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

FORM 10-Q

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

For the quarterly period ended September 30, 2022

☐ **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: 000-55605

Griffin Realty Trust, Inc.

(Exact name of Registrant as specified in its charter)

Maryland	**46-4654479**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

1520 E. Grand Ave
El Segundo, California 90245
(Address of principal executive offices)

(310) 606-3200
(Registrant's telephone number)
N/A
(Former name, former address and former fiscal year, if changed from last report.)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

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

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

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

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

As of November 10, 2022, there were 559,115 shares of Class T common stock, 1,800 shares of Class S common stock, 42,013 shares of Class D common stock, 1,911,731 shares of Class I common stock, 24,481,843 shares of Class A common stock, 47,522,112 shares of Class AA common stock, 926,936 shares of Class AAA common stock, and 248,621,352 shares of Class E common stock, for a total of 324,066,902 shares of common stock of Griffin Realty Trust, Inc. outstanding.

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GRIFFIN REALTY TRUST, INC.
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PART I. FINANCIAL INFORMATION

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q of Griffin Realty Trust, Inc. (“GRT”, "we", "our", and "us"), other than historical facts, may be considered 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”). We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” or “potential” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this Quarterly Report on Form 10-Q reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: general economic and financial conditions; market volatility; inflation; any potential recession or threat of recession; interest rates; the impact of the COVID-19 pandemic and resulting economic disruption on the markets in which we operate and on work-from-home trends, occupancy, rent deferrals and the financial condition of GRT’s tenants; whether any easing of the pandemic or other factors will impact the attractiveness of industrial and/or office assets; whether we will be successful in renewing leases as they expire; future financial and operating results, plans, objectives, expectations and intentions; expected sources of financing and the availability and attractiveness of the terms of any such financing; anticipated asset dispositions, the availability of suitable disposition opportunities; legislative and regulatory changes that could adversely affect our business; whether we will continue to publish our net asset value on an annual basis, more frequently or at all; our future capital expenditures, operating expenses, net income, operating income, cash flow and developments and trends of the real estate industry and other factors discussed in this Quarterly Report on Form 10-Q and in Part I, Item 1A. “Risk Factors” and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K. Such statements are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive, and market conditions, including without limitation changes in the political and economic climate, economic conditions and fiscal imbalances in the United States, and other major developments, including wars, natural disasters, military actions, and terrorist attacks, epidemics and pandemics, including the outbreak of COVID-19 and its impact on the operations and financial condition of us and the real estate industries in which we operate.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance. The forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. Moreover, because we operate in a very competitive and rapidly changing environment, new risk factors are likely to emerge from time to time. We caution investors not to place undue reliance on these forward-looking statements and urge you to carefully review the disclosures we make concerning risks in this Quarterly Report and in Part I, Item 1A. “Risk Factors” and Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K. Readers of this Quarterly Report on Form 10-Q should also read our other periodic filings made with the Securities and Exchange Commission and other publicly filed documents for further discussion regarding such factors.

Available Information

Our company website address is www.grtreit.com. We use our website as a channel of distribution for important company information. Important information, including press releases and financial information regarding our company, is routinely posted on and accessible on the “Media” section of our website. In addition, we make available on the “SEC Filings” subpage of the “Investors” section of our website free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, ownership reports on Forms 3, 4 and 5 and any amendments to those reports as soon as practicable after we electronically file such reports with the SEC. Further, copies of our Code of Ethics and the charters for the Audit, Compensation, and Nominating and Corporate Governance Committees of our Board of Directors (the "Board") are also available on the “Governance Documents” subpage of the “Investors” section of our website. Our electronically filed reports can also be obtained on the SEC’s internet site at http://www.sec.gov.

GRIFFIN REALTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands, except units and share amounts)

	September 30, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	$ 75,838	$ 168,618
Restricted cash	12,045	17,522
Real estate:		
Land	380,998	584,291
Building and improvements	2,865,548	4,104,782
Tenant origination and absorption cost	598,662	876,324
Construction in progress	2,795	4,763
Total real estate	3,848,003	5,570,160
Less: accumulated depreciation and amortization	(682,814)	(993,323)
Total real estate, net	3,165,189	4,576,837
Investments in unconsolidated entities	194,485	—
Intangible assets, net	35,281	43,100
Deferred rent receivable	81,156	108,896
Deferred leasing costs, net	26,268	44,505
Goodwill	229,948	229,948
Due from affiliates	226	271
Right of use asset	35,894	39,482
Interest rate swap asset	42,724	3,456
Other assets	35,347	40,382
Total assets	$ 3,934,401	$ 5,273,017
LIABILITIES AND EQUITY		
Debt, net	$ 1,486,783	$ 2,532,377
Restricted reserves	7,150	8,644
Interest rate swap liability	—	25,108
Redemptions payable	5,000	—
Distributions payable	12,111	12,396
Due to affiliates	1,636	2,418
Intangible liabilities, net	22,989	30,626
Lease liability	46,598	50,896
Accrued expenses and other liabilities	80,096	109,121
Total liabilities	1,662,363	2,771,586
Commitments and contingencies (Note 13)		
Perpetual convertible preferred shares	125,000	125,000
Noncontrolling interests subject to redemption; 556,099 units as of September 30, 2022 and December 31, 2021	3,812	4,768
Stockholders' equity:		
Common stock, $0.001 par value; 800,000,000 shares authorized; 324,066,902 and 324,638,112 shares outstanding in the aggregate as of September 30, 2022(1) and December 31, 2021, respectively	325	325
Additional paid-in capital	2,952,618	2,951,972
Cumulative distributions	(1,007,957)	(922,562)
Accumulated (loss) income	(41,293)	141,983
Accumulated other comprehensive income (loss)	40,097	(18,708)
Total stockholders' equity	1,943,790	2,153,010
Noncontrolling interests	199,436	218,653
Total equity	2,143,226	2,371,663
Total liabilities and equity	$ 3,934,401	$ 5,273,017

(1) See Note 9, *Equity*, for the number of shares outstanding of each class of common stock as of September 30, 2022.

See accompanying notes.

GRIFFIN REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Rental income	$ 101,330	$ 120,568	$ 340,592	$ 340,747
Expenses:				
Property operating expense	13,716	15,830	43,094	44,572
Property tax expense	9,737	10,684	31,252	30,541
Property management fees to non-affiliates	823	1,017	2,907	3,015
General and administrative expenses	9,772	10,462	28,187	30,129
Corporate operating expenses to affiliates	140	630	1,065	1,890
Impairment provision	10,697	—	86,254	4,242
Depreciation and amortization	42,628	55,269	155,470	154,716
Total expenses	87,513	93,892	348,229	269,105
Income before other income and (expenses)	13,817	26,676	(7,637)	71,642
Other income (expenses):				
Interest expense	(24,283)	(21,485)	(68,315)	(63,662)
Debt breakage costs	(13,249)	—	(13,249)	—
Other income, net	89	16	136	240
(Loss) gain from disposition of assets	(95,513)	—	(95,513)	(326)
Transaction expense	(234)	—	(8,662)	—
Net (loss) income	(119,373)	5,207	(193,240)	7,894
Distributions to redeemable preferred shareholders	(2,516)	(2,464)	(7,547)	(7,182)
Net loss (income) attributable to noncontrolling interests	10,710	(241)	17,643	36
Net income (loss) attributable to controlling interest	(111,179)	2,502	(183,144)	748
Distributions to redeemable noncontrolling interests attributable to common stockholders	(45)	(45)	(133)	(132)
Net (loss) income attributable to common stockholders	$ (111,224)	$ 2,457	$ (183,277)	$ 616
Net (loss) income attributable to common stockholders per share, basic and diluted	$ (0.34)	$ 0.01	$ (0.56)	$ —
Weighted average number of common shares outstanding, basic and diluted	324,732,268	324,479,039	324,698,525	304,211,053
Cash distributions declared per common share	$ 0.09	$ 0.09	$ 0.26	$ 0.26

See accompanying notes.

