO											
Shops at Hawk Ridge	—	1,329	10,341	251	1,329	10,592	11,921	(1,505)	2009	2015	5-30
St. Louis, MO											
Treasure Valley	—	3,133	12,000	—	3,133	12,000	15,133	(1,638)	2014	2015	15-30
Nampa, ID											
Village at Burlington Creek	17,723	10,789	19,385	793	10,789	20,178	30,967	(2,555)	2007 & 2015	2015	5-30
Kansas City, MO											
Walgreens Plaza	4,650	2,624	9,683	410	2,624	10,093	12,717	(1,403)	2011	2015	15-30
Jacksonville, NC											
Wedgewood Commons	—	2,220	26,577	157	2,220	26,734	28,954	(4,692)	2009-2013	2013	5-30
Olive Branch, MS											
Whispering Ridge	—	1,627	10,418	(4,144)	1,627	6,274	7,901	(156)	2007	2015	5-30
Omaha, NE											
White City	49,400	18,961	70,423	1,788	18,961	72,211	91,172	(9,589)	2013	2015	15-30
Shrewsbury, MA											
Wilson Marketplace	—	11,155	27,498	1,020	11,155	28,518	39,673	(1,977)	2007	2017	15-30
Wilson, NC											
Yorkville Marketplace	—	4,990	13,928	538	4,990	14,466	19,456	(2,217)	2002 & 2007	2015	15-30
Yorkville, IL											
Total:	$424,574	$277,229	$1,003,804	$17,803	$277,229	$1,021,607	$1,298,836	$(139,134)			

Notes:

(A) The initial cost to the Company represents the original purchase price of the property including impairment charges recorded subsequent to acquisition to reduce basis.

(B) The aggregate cost of real estate owned at December 31, 2018 for federal income tax purposes was $1,448,586.

(C) As applicable, some amounts include write-offs

(D) Reconciliation of real estate owned:

	2018	2017	2016
Balance at January 1,	$ 1,288,917	$ 1,233,231	$ 1,161,437
Acquisitions	—	59,306	68,977
Improvements, net of master lease	9,919	5,594	2,817
Impairment of investment property	—	(9,214)	—
Balance at December 31,	$ 1,298,836	$ 1,288,917	$ 1,233,231

(E) Reconciliation of accumulated depreciation:

Balance at January 1,	$ 101,094	$ 62,631	$ 27,545
Depreciation expense	38,040	39,497	35,086
Impairment of investment property	—	(1,034)	—
Balance at December 31,	$ 139,134	$ 101,094	$ 62,631

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and **Procedures**

The Company’s management has evaluated, with the participation of the Company’s principal executive and principal financial officers, the effectiveness of the Company’s 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 the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in Internal Control - Integrated Framework (2013) issued by the COSO, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

This annual report does not include an attestation report of the Company’s independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s independent registered public accounting firm pursuant to permanent rules adopted by the SEC, permitting the Company to provide only management’s report in this annual report.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company’s internal control over financial reporting that occurred during the Company’s fiscal quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be presented in our definitive proxy statement for our 2019 annual meeting of stockholders which we anticipate filing with the SEC no later than 120 days after the end of the fiscal year, and is incorporated by reference into this Item 10.

We have adopted a code of ethics, which is available on our website free of charge at inland-investments.com/inland-income-trust. We will provide the code of ethics free of charge upon request to our investor services group.

Item 11. Executive Compensation

The information required by this Item will be presented in our definitive proxy statement for our 2019 annual meeting of stockholders which we anticipate filing with the SEC no later than 120 days after the end of the fiscal year, and is incorporated by reference into this Item 11.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be presented in our definitive proxy statement for our 2019 annual meeting of stockholders which we anticipate filing with the SEC no later than 120 days after the end of the fiscal year and is incorporated by reference into this Item 12.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be presented in our definitive proxy statement for our 2019 annual meeting of stockholders which we anticipate filing with the SEC no later than 120 days after the end of the fiscal year and is incorporated by reference into this Item 13.

Item 14. Principal Accounting Fees and Services

The information required by this Item will be presented in our definitive proxy statement for our 2019 annual meeting of stockholders which we anticipate filing with the SEC no later than 120 days after the end of the fiscal year, and is incorporated by reference into this Item 14.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) List of documents filed as part of this report:

(1) Financial Statements:

Report of Independent Registered Public Accounting Firm

The consolidated financial statements of the Company are set forth in the report in Item 8.