GRIFFIN REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited; in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Net (loss) income	$ (119,373)	$ 5,207	$ (193,240)	$ 7,894
Other comprehensive income:				
Change in fair value of swap agreements	20,851	3,434	64,471	20,266
Total comprehensive income	(98,522)	8,641	(128,769)	28,160
Distributions to redeemable preferred shareholders	(2,516)	(2,464)	(7,547)	(7,182)
Distributions to redeemable noncontrolling interests attributable to common stockholders	(44)	(45)	(133)	(132)
Comprehensive loss (income) attributable to noncontrolling interests	8,878	(543)	11,977	(2,048)
Comprehensive (loss) income attributable to common stockholders	$ (92,204)	$ 5,589	$ (124,472)	$ 18,798

See accompanying notes.

GRIFFIN REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited; in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions	Accumulated (Loss)/Income	Accumulated Other Comprehensive (Loss)/Income	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount							
Balance as of December 31, 2020	**230,320,668**	**$ 230**	**$ 2,103,028**	**$ (813,892)**	**$ 140,354**	**$ (48,001)**	**$ 1,381,719**	**$ 226,550**	**$ 1,608,269**
Issuance of stock related to the CCIT II Merger	93,457,668	93	838,222	—	—	—	838,315	—	838,315
Deferred equity compensation	170,302	—	3,133	—	—	—	3,133	—	3,133
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	(99,298)	—	(891)	—	—	—	(891)	—	(891)
Cash distributions to common stockholders	—	—	—	(15,653)	—	—	(15,653)	—	(15,653)
Issuance of shares for distribution reinvestment plan	804,027	2	7,174	(7,166)	—	—	10	—	10
Repurchase of common stock	(772,265)	(1)	(6,919)	—	—	—	(6,920)	—	(6,920)
Reclass of noncontrolling interest subject to redemption	—	—	—	—	—	—	—	(31)	(31)
Reclass of common stock subject to redemption	—	—	1,781	—	—	—	1,781	—	1,781
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(2,698)	(2,698)
Distributions to noncontrolling interests subject to redemption	—	—	—	—	—	—	—	(5)	(5)
Offering costs	—	—	(11)	—	—	—	(11)	—	(11)
Net Income	—	—	—	—	(4,824)	—	(4,824)	(569)	(5,393)
Other comprehensive income	—	—	—	—	—	14,699	14,699	1,748	16,447
Balance as of March 31, 2021	**323,881,102**	**$ 324**	**$ 2,945,517**	**$ (836,711)**	**$ 135,530**	**$ (33,302)**	**$ 2,211,358**	**$ 224,995**	**$ 2,436,353**
Deferred equity compensation	44,945	—	2,116	—	—	—	2,116	—	2,116
Cash distributions to common stockholders	—	—	—	(20,553)	—	—	(20,553)	—	(20,553)
Issuance of shares for distribution reinvestment plan	856,120	1	7,713	(7,861)	—	—	(147)	—	(147)
Repurchase of common stock	(871,550)	(1)	(7,892)	—	—	—	(7,893)	—	(7,893)
Reclass of noncontrolling interest subject to redemption	—	—	—	—	—	—	—	(31)	(31)
Reclass of common stock subject to redemption	—	—	256	—	—	—	256	—	256
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(2,728)	(2,728)
Distributions to noncontrolling interests subject to redemption	—	—	—	—	—	—	—	(4)	(4)
Offering costs	—	—	(10)	—	—	—	(10)	—	(10)
Net income	—	—	—	—	2,983	—	2,983	292	3,275
Other comprehensive income	—	—	—	—	—	351	351	34	385
Balance as of June 30, 2021	**323,910,617**	**$ 324**	**$ 2,947,700**	**$ (865,125)**	**$ 138,513**	**$ (32,951)**	**$ 2,188,461**	**$ 222,558**	**$ 2,411,019**

	Common Stock		Additional Paid-In Capital	Cumulative Distributions	Accumulated (Loss)/Income	Accumulated Other Comprehensive (Loss)/Income	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount							
Deferred equity compensation	—	—	1,887	—	—	—	1,887	—	1,887
Cash distributions to common stockholders	—	—	—	(23,350)	—	—	(23,350)	—	(23,350)
Issuance of shares for distribution reinvestment plan	881,088	1	7,997	(5,381)	—	—	2,617	—	2,617
Repurchase of common stock	(588,662)	(1)	(5,352)	—	—	—	(5,353)	—	(5,353)
Reclass of noncontrolling interest subject to redemption	—	—	—	—	—	—	—	(31)	(31)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(2,758)	(2,758)
Distributions to noncontrolling interests subject to redemption	—	—	—	—	—	—	—	(4)	(4)
Offering costs	—	—	(12)	—	—	—	(12)	—	(12)
Net income	—	—	—	—	2,457	—	2,457	241	2,698
Other comprehensive income	—	—	—	—	—	3,132	3,132	302	3,434
Balance as of September 30, 2021	**324,203,043**	**$ 324**	**$ 2,952,220**	**$ (893,856)**	**$ 140,970**	**$ (29,819)**	**$ 2,169,839**	**$ 220,308**	**$ 2,390,147**
Balance as of December 31, 2021	**324,638,112**	**$ 325**	**$ 2,951,972**	**$ (922,562)**	**$ 141,983**	**$ (18,708)**	**$ 2,153,010**	**$ 218,653**	**$ 2,371,663**
Deferred equity compensation	128,235	—	1,757	—	—	—	1,757	—	1,757
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	(50,587)	—	(459)	—	—	—	(459)	—	(459)
Cash distributions to common stockholders	—	—	—	(28,073)	—	—	(28,073)	—	(28,073)
Reversal of shares for distribution reinvestment plan	(15)	—	—	—	—	—	—	—	—
Reclass of noncontrolling interest subject to redemption	—	—	—	—	—	—	—	99	99
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(2,698)	(2,698)
Distributions to noncontrolling interests subject to redemption	—	—	—	—	—	—	—	(4)	(4)
Offering costs	—	—	(14)	—	—	—	(14)	—	(14)
Net income	—	—	—	—	151	—	151	19	170
Other comprehensive income	—	—	—	—	—	30,912	30,912	2,979	33,891
Balance as of March 31, 2022	**324,715,745**	**$ 325**	**$ 2,953,256**	**$ (950,635)**	**$ 142,134**	**$ 12,204**	**$ 2,157,284**	**$ 219,048**	**$ 2,376,332**
Deferred equity compensation	24,807	—	1,685	—	—	—	1,685	—	1,685
Cash distributions to common stockholders	—	—	—	(28,393)	—	—	(28,393)	—	(28,393)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(2,728)	(2,728)
Distributions to noncontrolling interests subject to redemption	—	—	—	—	—	—	—	(4)	(4)
Offering costs	—	—	(9)	—	—	—	(9)	—	(9)
Net loss	—	—	—	—	(72,207)	—	(72,207)	(6,952)	(79,159)
Other comprehensive income	—	—	—	—	—	8,874	8,874	855	9,729
Balance as of June 30, 2022	**324,740,552**	**$ 325**	**$ 2,954,932**	**$ (979,028)**	**$ 69,927**	**$ 21,078**	**$ 2,067,234**	**$ 210,219**	**$ 2,277,453**