(2) Financial Statement Schedules:

Financial statement schedule for the year ended December 31, 2018 is submitted herewith.

Real Estate and Accumulated Depreciation (Schedule III).

(3) Exhibits:

The list of exhibits filed as part of this Annual Report is set forth on the Exhibit Index attached hereto.

(b) Exhibits:

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

(c) Financial Statement Schedules:

All schedules other than those indicated in the index as set forth in Item 8 have been omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

Item 16. Form 10-K Summary

None.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Second Articles of Amendment and Restatement of Inland Real Estate Income Trust, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 5 to the Registrant's Form S-11 Registration Statement, as filed by the Registrant with the Securities and Exchange Commission on October 11, 2012 (file number 333-176775))
3.2	Inland Real Estate Income Trust, Inc. Articles of Amendment (Reverse Stock Split) (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on January 16, 2018 (file number 000-55146))
3.3	Inland Real Estate Income Trust, Inc. Articles of Amendment (Par Value Decrease) (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on January 16, 2018 (file number 000-55146))
3.4	Second Amended and Restated Bylaws of Inland Real Estate Income Trust, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on August 13, 2015 (file number 000-55146))
4.1	Amended and Restated Distribution Reinvestment Plan (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on October 9, 2015 (file number 000-55146))
4.2	Amended and Restated Share Repurchase Program (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on November 22, 2017 (file number 000-55146))
4.3	Second Amended and Restated Share Repurchase Program, effective March 21, 2019 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on February 15, 2019 (file number 000-55146))
10.1	Amended and Restated Business Management Agreement, dated as of February 11, 2019, by and between Inland Real Estate Income Trust, Inc. and IREIT Business Manager & Advisor, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on February 15, 2019 (file number 000-55146))
10.2	Master Real Estate Management Agreement, dated as of October 18, 2012, by and between Inland Real Estate Income Trust, Inc. and Inland National Real Estate Services, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on October 24, 2012 (file number 333-176775))
10.3	Assignment and Assumption of Master Management Agreement, effective January 1, 2016, by and between Inland National Real Estate Services, LLC and Inland Commercial Real Estate Services LLC (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015, as filed by the Registrant with the Securities and Exchange Commission on March 15, 2016 (file number 000-55146))
10.4	Investment Advisory Agreement, dated as of October 18, 2012, by and between Inland Real Estate Income Trust, Inc., IREIT Business Manager & Advisor, Inc. and Inland Investment Advisors, Inc. (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on October 24, 2012 (file number 333-176775))
10.5	License Agreement, by and between The Inland Real Estate Group, Inc. and Inland Real Estate Income Trust, Inc., effective as of August 24, 2011 (incorporated by reference to Exhibit 10.5 to Amendment No. 4 to the Registrant's Form S-11 Registration Statement, as filed by the Registrant with the Securities and Exchange Commission on September 25, 2012 (file number 333-176775))

Exhibit No.	Description
10.6	Purchase and Sale Agreement, dated September 16, 2014, by and among Inland Real Estate Income Trust, Inc. and the subsidiaries of Kite Realty Group Trust party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on September 19, 2014 (file number 000-55146))
10.7	Assignment and Assumption of Leases and Security Deposits, dated as of November 21, 2014, by and between KRG OCEAN ISLE BEACH LANDING, LLC and IREIT OCEAN ISLE BEACH LANDING, L.L.C. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on November 28, 2014 (file number 000-55146))
10.8	Assignment and Assumption of Leases and Security Deposits (Lot 4B in The Shoppes at Branson Hills), dated as of December 15, 2014, by and between KRG BRANSON HILLS IV, LLC and IREIT BRANSON HILLS, L.L.C. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.9	Assignment and Assumption of Leases and Security Deposits (The Shoppes at Branson Hills and Branson Hills Plaza), dated as of December 15, 2014, by and between KRG BRANSON HILLS, LLC and IREIT BRANSON HILLS, L.L.C. (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.10	Assignment and Assumption of Leases and Security Deposits (Harvest Square), dated as of December 15, 2014, by and between KRG HARVEST SQUARE, LLC and IREIT HARVEST SQUARE, L.L.C. (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.11	Consent and Assumption Agreement with Limited Release (Harvest Square), dated as of December 15, 2014, by and among KRG HARVEST SQUARE, LLC, KITE REALTY GROUP, L.P., IREIT HARVEST SQUARE, L.L.C., INLAND REAL ESTATE INCOME TRUST, INC. and PNC BANK, NATIONAL ASSOCIATION (incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.12	Environmental Indemnity Agreement (Harvest Square), dated as of December 15, 2014, by IREIT HARVEST SQUARE, L.L.C. and INLAND REAL ESTATE INCOME TRUST, INC. in favor of PNC BANK, NATIONAL ASSOCIATION (incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.13	Guaranty of Recourse Obligations of Borrower (Harvest Square), dated as of December 15, 2014, by INLAND REAL ESTATE INCOME TRUST, INC. in favor of PNC BANK, NATIONAL ASSOCIATION (incorporated by reference to Exhibit 10.10 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.14	General Assignment and Assumption Agreement (Prairie Ridge), dated as of December 15, 2014, by and between KRG PLEASANT PRAIRIE RIDGE, LLC and IREIT PLEASANT PRAIRIE RIDGE, L.L.C. (incorporated by reference to Exhibit 10.11 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.15	Assignment and Assumption of Leases and Security Deposits (Prairie Ridge), dated as of December 15, 2014, by and between KRG PLEASANT PRAIRIE RIDGE, LLC and IREIT PLEASANT PRAIRIE RIDGE, L.L.C. (incorporated by reference to Exhibit 10.12 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.16	Assignment and Assumption of Leases and Security Deposit (Copps), dated as of December 15, 2014, by and between KRG STEVENS POINT PINECREST, LLC and IREIT STEVENS POINT PINECREST, L.L.C. (incorporated by reference to Exhibit 10.16 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))

Exhibit No.	Description
10.17	Assignment and Assumption of Leases and Security Deposits (Fox Point), dated as of December 15, 2014, by and between KRG NEENAH FOX POINT, LLC and IREIT NEENAH FOX POINT, L.L.C. (incorporated by reference to Exhibit 10.17 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.18	Assignment and Assumption of Leases and Security Deposits (Heritage Square), dated as of December 15, 2014, by and between KRG CONYERS HERITAGE, LLC and IREIT CONYERS HERITAGE, L.L.C. (incorporated by reference to Exhibit 10.21 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.19	Consent and Assumption Agreement with Release (Heritage Square), dated as of December 15, 2014, by and among KRG CONYERS HERITAGE, LLC, KITE REALTY GROUP, L.P., KITE REALTY GROUP TRUST, IREIT CONYERS HERITAGE, L.L.C., INLAND REAL ESTATE INCOME TRUST, INC. and WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.22 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.20	Joinder Agreement (Heritage Square), dated as of December 15, 2014, by INLAND REAL ESTATE INCOME TRUST, INC. in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.23 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.21	Environmental Indemnity Agreement (Heritage Square), dated as of December 15, 2014, by IREIT CONYERS HERITAGE, L.L.C. and INLAND REAL ESTATE INCOME TRUST, INC. in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.24 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.22	Guaranty Agreement (Heritage Square), dated as of December 15, 2014, by INLAND REAL ESTATE INCOME TRUST, INC. in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.25 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 22, 2014 (file number 000-55146))
10.23	Assignment and Assumption of Lease and Security Deposit (The Shoppes at Branson Hills – Kohl's), dated as of December 19, 2014, by and between KRG BRANSON HILLS K-II, LLC and IREIT SHOPPES AT BRANSON HILLS - K, L.L.C. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 29, 2014 (file number 000-55146))
10.24	Assignment and Assumption of Lease and Security Deposit (Branson Hills Plaza – TJ Maxx), dated as of December 22, 2014, by and between KRG BRANSON HILLS T-III, LLC and IREIT BRANSON HILLS PLAZA – T, L.L.C. (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on December 29, 2014 (file number 000-55146))
10.25	Assignment and Assumption of Leases and Security Deposits (Prattville Town Center), dated as of March 16, 2015, by and between KRG PRATTVILLE LEGENDS, LLC and IREIT PRATTVILLE LEGENDS, L.L.C. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))