	Common Stock		Additional Paid-In Capital	Cumulative Distributions	Accumulated (Loss)/Income	Accumulated Other Comprehensive (Loss)/Income	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount							
Deferred equity compensation	—	1	2,698	—	—	—	2,698	—	2,698
Cash distributions to common stockholders	—	—	—	(28,929)	—	—	(28,929)	—	(28,929)
Repurchase of common stock	(673,650)	(1)	(4,999)	—	—	—	(4,999)	—	(4,999)
Reclass of noncontrolling interest subject to redemption	—	—	—	—	—	—	—	857	857
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(2,758)	(2,758)
Distributions to noncontrolling interests subject to redemption	—	—	—	—	—	—	—	(4)	(4)
Offering costs	—	—	(13)	—	—	—	(13)	—	(13)
Net loss	—	—	—	—	(111,220)	—	(111,220)	(10,710)	(121,930)
Other comprehensive income	—	—	—	—	—	19,019	19,019	1,832	20,851
Balance as of September 30, 2022	**324,066,902**	**$ 325**	**$ 2,952,618**	**$ (1,007,957)**	**$ (41,293)**	**$ 40,097**	**$ 1,943,790**	**$ 199,436**	**$ 2,143,226**

GRIFFIN REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating Activities:		
Net (loss) income	$ (193,240)	$ 7,894
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of building and building improvements	90,855	92,353
Amortization of leasing costs and intangibles, including ground leasehold interests and leasing costs	65,733	63,238
Amortization of below market leases, net	(1,282)	(633)
Amortization of deferred financing costs and debt premium	4,628	2,681
Amortization of swap interest	94	94
Deferred rent	(8,584)	(9,873)
Loss from sale of depreciable operating properties	95,513	326
Gain on fair value of earn-out	—	(48)
Income from investment in unconsolidated entities	—	(8)
Loss from investments	180	130
Impairment provision	86,254	4,242
Stock-based compensation	6,141	5,717
Change in operating assets and liabilities:		
Deferred leasing costs and other assets	(1,975)	(4,788)
Restricted reserves	—	(490)
Accrued expenses and other liabilities	(8,257)	(5,050)
Due to affiliates, net	(712)	(8)
Net cash provided by operating activities	135,348	155,777
Investing Activities:		
Cash acquired in connection with the CCIT II Merger, net of acquisition costs	—	(36,746)
Proceeds from disposition of properties	970,376	22,408
Restricted reserves	(337)	2,795
Payments for construction in progress	(13,715)	(47,123)
Distributions of capital from investment in unconsolidated entities	—	37
Purchase of investments	(221)	(247)
Investment in unconsolidated entities	(34,558)	—
Net cash provided by (used in) investing activities	921,545	(58,876)
Financing Activities:		
Principal payoff of indebtedness - CCIT II Credit Facility	—	(415,500)
Proceeds from borrowings - Term Loan	—	400,000
Principal payoff of secured indebtedness - Mortgage Debt	(469,777)	(1,292)
Principal pay down of indebtedness - Revolving Credit Facility	(373,500)	—
Principal payoff of indebtedness - Term Loan	(200,000)	—
Principal amortization payments on secured indebtedness	(6,848)	(7,245)
Deferred financing costs	(2,724)	(567)
Offering costs	(35)	(35)
Repurchase of common stock	—	(20,180)
Distributions to noncontrolling interests	(8,360)	(8,357)
Distributions to preferred units subject to redemption	(7,547)	(7,078)
Distributions to common stockholders	(85,674)	(54,564)
Financing lease payment	(226)	—
Repurchase of common shares to satisfy employee tax withholding requirements	(459)	(891)
Net cash used in financing activities	(1,155,150)	(115,709)
Net (decrease) increase in cash, cash equivalents and restricted cash	(98,257)	(18,808)
Cash, cash equivalents and restricted cash at the beginning of the period	186,140	203,306
Cash, cash equivalents and restricted cash at the end of the period	$ 87,883	$ 184,498

	Nine Months Ended September 30,	
	2022	2021
Supplemental Disclosures of Significant Non-Cash Transactions:		
Increase in fair value swap agreement	$ 64,471	$ 20,266
Accrued tenant obligations	$ 3,294	$ 7,187
Distributions payable to common stockholders	$ 9,386	$ 9,378
Distributions payable to noncontrolling interests	$ 915	$ 915
Common stock issued pursuant to the distribution reinvestment plan	$ —	$ 22,886
Common stock redemptions funded subsequent to period-end	$ 5,000	$ 5,331
Net assets acquired in CCIT II Merger in exchange for common shares	$ —	$ 838,315
Operating lease right-of-use assets obtained in exchange for lease liabilities	$ 1,358	$ —
Accrued for construction in progress	$ 122	$ 749
Capitalized transaction costs accrued	$ —	$ 2,036
Capitalized transaction costs paid in prior period	$ —	$ 2,130
Investment in unconsolidated entities	$ 159,927	$ —

See accompanying notes.

GRIFFIN REALTY TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022
(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

1. Organization

Griffin Realty Trust, Inc. (formerly known as Griffin Capital Essential Asset REIT, Inc.) ("GRT" or the "Company") is an internally managed, publicly registered non-traded real estate investment trust ("REIT") that owns and operates a geographically diversified portfolio of corporate office and industrial properties that are primarily net-leased. GRT's fiscal year-end is December 31.

On December 14, 2018, GRT, Griffin Capital Essential Asset Operating Partnership II, L.P. (the "GCEAR II Operating Partnership"), GRT's wholly-owned subsidiary Globe Merger Sub, LLC ("EA Merger Sub"), the entity formerly known as Griffin Capital Essential Asset REIT, Inc. ("EA-1"), and GRT OP, L.P. (formerly known as Griffin Capital Essential Asset Operating Partnership, L.P.) (the "GRT OP") entered into an Agreement and Plan of Merger (the "EA Merger Agreement"). On April 30, 2019, pursuant to the EA Merger Agreement, (i) EA-1 merged with and into EA Merger Sub, with EA Merger Sub surviving as GRT's direct, wholly-owned subsidiary (the "EA Company Merger") and (ii) the GCEAR II Operating Partnership merged with and into the GRT OP (the "EA Partnership Merger" and, together with the EA Company Merger, the "EA Mergers"), with the GRT OP surviving the EA Partnership Merger. In addition, on April 30, 2019, following the EA Mergers, EA Merger Sub merged into GRT.