Exhibit No.	Description
10.26	Consent and Assumption Agreement with Release (Prattville Town Center), dated as of March 16, 2015, by and among KRG PRATTVILLE LEGENDS, LLC, KITE REALTY GROUP, L.P., KITE REALTY GROUP TRUST, IREIT PRATTVILLE LEGENDS, L.L.C., INLAND REAL ESTATE INCOME TRUST, INC. and WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.27	Joinder Agreement (Prattville Town Center), dated as of March 16, 2015, by INLAND REAL ESTATE INCOME TRUST, INC. in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.28	Environmental Indemnity Agreement (Prattville Town Center), dated as of March 16, 2015, by IREIT PRATTVILLE LEGENDS, L.L.C. and INLAND REAL ESTATE INCOME TRUST, INC. in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.29	Guaranty Agreement (Prattville Town Center) executed as of March 16, 2015, by INLAND REAL ESTATE INCOME TRUST, INC. for the benefit of WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.30	Assignment and Assumption of Leases and Security Deposits (Walgreens Plaza), dated as of March 16, 2015, by and between KRG JACKSONVILLE RICHLANDS, LLC and IREIT JACKSONVILLE RICHLANDS, L.L.C. (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.31	Consent and Assumption Agreement with Release (Walgreens Plaza), dated as of March 16, 2015, by and between KRG JACKSONVILLE RICHLANDS, LLC, KITE REALTY GROUP, L.P., KITE REALTY GROUP TRUST, IREIT JACKSONVILLE RICHLANDS, L.L.C., INLAND REAL ESTATE INCOME TRUST, INC., and WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.32	Guaranty Agreement (Walgreens Plaza) executed as of March 16, 2015, by INLAND REAL ESTATE INCOME TRUST, INC. for the benefit of WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASSTHROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.33	Environmental Indemnity Agreement (Walgreens Plaza), dated as of March 16, 2015, by IREIT JACKSONVILLE RICHLANDS, L.L.C., INLAND REAL ESTATE INCOME TRUST, INC., and WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES TRUST 2011-C5, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2011-C5 (incorporated by reference to Exhibit 10.10 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))

Exhibit No.	Description
10.34	Assignment and Assumption of Leases and Security Deposits (Fairgrounds Crossing), dated as of March 16, 2015, by and between KRG HOT SPRINGS FAIRGROUNDS, LLC and IREIT HOT SPRINGS FAIRGROUNDS, L.L.C. (incorporated by reference to Exhibit 10.11 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.35	Assumption Agreement (Fairgrounds Crossing), dated as of March 16, 2015, by and between KRG HOT SPRINGS FAIRGROUNDS, LLC and IREIT HOT SPRINGS FAIRGROUNDS, L.L.C., KITE REALTY GROUP, L.P., INLAND REAL ESTATE INCOME TRUST, INC., and WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE FOR THE REGISTERED HOLDERS OF GS MORTGAGE SECURITIES CORPORATION II, COMMERCIAL MORTGAGE PASSTHROUGH CERTIFICATES, SERIES 2012-GC6 (incorporated by reference to Exhibit 10.12 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.36	Assignment and Assumption of Leases and Security Deposits (Hawk Ridge), dated as of March 16, 2015, by and between KRG LAKE ST. LOUIS HAWK RIDGE, LLC and IREIT LAKE ST. LOUIS HAWK RIDGE, L.L.C. (incorporated by reference to Exhibit 10.13 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.37	Assignment and Assumption of Leases and Security Deposits (Whispering Ridge), dated as of March 16, 2015, by and between KRG OMAHA WHISPERING RIDGE, LLC, and RE INCOME OMAHA WHISPERING RIDGE, L.L.C. (incorporated by reference to Exhibit 10.14 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.38	Assignment and Assumption of Leases and Security Deposits (Regal Court), dated as of March 16, 2015, by and between KRG SHREVEPORT REGAL COURT, LLC, and IREIT SHREVEPORT REGAL COURT, L.L.C. (incorporated by reference to Exhibit 10.15 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.39	Assignment and Assumption of Leases and Security Deposits (Eastside Junction), dated as of March 16, 2015, by and between KRG ATHENS EASTSIDE, LLC, and IREIT ATHENS EASTSIDE, L.L.C. (incorporated by reference to Exhibit 10.16 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.40	Guaranty of Recourse Obligations of Borrower (Eastside Junction), executed as of March 16, 2015, by INLAND REAL ESTATE INCOME TRUST, INC., in favor of PNC BANK, NATIONAL ASSOCIATION (incorporated by reference to Exhibit 10.17 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.41	Environmental Indemnity Agreement (Eastside Junction), dated as of March 16, 2015, by IREIT ATHENS EASTSIDE, L.L.C., INLAND REAL ESTATE INCOME TRUST, INC., in favor of PNC BANK, NATIONAL ASSOCIATION (incorporated by reference to Exhibit 10.18 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.42	Consent and Assumption Agreement with Limited Release (Eastside Junction), dated as of March 16, 2015, by and among KRG ATHENS EASTSIDE, LLC, KITE REALTY GROUP, L.P., IREIT ATHENS EASTSIDE, L.L.C., INLAND REAL ESTATE INCOME TRUST, INC. and PNC BANK, NATIONAL ASSOCIATION (incorporated by reference to Exhibit 10.19 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2015 (file number 000-55146))
10.43	Credit Agreement, dated as of September 30, 2015, by and among Inland Real Estate Income Trust, Inc., as borrower, KeyBank National Association, individually and as administrative agent, KeyBanc Capital Markets Inc., as lead arranger, and other lender parties thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 6, 2015 (file number 000-55146))

Exhibit No.	Description
10.44	Amendment Regarding Increase, dated as of January 21, 2016, by and among Inland Real Estate Income Trust, Inc., as borrower, KeyBank National Association, individually and as administrative agent, PNC Bank National Association, as a lender, and Fifth Third Bank, as a new lender (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on January 22, 2016 (file number 000-55146))
10.45	Third Amendment to Credit Agreement, dated as of April 17, 2017, by and among Inland Real Estate Income Trust, Inc., as borrower, KeyBank National Association, as Administrative Agent and as a Lender, PNC Bank National Association, as a Lender, and Fifth Third Bank, as a Lender (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on April 20, 2017 (file number 000-55146))
10.46	Purchase and Sale Agreement and Escrow Instructions, dated August 21, 2015, by and among CBL/Settlers Ridge GP, LLC, CBL/Settlers Ridge LP, LLC, Settlers Ridge Management GP, LLC, Settlers Ridge Management LP, LLC, O’Connor/Realvest Milford LLC and Inland Real Estate Acquisitions, Inc. (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 6, 2015 (file number 000-55146))
10.47	First Amendment to Purchase and Sale Agreement and Escrow Instructions, dated September 16, 2015, by and among CBL/Settlers Ridge GP, LLC, CBL/Settlers Ridge LP, LLC, Settlers Ridge Management GP, LLC, Settlers Ridge Management LP, LLC, O’Connor/Realvest Milford LLC and Inland Real Estate Acquisitions, Inc. (incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 6, 2015 (file number 000-55146))
10.48	Second Amendment to Purchase and Sale Agreement and Escrow Instructions, dated September 18, 2015, by and among CBL/Settlers Ridge GP, LLC, CBL/Settlers Ridge LP, LLC, Settlers Ridge Management GP, LLC, Settlers Ridge Management LP, LLC, O’Connor/Realvest Milford LLC and Inland Real Estate Acquisitions, Inc. (incorporated by reference to Exhibit 10.4 to the Registrant’s Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 6, 2015 (file number 000-55146))
10.49	Third Amendment to Purchase and Sale Agreement and Escrow Instructions, dated September 21, 2015, by and among CBL/Settlers Ridge GP, LLC, CBL/Settlers Ridge LP, LLC, Settlers Ridge Management GP, LLC, Settlers Ridge Management LP, LLC, O’Connor/Realvest Milford LLC and Inland Real Estate Acquisitions, Inc. (incorporated by reference to Exhibit 10.5 to the Registrant’s Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 6, 2015 (file number 000-55146))
10.50	Assignment and Assumption of Purchase and Sale Agreement and Escrow Instructions (Settlers Ridge), dated October 1, 2015, by and between Inland Real Estate Acquisitions, Inc. and Inland Real Estate Income Trust, Inc. (incorporated by reference to Exhibit 10.6 to the Registrant’s Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 6, 2015 (file number 000-55146))
10.51	Assignment of Partnership Interest, dated October 1, 2015, by and between Inland Real Estate Income Trust, Inc. and CBL/Settlers Ridge GP, LLC (incorporated by reference to Exhibit 10.7 to the Registrant’s Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 6, 2015 (file number 000-55146))
10.52	Assignment of Partnership Interest, dated October 1, 2015, by and between Inland Real Estate Income Trust, Inc. and CBL/Settlers Ridge LP, LLC (incorporated by reference to Exhibit 10.8 to the Registrant’s Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 6, 2015 (file number 000-55146))
10.53	Assignment of Partnership Interest, dated October 1, 2015, by and between Inland Real Estate Income Trust, Inc. and Settlers Ridge Management GP, LLC (incorporated by reference to Exhibit 10.9 to the Registrant’s Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 6, 2015 (file number 000-55146))