On March 1, 2021, the Company completed its acquisition of Cole Office & Industrial REIT (CCIT II), Inc. ("CCIT II") for approximately $1.3 billion, including transaction costs, in a stock-for-stock transaction (the "CCIT II Merger"). At the effective time of the CCIT II Merger, each issued and outstanding share of CCIT II Class A common stock and each issued and outstanding share of CCIT II Class T common stock were converted into the right to receive 1.392 shares of the Company's Class E common stock.

On July 1, 2021, the Company changed its name from Griffin Capital Essential Asset REIT, Inc. to Griffin Realty Trust, Inc. and the GRT OP changed its name from Griffin Capital Essential Asset Operating Partnership, L.P. to GRT OP, L.P.

The GRT OP owns, directly or indirectly, all of the properties that the Company has acquired. As of September 30, 2022, (i) the Company owned approximately 91.0% of the outstanding common limited partnership units of the GRT OP ("GRT OP Units"), (ii), the former sponsor and certain of its affiliates owned approximately 7.8% of the limited partnership units of the GRT OP, including approximately 2.4 million units owned by the Company's Executive Chairman and Chairman of the Company's Board of Directors (the "Board"), Kevin A. Shields, a result of the contribution of five properties to the Company and the self-administration transaction, and (iii) the remaining approximately 1.2% GRT OP Units are owned by unaffiliated third parties. The GRT OP may conduct certain activities through one or more of the Company's taxable REIT subsidiaries, which are wholly-owned subsidiaries of the GRT OP.

As of September 30, 2022, the Company had issued 287,136,954 shares (approximately $2.8 billion) of common stock since November 9, 2009 in various private offerings, public offerings, distribution reinvestment plan ("DRP") offerings and mergers (includes EA-1 offerings and EA-1 merger with Signature Office REIT, Inc. and the CCIT II Merger). There were 324,066,902 shares of common stock outstanding as of September 30, 2022, including shares issued pursuant to the DRP, less shares redeemed pursuant to the share redemption program ("SRP") and self-tender offer. As of September 30, 2022 and December 31, 2021, the Company had issued approximately $341.1 million in shares pursuant to the DRP.

2. Basis of Presentation and Summary of Significant Accounting Policies

There have been no significant changes to the Company’s accounting policies since the Company filed its audited financial statements in its Annual Report on Form 10-K for the year ended December 31, 2021. For further information about the Company’s accounting policies, refer to the Company’s consolidated financial statements and notes thereto for the year ended included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”).

The accompanying unaudited consolidated financial statements of the Company are prepared by management on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information as contained in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), and in conjunction with rules and regulations of the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. The unaudited consolidated financial statements include accounts and related adjustments, which are, in the opinion of management, of a normal recurring nature and necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the interim period. Operating results for the nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. In addition, see the risk factors identified in the “Risk Factors” section of the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

The consolidated financial statements of the Company include all accounts of the Company, the GRT OP, and its subsidiaries. Intercompany transactions are not shown on the consolidated statements. However, each property-owning entity is a wholly-owned subsidiary which is a special purpose entity (“SPE”), whose assets and credit are not available to satisfy the debts or obligations of any other entity, except to the extent required with respect to any co-borrower or guarantor under the same credit facility.

Use of Estimates

The preparation of the unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates.

Per Share Data

The Company reports earnings per share for the period as (1) basic earnings per share computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding during the period, and (2) diluted earnings per share computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding, including common stock equivalents. Unvested RSUs that contain non-forfeitable rights to dividends are participating securities and are included in the computation of earnings per share pursuant to the two-class method. The effect of including unvested restricted stock units using the treasury stock method was excluded from our calculation of weighted average shares of common stock outstanding - diluted, as the inclusion would have been anti-dilutive for the nine months ended September 30, 2022 and 2021. Total excluded shares were 8,819,588 and 1,132,843 for the nine months ended September 30, 2022 and 2021, respectively.

Segment Information

ASC 280, Segment Reporting, establishes standards for reporting financial and descriptive information about a public entity’s reportable segments. The Company internally evaluates all of the properties and interests therein as one reportable segment.

Change in Consolidated Financial Statements Presentation

Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the current period presentation. Interest rate swap assets have been reclassified from other assets to interest rate swap assets on the balance sheet for all periods presented.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code ("Code"). To qualify as a REIT, the Company must meet certain organizational and operational requirements. The Company intends to adhere to these requirements and maintain its REIT status for the current year and subsequent years. As a REIT, the Company generally will not be subject to federal income taxes on taxable income that is distributed to stockholders. However, the Company may be subject to certain state and local taxes on its income and property, and federal income and excise taxes on its undistributed taxable income, if any. If the Company fails to qualify as a REIT in any taxable year, the Company will then be subject to federal income taxes on the taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service ("IRS") grants the Company relief under certain statutory provisions. Such an event could materially adversely affect net income and net cash available for distribution to stockholders. As of September 30, 2022, the Company satisfied the REIT requirements and distributed all of its taxable income.

Pursuant to the Code, the Company has elected to treat its corporate subsidiary as a taxable REIT subsidiary (a "TRS"). In general, the TRS may perform non-customary services for the Company's tenants and may engage in any real estate or non-real estate-related business. The TRS will be subject to corporate federal and state income tax.

Goodwill

Goodwill represents the excess of consideration paid over the fair value of underlying identifiable net assets of business acquired. The Company's goodwill has an indeterminate life and is not amortized, but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company takes a qualitative approach to consider whether an impairment of goodwill exists prior to quantitatively determining the fair value of the reporting unit in step one of the impairment test. The Company performs its annual assessment on October 1st.

Recently Issued Accounting Pronouncements

Changes to GAAP are established by the FASB in the form of ASUs to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. Other than the ASUs discussed below, the FASB has not recently issued any other ASUs that the Company expects to be applicable and have a material impact on the Company's financial statements.

Adoption of New Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). ASU 2020-04 provides temporary optional guidance that provides transition relief for reference rate reform, including optional expedients and exceptions for applying GAAP to contract modifications, hedging relationships and other transactions that reference LIBOR or a reference rate that is expected to be discontinued as a result of reference rate reform if certain criteria are met. ASU 2020-04 is effective upon issuance, and the provisions generally can be applied prospectively as of January 1, 2020 through December 31, 2023. During the first quarter of 2020, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. The Company has subsequently elected to apply additional expedients related to contract modifications, changes in critical terms, and updates to the designated hedged risk(s) as qualifying changes have been made to applicable debt and anticipate to be made to derivative contracts. Application of these expedients preserves the presentation of derivatives and debt contracts consistent with past presentation. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848): Scope, which refines the scope of Topic 848 and clarifies some of its guidance. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

3. Real Estate

As of September 30, 2022, the Company's real estate portfolio consisted of 79 properties in 24 states consisting substantially of office, warehouse, and manufacturing facilities with a combined acquisition value of approximately $3.7 billion, including the allocation of the purchase price to above and below-market lease valuation.

Depreciation expense for buildings and improvements for the nine months ended September 30, 2022 was $90.9 million. Amortization expense for intangibles, including, but not limited to, tenant origination and absorption costs for the nine months ended September 30, 2022, was $64.6 million.

Intangibles

The Company allocated a portion of the acquired and contributed real estate asset value to in-place lease valuation, tenant origination and absorption cost, and other intangibles, as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
In-place lease valuation (above market)	$ 29,856	$ 49,578
In-place lease valuation (above market) - accumulated amortization	(19,994)	(35,049)
In-place lease valuation (above market), net	9,862	14,529
Ground leasehold interest (below market)	—	2,254
Ground leasehold interest (below market) - accumulated amortization	—	(219)
Ground leasehold interest (below market), net	—	2,035
Intangibles - other	32,028	32,028
Intangibles - other - accumulated amortization	(6,609)	(5,492)
Intangibles - other, net	25,419	26,536
Intangible assets, net	$ 35,281	$ 43,100
In-place lease valuation (below market)	$ (50,365)	$ (77,859)
Land leasehold interest (above market)	(3,072)	(3,072)
Intangibles - other (above market)	(275)	(329)
In-place lease valuation & land leasehold interest - accumulated amortization	30,723	50,634
Intangible liabilities, net	$ (22,989)	$ (30,626)
Tenant origination and absorption cost	$ 598,662	$ 876,324
Tenant origination and absorption cost - accumulated amortization	(306,432)	(473,893)
Tenant origination and absorption cost, net	$ 292,230	$ 402,431

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The following table sets forth the estimated annual amortization (income) expense for in-place lease valuation, net, tenant origination and absorption costs, ground leasehold improvements, other intangibles, and other leasing costs as of September 30, 2022 for the next five years:

Year	In-place lease valuation, net	Tenant origination and absorption costs	Ground leasehold interest	Other intangibles	Other leasing costs
Remaining 2022	$ (209)	$ 12,858	$ (80)	$ 377	$ 732
2023	$ (1,501)	$ 47,830	$ (317)	$ 1,494	$ 3,018
2024	$ (1,640)	$ 43,049	$ (318)	$ 1,498	$ 3,133
2025	$ (1,484)	$ 37,050	$ (317)	$ 1,494	$ 3,219
2026	$ (1,208)	$ 33,850	$ (317)	$ 1,494	$ 3,019
2027	$ (819)	$ 28,394	$ (317)	$ 1,494	$ 3,077

Restricted Cash

In conjunction with the acquisition of certain assets, as required by certain lease provisions or certain lenders in conjunction with an acquisition or debt financing, or credits received by the seller of certain assets, the Company assumed or funded reserves for specific property improvements and deferred maintenance, re-leasing costs, and taxes and insurance, which are included on the consolidated balance sheets as restricted cash. Additionally, an ongoing replacement reserve is funded by certain tenants pursuant to each tenant's respective lease as follows:

	Balance as of	
	September 30, 2022	December 31, 2021
Cash reserves	$ 10,502	$ 15,234
Restricted lockbox	1,543	2,288
Total	$ 12,045	$ 17,522

Impairments

During the nine months ended September 30, 2022, in connection with the preparation and review of the financial statements the Company recorded an impairment provision of approximately $86.3 million as it was determined that the carrying value of the real estate would not be recoverable on five properties located in the Midwest, Southwest and Southern region of the United States. This impairment resulted from a change in anticipated hold period and selling price. In determining the fair value of the properties, the Company considered Level 3 inputs. See Note 8, *Fair Value Measurements,* for details.

Sale of Properties

On August 26, 2022, the Company sold a 41-property office portfolio (the "Office Portfolio") located across the continental United States. The sale price for the Office Portfolio was $1.1 billion, less closing costs and other closing credits. Upon the sale of the Office Portfolio, the Company recognized a loss of approximately $105.9 million. See Note 4, *Investment in Unconsolidated Entities,* for details.

On September 23, 2022, the Company sold one property located in Phoenix, Arizona. The sale price for the property was $93.0 million, less closing costs and other closing credits. The Company recognized a gain of approximately $10.4 million.

4. Investments in Unconsolidated Entities

Office Joint Venture

The Company, through its subsidiary GRT VAO OP, LLC ("GRT VAO Sub"), owns indirectly an approximate 49% interest in the Office Portfolio, equal to approximately $159.9 million, through a joint venture (the "Office Joint Venture"). The Office Joint Venture is managed by RVMC Capital LLC, an affiliate of Workspace Property Trust (the "Managing Member") and governed by a Joint Venture and Limited Liability Company Agreement dated as of August 26, 2022, by and between GRT VAO Sub and the Managing Member (the "JV Agreement").

The Managing Member of the Office Joint Venture has general authority to manage the operations of the Office Joint Venture. The Managing Member also has day-to-day management authority over the Office Joint Venture, subject to certain major decision rights held by the Office Joint Venture JV Partner. The Managing Member may be removed from its management positions upon the occurrence of specified “Cause Events” (as defined in the JV Agreement).

GRT VAO Sub has approval rights over certain major decisions regarding actions by the Office Joint Venture, including certain fundamental decisions that the Office Joint Venture may approve. GRT VAO Sub’s obligation is generally limited to its initial contribution. GRT VAO Sub is not obligated to make any additional capital contributions beyond its initial capital contribution.

The Office Joint Venture, through various subsidiary borrowers, obtained acquisition financing for the Office Portfolio comprised of (a) a $736.0 million mortgage loan (the “Mortgage Loan”), and (b) a $194.8 million mezzanine loan (the “Mezzanine Loan”, and together with the Mortgage Loan, the “Office JV Loans”). The initial maturity date of the Office JV Loans is September 9, 2023, subject to two, one-year extension options. The interest rates during the initial term of the Mortgage Loan and the Mezzanine Loan are Term SOFR (1-month) (with a 3% interest rate cap on SOFR) + 3.635% (subject to a 0.25% increase during each extension term) and Term SOFR (1-month) with a 3% interest rate cap on SOFR + 6.574% (subject to a 0.25% increase during each extension term), respectively. The Office Joint Venture paid $6.7 million for the interest rate caps. The Company has not guaranteed any debt obligations and has not otherwise committed to providing financial support in respect of the debt. In addition, the Company does not anticipate receiving any near-term cash flow distributions. Considering the Company’s limited economic exposure to the Office Joint Venture, the Company excludes interests in the assets in the Office Joint Venture from operating data.

In connection with the Office JV Loans, GRT OP and GRT VAO Sub entered into a certain Put Agreement with JPMorgan Chase Bank, National Association (“JPM”), pursuant to which JPM had the right to put to GRT OP and GRT VAO Sub a portion of its interest in the Mezzanine Loan in the principal face amount of $39.3 million (the “Mezzanine Interest”). On September 29, 2022, JPM sold to GRT VAO Sub the Mezzanine Interest for approximately $34.4 million, which is included in the line item “Investments in unconsolidated entities” in the consolidated balance sheets. No gain or loss was recorded on the put purchase, as the purchase price was at fair value.