Exhibit No.	Description
10.54	Assignment of Partnership Interest, dated October 1, 2015, by and between Inland Real Estate Income Trust, Inc. and Settlers Ridge Management LP, LLC (incorporated by reference to Exhibit 10.10 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 6, 2015 (file number 000-55146))
10.55	Loan Agreement, dated December 3, 2015, by and between IREIT Pittsburgh Settlers Ridge, L.L.C. and Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 9, 2015 (file number 000-55146))
10.56	Promissory Note, dated December 3, 2015, issued by IREIT Pittsburgh Settlers Ridge, L.L.C. in favor of Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 9, 2015 (file number 000-55146))
10.57	Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, effective December 3, 2015, by IREIT Pittsburgh Settlers Ridge, L.L.C. for the benefit of Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 9, 2015 (file number 000-55146))
10.58	Assignment of Leases, effective December 3, 2015, by IREIT Pittsburgh Settlers Ridge, L.L.C. in favor of Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 9, 2015 (file number 000-55146))
10.59	Guaranty of Recourse Obligations, dated December 3, 2015, by Inland Real Estate Income Trust, Inc. in favor of Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 9, 2015 (file number 000-55146))
10.60	Unsecured Indemnity Agreement, dated December 3, 2015, by IREIT Pittsburgh Settlers Ridge, L.L.C. and Inland Real Estate Income Trust, Inc. in favor of Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 9, 2015 (file number 000-55146))
10.61	Employee and Director Restricted Share Plan of Inland Real Estate Income Trust, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on June 17, 2016 (file number 000-55146))
10.62	Form of Restricted Share Award Agreement (incorporated by reference to Exhibit 10.78 to the Registrant's Annual Report on Form 10-K, as filed by the Registrant with the Securities and Exchange Commission on March 15, 2017 (file number 000-55146))
10.63	Form of Restricted Share Unit Award Agreement (incorporated by reference to Exhibit 10.79 to the Registrant's Annual Report on Form 10-K, as filed by the Registrant with the Securities and Exchange Commission on March 15, 2017 (file number 000-55146))
10.64	Form of Restricted Share Award Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, as filed by the Registrant with the Securities and Exchange Commission on August 8, 2018 (file number 000-55146))
10.65	Form of Restricted Share Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, as filed by the Registrant with the Securities and Exchange Commission on August 8, 2018 (file number 000-55146))
10.66	Inland Real Estate Income Trust, Inc. Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.80 to the Registrant's Annual Report on Form 10-K, as filed by the Registrant with the Securities and Exchange Commission on March 15, 2017 (file number 000-55146))