The interests discussed above are deemed to be variable interests in variable interest entities ("VIE") and based on an evaluation of the variable interests against the criteria for consolidation, the Company determined that it is not the primary beneficiary of the investment, as the Company does not have power to direct the activities of the entities that most significantly affect their performance. As such, the interest in the VIE is recorded using the equity method of accounting in the accompanying consolidated financial statements. Under the equity method, the investments in the unconsolidated entities are stated at cost and adjusted for the Company’s share of net earnings or losses and reduced by distributions. Equity in earnings of real estate ventures is generally recognized based on the allocation of cash distributions upon liquidation of the investment at book value in accordance with the operating agreements. The Company records the net earnings or losses on investment on a one quarter lag. The Company's maximum exposure to losses associated with its unconsolidated investments is primarily limited to its carrying value in the investments.

(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

5. Debt

As of September 30, 2022 and December 31, 2021, the Company's debt consisted of the following:

	September 30, 2022	December 31, 2021	Contractual Interest Rate (1)	Loan Maturity	Effective Interest Rate (2)
HealthSpring Mortgage Loan	$ 19,250	$ 19,669	4.18%	April 2023	4.02%
Midland Mortgage Loan	—	95,792	—%	April 2023	—%
Samsonite Loan	18,283	19,114	6.08%	September 2023	5.00%
Highway 94 Loan	12,991	13,732	3.75%	August 2024	4.94%
Pepsi Bottling Ventures Loan	17,933	18,218	3.69%	October 2024	3.93%
AIG Loan II	122,906	124,606	4.15%	November 2025	4.95%
BOA Loan	—	375,000	—%	October 2027	—%
BOA/KeyBank Loan	250,000	250,000	4.32%	May 2028	4.14%
AIG Loan	100,326	101,884	4.96%	February 2029	5.09%
Total Mortgage Debt	541,689	1,018,015			
Revolving Credit Facility (3)	—	373,500	SOF Rate + 1.45%	June 2024	4.59%
2023 Term Loan	—	200,000	—%	June 2023	—%
2024 Term Loan	400,000	400,000	SOF Rate + 1.40%	April 2024	4.52%
2025 Term Loan	400,000	400,000	SOF Rate + 1.40%	December 2025	4.61%
2026 Term Loan	150,000	150,000	SOF Rate + 1.40%	April 2026	4.53%
Total Debt	1,491,689	2,541,515			
Unamortized Deferred Financing Costs and Discounts, net	(4,906)	(9,138)			
Total Debt, net	$ 1,486,783	$ 2,532,377			

(1) Including the effect of the interest rate swap agreements with a total notional amount of $750.0 million, the weighted average interest rate as of September 30, 2022 was 3.95% for both the Company's fixed-rate and variable-rate debt combined and 3.86% for the Company's fixed-rate debt only.

(2) Reflects the effective interest rate as of September 30, 2022 and includes the effect of amortization of discounts/premiums and deferred financing costs.

(3) The SOF rate as of September 30, 2022 (effective date) was 3.14%, which includes a 10% per annum index adjustment as required per Fifth Amendment to the Second Amended and Restated Credit Agreement. The Revolving Credit Facility had an initial term of approximately three years, and was initially scheduled to mature on June 28, 2022. Through the Fifth Amendment to the Restated Credit Agreement, the Company elected to extend the maturity until September 30, 2023 and the Company has a series of additional three month extension options (December 30, 2023, March 30, 2024, and June 30, 2024). See discussion below.

Second Amended and Restated Credit Agreement

Pursuant to the Second Amended and Restated Credit Agreement dated as of April 30, 2019 (as amended by the First Amendment to the Second Amended and Restated Credit Agreement dated as of October 1, 2020, the Second Amendment to the Second Amended and Restated Credit Agreement dated as of December 18, 2020, and the Third Amendment to the Second Amended and Restated Credit Agreement dated as of July 14, 2021 and the Fourth Amendment to the Second Amended and Restated Credit Agreement dated as of April 28, 2022, and the Fifth Amendment to the Second Amended and Restated Credit Agreement dated as of September 28, 2022, the "Second Amended and Restated Credit Agreement"), with KeyBank National Association ("KeyBank") as administrative agent, and a syndicate of lenders, we, through the GRT OP, as the borrower, have been initially provided with a $1.9 billion credit facility consisting of a $750 million senior unsecured revolving credit facility (the "Revolving Credit Facility") initially scheduled to mature in June 2022 with (subject to the satisfaction of certain customary conditions) four three-month extension options, a $200 million senior unsecured term loan maturing in June 2023 (the "$200M 5-Year Term Loan"), a $400 million senior unsecured term loan maturing in April 2024 (the "$400M 5-Year Term Loan"), a $400 million senior unsecured term loan maturing in December 2025 (the "$400M 5-Year Term Loan 2025") (collectively, the "KeyBank Loans"), and a $150 million senior unsecured term loan maturing in April 2026 (the "$150M 7-Year Term Loan"). The $200M 5-Year Term Loan was paid-off as noted below. The credit facility also provides the option, subject to obtaining additional commitments from lenders and certain other customary conditions, to increase the commitments under the Revolving Credit Facility, increase the existing term loans and/or incur new term loans by up to an additional $600 million in the aggregate.

The Second Amended and Restated Credit Agreement provides that the GRT OP must maintain a pool of unencumbered real properties (each a "Pool Property" and collectively the "Pool Properties") that meet certain requirements contained in the Second Amended and Restated Credit Agreement. The agreement sets forth certain covenants relating to the Pool Properties, including, without limitation, the following:

- there must be no less than 15 Pool Properties at any time;
- no greater than 15% of the aggregate pool value may be contributed by a single Pool Property or tenant;
- no greater than 15% of the aggregate pool value may be contributed by Pool Properties subject to ground leases;
- no greater than 20% of the aggregate pool value may be contributed by Pool Properties which are under development or assets under renovation;
- the minimum aggregate leasing percentage of all Pool Properties must be no less than 90%; and
- other limitations as determined by KeyBank upon further due diligence of the Pool Properties.

Borrowing availability under the Second Amended and Restated Credit Agreement is limited to the lesser of the maximum amount of all loans outstanding that would result in (i) an unsecured leverage ratio of no greater than 60%, or (ii) an unsecured interest coverage ratio of no less than 2.00:1.00.

Guarantors of the KeyBank Loans include the Company, each special purpose entity that owns a Pool Property, and each of the GRT OP's other subsidiaries which owns a direct or indirect equity interest in a SPE that owns a Pool Property.

In addition to customary representations, warranties, covenants, and indemnities, the KeyBank Loans require the GRT OP to comply with the following at all times, which will be tested on a quarterly basis:

- a maximum consolidated leverage ratio of 60%, or, the ratio may increase to 65% for up to four consecutive quarters after a material acquisition;
- a minimum consolidated tangible net worth of 75% of the Company's consolidated tangible net worth at closing of the Revolving Credit Facility, or approximately $2.0 billion, plus 75% of net future equity issuances (including GRT OP Units), minus 75% of the amount of any payments used to redeem the Company's stock or GRT OP Units, minus any amounts paid for the redemption or retirement of or any accrued return on the preferred equity issued under the preferred equity investment made in EA-1 in August 2018 by SHBNPP Global Professional Investment Type Private Real Estate Trust No. 13 (H);
- upon consummation, if ever, of an initial public offering, a minimum consolidated tangible net worth of 75% of the Company's consolidated tangible net worth at the time of such initial public offering plus 75% of net future equity issuances (including GRT OP Units) should the Company publicly list its shares;
- a minimum consolidated fixed charge coverage ratio of not less than 1.50:1.00;
- a maximum total secured debt ratio of not greater than 40%, which ratio will increase by five percentage points for four quarters after closing of a material acquisition that is financed with secured debt;
- a minimum unsecured interest coverage ratio of 2.00:1.00;
- a maximum total secured recourse debt ratio, excluding recourse obligations associated with interest rate hedges, of 10% of our total asset value; and
- aggregate maximum unhedged variable rate debt of not greater than 30% of the Company's total asset value.

Furthermore, the activities of the GRT OP, the Company, and the Company's subsidiaries must be focused principally on the ownership, development, operation and management of office, industrial, manufacturing, warehouse, distribution or educational properties (or mixed uses thereof) and businesses reasonably related or ancillary thereto.

Fourth Amendment to the Second Amended and Restated Credit Agreement

Pursuant to the Fourth Amendment to the Second Amended and Restated Credit Agreement (the “Fourth Amendment”), dated April 28, 2022, the Company amended the Company’s maturity extension option on the Revolving Credit Facility from a one-year extension option (to June 2023) to a series of three-month extension options (to September 28, 2022, December 28, 2022, March 28, 2023, and June 28, 2023, respectively). The exercise of each extension option requires the payment of a fee of 0.05% on the extended revolving loan commitments and is subject to certain other customary conditions. On May 24, 2022, the Company exercised the first three-month extension option on the Revolving Credit Facility, which extends the maturity date from June 28, 2022 to September 28, 2022.

Upon the sale of the Office Portfolio and property in Phoenix, Arizona, the Company repaid approximately $373.5 million of the Revolving Credit Facility and paid off approximately $200.0 million of the 2023 Term Loan. See Note 3, *Real Estate,* for details of the sale of the Office Portfolio.

Fifth Amendment to the Second Amended and Restated Credit Agreement

Pursuant to the Fifth Amendment to the Second Amended and Restated Credit Agreement (the “Fifth Amendment”), dated September 28, 2022, the Company extended the maturity date on the Revolving Credit Facility from September 28, 2022 to September 30, 2023 and amended the maturity date extension options to a series of three three-month extensions (to December 30, 2023, March 30, 2024 and June 30, 2024, respectively). In addition, the contract interest rate was amended from LIBOR to Secured Overnight Financing Rate (“SOFR”) plus 0.10% per annum (combined “Adjusted SOFR”). See Note 2, *Basis of Presentation and Summary of Significant Accounting Policies,* for details on the impact of the Company’s hedge accounting.

Based on the terms as of September 30, 2022, the interest rate for the credit facility varies based on the consolidated leverage ratio of the GRT OP, us, and our subsidiaries and ranges (a) in the case of the Revolving Credit Facility, from Adjusted SOFR plus 1.30% to Adjusted SOFR plus 2.20%, (b) in the case of each of the $400M 5-Year Term Loan, the $400M 5-Year Term Loan 2025, and the $150M 7-Year Term Loan, from Adjusted SOFR plus 1.25% to Adjusted SOFR plus 2.15%. If the GRT OP obtains an investment grade rating of its senior unsecured long term debt from Standard & Poor's Rating Services, Moody's Investors Service, Inc., or Fitch, Inc., the applicable SOFR margin and base rate margin will vary based on such rating and range (i) in the case of the Revolving Credit Facility, from Adjusted SOFR plus 0.825% to Adjusted SOFR plus 1.55%, (ii) in the case of each of the $400M 5-Year Term Loan, the $400M 5-Year Term Loan 2025, and the $150M 7-Year Term Loan, from Adjusted SOFR plus 0.90% to Adjusted SOFR plus 1.75%. As of September 30, 2022, the remaining undrawn capacity under the Revolving Credit Facility was $249.8 million.

Midland Mortgage Loan and BOA Loan

As a result of the sale of the Office Portfolio, the Company repaid approximately $95.7 million and $388.5 million of the Midland Mortgage Loan and BOA Loan, respectively, which included a prepayment premium of approximately $0.9 million for the Midland Mortgage Loan and $12.3 million for the BOA Loan. See Note 3, *Real Estate,* for details of the sale of the Office Portfolio.

Debt Covenant Compliance

Pursuant to the terms of the Company's mortgage loans and the KeyBank Loans, the GRT OP, in consolidation with the Company, is subject to certain loan compliance covenants. The Company was in compliance with all of its debt covenants as of September 30, 2022.

6. Interest Rate Contracts

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both business operations and economic conditions. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the values of which are determined by expected cash payments principally related to borrowings and interest rates. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The Company does not use derivatives for trading or speculative purposes.

GRIFFIN REALTY TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022
(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

Derivative Instruments

The Company has entered into interest rate swap agreements to hedge the variable cash flows associated with certain existing or forecasted LIBOR based variable-rate debt, including the Company's KeyBank Loans. The change in the fair value of derivatives designated and qualifying as cash flow hedges is initially recorded in accumulated other comprehensive income (“AOCI”) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt.

The following table sets forth a summary of the interest rate swaps at September 30, 2022 and December 31, 2021:

				Fair Value (1)		Current Notional Amounts	
Derivative Instrument	**Effective Date**	**Maturity Date**	**Interest Strike Rate**	**September 30, 2022**	**December 31, 2021**	**September 30, 2022**	**December 31, 2021**
Assets/(Liabilities):							
Interest Rate Swap	3/10/2020	7/1/2025	0.83%	$ 13,018	$ 1,648	$ 150,000	$ 150,000
Interest Rate Swap	3/10/2020	7/1/2025	0.84%	8,673	1,059	100,000	100,000
Interest Rate Swap	3/10/2020	7/1/2025	0.86%	6,453	749	75,000	75,000
Interest Rate Swap	7/1/2020	7/1/2025	2.82%	4,324	(7,342)	125,000	125,000
Interest Rate Swap	7/1/2020	7/1/2025	2.82%	3,428	(5,909)	100,000	100,000
Interest Rate Swap	7/1/2020	7/1/2025	2.83%	3,430	(5,899)	100,000	100,000
Interest Rate Swap	7/1/2020	7/1/2025	2.84%	3,398	(5,958)	100,000	100,000
Total				$ 42,724	$ (21,652)	$ 750,000	$ 750,000

(1) The Company records all derivative instruments on a gross basis in the consolidated balance sheets, and accordingly there are no offsetting amounts that net assets against liabilities. As of September 30, 2022, derivatives in an asset position are included in the line item “Interest rate swap asset” in the consolidated balance sheets at fair value. The LIBO rate as of September 30, 2022 (effective date) was 2.57%.

The following table sets forth the impact of the interest rate swaps on the consolidated statements of operations for the periods presented:

	Nine Months Ended September 30,	
	2022	**2021**
Interest Rate Swap in Cash Flow Hedging Relationship:		
Amount of gain recognized in AOCI on derivatives	$ 59,179	$ 9,611
Amount of loss reclassified from AOCI into earnings under “Interest expense”	$ (5,292)	$ (10,655)
Total interest expense presented in the consolidated statement of operations in which the effects of cash flow hedges are recorded	$ 68,315	$ 63,662

During the twelve months subsequent to September 30, 2022, the Company estimates that an additional $17.6 million of its income will be recognized from AOCI into earnings.