Exhibit No.	Description
10.67	Form of Deferred Compensation Election – Eligible Cash Compensation (incorporated by reference to Exhibit 10.81 to the Registrant's Annual Report on Form 10-K, as filed by the Registrant with the Securities and Exchange Commission on March 15, 2017 (file number 000-55146))
10.68	Form of Deferred Compensation Election – Eligible Stock Compensation (incorporated by reference to Exhibit 10.82 to the Registrant's Annual Report on Form 10-K, as filed by the Registrant with the Securities and Exchange Commission on March 15, 2017 (file number 000-55146))
10.69	Amended and Restated Credit Agreement, dated as of August 1, 2018, by and among Inland Real Estate Income Trust, Inc., as borrower, KeyBank National Association, individually and as administrative agent, KeyBanc Capital Markets Inc., PNC Capital Markets LLC and Merrill Lynch Pierce, Fenner & Smith Incorporated, as joint lead arrangers, and other lenders parties thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on August 7, 2018 (file number 000-55146))
10.70	Revolving Credit Note, dated August 1, 2018, by Inland Real Estate Income Trust, Inc. for the benefit of KeyBank National Association (Form of Revolving Credit Note) (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on August 7, 2018 (file number 000-55146))
10.71	Term Loan A Note, dated August 1, 2018, by Inland Real Estate Income Trust, Inc. for the benefit of KeyBank National Association (Form of Term Loan A Note) (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on August 7, 2018 (file number 000-55146))
10.72	Subsidiary Guaranty, dated as of August 1, 2018, by certain subsidiaries of Inland Real Estate Income Trust, Inc. parties thereto for the benefit of KeyBank National Association, as administrative agent for itself and the lenders under the Amended and Restated Credit Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on August 7, 2018 (file number 000-55146))
14.1	Code of Ethics (incorporated by reference to Exhibit 14.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012, as filed by the Registrant with the Securities and Exchange Commission on April 1, 2013 (file number 000-55146))
21.1	Subsidiaries of the Registrant*
23.1	Consent of KPMG LLP*
31.1	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification by 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 Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission on March 20, 2019, is formatted in Extensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Loss, (iii) Consolidated Statements 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 Annual Report on Form 10-K.

SIGNATURES

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

INLAND REAL ESTATE INCOME TRUST, INC.

By: /s/ Mitchell A. Sabshon
Name: Mitchell A. Sabshon
President and Chief Executive Officer
Date: March 20, 2019

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

By:	/s/ Daniel L. Goodwin	Director and Chairman of the Board	March 20, 2019
Name:	Daniel L. Goodwin		
By:	/s/ Mitchell A. Sabshon	Director, President and Chief Executive Officer (principal executive officer)	March 20, 2019
Name:	Mitchell A. Sabshon		
By:	/s/ Catherine L. Lynch	Chief Financial Officer and Treasurer (principal financial officer)	March 20, 2019
Name:	Catherine L. Lynch		
By:	/s/ Lee A. Daniels	Director	March 20, 2019
Name:	Lee A. Daniels		
By:	/s/ Stephen Davis	Director	March 20, 2019
Name:	Stephen Davis		
By:	/s/ Gwen Henry	Director	March 20, 2019
Name:	Gwen Henry		
By:	/s/ Bernard J. Michael	Director	March 20, 2019
Name:	Bernard J. Michael		

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Section 2: EX-21.1 (EX-21.1)

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

NAME OF SUBSIDIARY	STATE OF FORMATION
IREIT Athens Eastside, L.L.C.	Delaware
IREIT Branson Hills, L.L.C.	Delaware
IREIT Branson Hills Plaza – T, L.L.C.	Delaware
IREIT Brooks DG, L.L.C.	Delaware
IREIT Conyers Heritage, L.L.C.	Delaware
IREIT Coral Springs North Hills, L.L.C.	Delaware
IREIT Daleville DG, L.L.C.	Delaware
IREIT DG SPE II Member, L.L.C.	Delaware
IREIT DG SPE Member, L.L.C.	Delaware

IREIT East Brewton DG, L.L.C.	Delaware
IREIT Flowood Dogwood, L.L.C.	Delaware
IREIT Fresno El Paseo, L.L.C.	Delaware
IREIT Frisco Marketplace, L.L.C.	Delaware
IREIT Frisco Marketplace Outlot, L.L.C.	Delaware
IREIT Harvest Square, L.L.C.	Delaware
IREIT Hot Springs Fairgrounds, L.L.C.	Delaware
IREIT Jacksonville Richlands, L.L.C.	Delaware
IREIT Kansas City Burlington Creek, L.L.C.	Delaware
IREIT Katy Green Tree, L.L.C.	Delaware
IREIT LaGrange Hamilton DG, L.L.C.	Delaware
IREIT LaGrange Wares Cross DG, L.L.C.	Delaware
IREIT Lake St. Louis Hawk Ridge, L.L.C.	Delaware
IREIT Lawrence Iowa Street, L.L.C.	Delaware
IREIT Layton Pointe, L.L.C.	Delaware
IREIT Little Rock Midtowne, L.L.C.	Delaware
IREIT Little Rock Park Avenue, L.L.C.	Delaware
IREIT Louisville Dixie Valley, L.L.C.	Delaware
IREIT Lynchburg Lakeside, L.L.C.	Delaware
IREIT Madisonville DG, L.L.C.	Delaware
IREIT Mansfield Pointe, L.L.C.	Delaware
IREIT Maryville DG, L.L.C.	Delaware
IREIT Milford Marketplace, L.L.C.	Delaware
IREIT Mobile Moffett DG, L.L.C.	Delaware
IREIT MS Mezz TRS, LLC	Delaware
IREIT MS TRS, LLC	Delaware

SUBSIDIARIES OF THE REGISTRANT

IREIT Nampa Treasure Valley, L.L.C.	Delaware
IREIT Neenah Fox Point, L.L.C.	Delaware
IREIT Newington Fair, L.L.C.	Delaware
IREIT Newport DG, L.L.C.	Delaware
IREIT Newport News Tech Center, L.L.C.	Delaware
IREIT North Myrtle Beach Coastal North, L.L.C.	Delaware
IREIT Ocean Isle Beach Landing, L.L.C.	Delaware
IREIT Olive Branch Wedgewood, L.L.C.	Delaware
IREIT Papillion Market Pointe, L.L.C.	Delaware
IREIT Pittsburgh Settlers Ridge, L.L.C.	Delaware
IREIT Plaistow Pentucket, L.L.C.	Delaware
IREIT Pleasant Prairie Plaza, L.L.C.	Delaware
IREIT Pleasant Prairie Ridge, L.L.C.	Delaware
IREIT Pleasant Prairie Ridge Outlot, L.L.C.	
IREIT Prattville Legends, L.L.C.	Delaware
IREIT Robertsdale DG, L.L.C.	Delaware
IREIT Shoppes at Branson Hills – K, L.L.C.	Delaware
IREIT Shreveport Regal Court, L.L.C.	Delaware
IREIT Shrewsbury White City, L.L.C.	Delaware
IREIT South Jordan Oquirrh Mountain, L.L.C.	Delaware
IREIT Stevens Point Pinecrest, L.L.C.	Delaware
IREIT TRS, LLC	Delaware
IREIT Turlock Blossom Valley, L.L.C.	Delaware
IREIT Valley DG, L.L.C.	Delaware
IREIT West Bend Main, L.L.C.	Delaware
IREIT West Valley City Lake Park, L.L.C.	Delaware
IREIT Wetumpka DG, L.L.C.	Delaware
IREIT Wilson Marketplace, L.L.C.	Delaware
IREIT Yorkville Marketplace, L.L.C.	Delaware
RE Income Omaha Whispering Ridge, L.L.C.	Delaware

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Section 3: EX-23.1 (EX-23.1)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Inland Real Estate Income Trust, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-207519) on Form S-3D of Inland Real Estate Income Trust, Inc. of our report dated March 20, 2019, with respect to the consolidated balance sheets of Inland Real Estate Income Trust, Inc. as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive loss, equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule III, which report appears in the December 31, 2018 annual report on Form 10-K of Inland Real Estate Income Trust, Inc.

/s/ KPMG LLP

Chicago, Illinois
March 20, 2019

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Section 4: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION

I, Mitchell A. Sabshon, certify that:

1. I have reviewed this Annual Report on Form 10-K 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:	March 20, 2019

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Section 5: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION

I, Catherine L. Lynch, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 and Treasurer (Principal Financial Officer)
Date:	March 20, 2019

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Section 6: 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 Annual Report on Form 10-K of **Inland Real Estate Income Trust, Inc.** (the “Company”) for the year ended December 31, 2018, 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: March 20, 2019	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.

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Section 7: 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 Annual Report on Form 10-K of **Inland Real Estate Income Trust, Inc.** (the "Company") for the year ended December 31, 2018, 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: March 20, 2019	By:	/s/ Catherine L. Lynch
	Name:	Catherine L. Lynch
	Title:	Chief Financial Officer and Treasurer (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.

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