Certain agreements with the derivative counterparties contain a provision that if the Company defaults on any of its indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender within a specified time period, then the Company could also be declared in default on its derivative obligations.

As of September 30, 2022, there were no swaps in a liability position. As of December 31, 2021, the fair value of interest rate swaps that were in a liability position, which excludes any adjustment for nonperformance risk related to these agreements, was approximately $25.1 million. As of September 30, 2022 and December 31, 2021, the Company had not posted any collateral related to these agreements.

(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

7. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Prepaid tenant rent	$ 14,543	$ 26,477
Real estate taxes payable	8,709	14,751
Interest payable	12,213	9,683
Property operating expense payable	7,881	11,126
Deferred compensation	7,718	10,119
Accrued tenant improvements	3,294	10,123
Other liabilities	25,738	26,842
Total	$ 80,096	$ 109,121

8. Fair Value Measurements

The Company is required to disclose fair value information about all financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practicable to estimate fair value. The Company measures and discloses the estimated fair value of financial assets and liabilities utilizing a fair value hierarchy that distinguishes between data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. This hierarchy consists of three broad levels, as follows: (i) quoted prices in active markets for identical assets or liabilities, (ii) "significant other observable inputs," and (iii) "significant unobservable inputs." "Significant other observable inputs" can include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the asset or liability, such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. "Significant unobservable inputs" are typically based on an entity's own assumptions, since there is little, if any, related market activity. In instances in which the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. There were no transfers between the levels in the fair value hierarchy during the nine months ended September 30, 2022 and the year ended December 31, 2021.

The following table sets forth the assets and liabilities that the Company measures at fair value on a recurring basis by level within the fair value hierarchy as of September 30, 2022 and December 31, 2021:

Assets/(Liabilities)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
September 30, 2022				
Interest Rate Swap Asset	$ 42,724	$ —	$ 42,724	$ —
Corporate Owned Life Insurance Asset	$ 6,035	$ —	$ 6,035	$ —
Mutual Funds Asset	$ 5,082	$ 5,082	$ —	$ —
December 31, 2021				
Interest Rate Swap Asset	$ 3,456	$ —	$ 3,456	$ —
Interest Rate Swap Liability	$ (25,108)	$ —	$ (25,108)	$ —
Corporate Owned Life Insurance Asset	$ 6,875	$ —	$ 6,875	$ —
Mutual Funds Asset	$ 5,543	$ 5,543	$ —	$ —

Real Estate

As of September 30, 2022, in connection with the preparation and review of the Company's financial statements, the Company determined that four of the Company's properties were impaired based upon discounted cash flow analyses where the most significant inputs were the market rental rates, terminal capitalization rate, discount rate and expected hold period; one additional property was impaired based on a shortened expected hold period and selling price. The Company considered these inputs as Level 3 measurements within the fair value hierarchy. The following table is a summary of the quantitative information related to the non-recurring fair value measurement for the impairment of the Company's real estate properties for the nine months ended September 30, 2022:

(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

	Range of Inputs or Inputs	
Unobservable Inputs:	**Midwest Properties**	**Southwest Property**
Market rent per square foot	\$8.50 to \$12.75	\$18.00
Terminal capitalization rate	9.50% to 11.25%	7.23%
Discount rate	10.25% to 14.00%	8.60%

	Range of Inputs or Inputs
Unobservable Inputs:	**Southern Property**
Expected selling price per square foot	\$295.96
Estimated hold period	Less than one year

Financial Instruments Disclosed at Fair Value

Financial instruments as of September 30, 2022 and December 31, 2021 consisted of cash and cash equivalents, restricted cash, accounts receivable, accrued expenses and other liabilities, and mortgage payable and other borrowings, as defined in Note 5, *Debt.* With the exception of the mortgage loans in the table below, the amounts of the financial instruments presented in the consolidated financial statements substantially approximate their fair value as of September 30, 2022 and December 31, 2021.

The fair value of the nine mortgage loans in the table below is estimated by discounting each loan's principal balance over the remaining term of the mortgage using current borrowing rates available to the Company for debt instruments with similar terms and maturities. The Company determined that the mortgage debt valuation in its entirety is classified in Level 2 of the fair value hierarchy, as the fair value is based on current pricing for debt with similar terms as the in-place debt.

	September 30, 2022		December 31, 2021	
	Fair Value	**Carrying Value (1)**	**Fair Value**	**Carrying Value (1)**
BOA Loan	\$ —	\$ —	\$ 349,082	\$ 375,000
BOA/KeyBank Loan	227,696	250,000	260,378	250,000
AIG Loan II	111,990	122,906	120,141	124,606
AIG Loan	90,551	100,326	99,697	101,884
Midland Mortgage Loan	—	—	95,720	95,792
Samsonite Loan	18,283	18,283	19,366	19,114
HealthSpring Mortgage Loan	19,250	19,250	19,639	19,669
Pepsi Bottling Ventures Loan	17,060	17,933	18,262	18,218
Highway 94 Loan	12,134	12,991	13,360	13,732
Total	\$ 496,964	\$ 541,689	\$ 995,645	\$ 1,018,015

(1) The carrying values do not include the debt premium/(discount) or deferred financing costs as of September 30, 2022 and December 31, 2021. See Note 5, *Debt*, for details.

9. Equity

Classes

Class T shares, Class S shares, Class D shares, Class I shares, Class A shares, Class AA shares, Class AAA and Class E shares vote together as a single class, and each share is entitled to one vote on each matter submitted to a vote at a meeting of the Company's stockholders; provided that with respect to any matter that would only have a material adverse effect on the rights of a particular class of common stock, only the holders of such affected class are entitled to vote.

The following table sets forth the classes of outstanding common stock as of September 30, 2022 and December 31, 2021.

GRIFFIN REALTY TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

	As of	
	September 30, 2022	December 31, 2021
Class A	24,481,843	24,509,573
Class AA	47,522,112	47,592,118
Class AAA	926,936	926,936
Class D	42,013	42,013
Class E	248,621,352	249,088,676
Class I	1,911,731	1,911,731
Class S	1,800	1,800
Class T	559,115	565,265

Common Equity

As of September 30, 2022, the Company had received aggregate gross offering proceeds of approximately $2.8 billion from the sale of shares in the private offering, the public offerings, the DRP offerings and mergers (includes EA-1 offerings and EA-1 merger with Signature Office REIT, Inc., the EA Mergers and the CCIT II Merger), as discussed in Note 1, *Organization*. As part of the $2.8 billion from the sale of shares, the Company issued approximately 43,772,611 shares of its common stock upon the consummation of the merger of Signature Office REIT, Inc. in June 2015 and 174,981,547 Class E shares (in exchange for all outstanding shares of EA-1's common stock at the time of the EA Mergers) in April 2019 upon the consummation of the EA Mergers and 93,457,668 Class E shares (in exchange for all the outstanding shares of CCIT II's common stock at the time of the CCIT II Merger). As of September 30, 2022, there were 324,066,902 shares outstanding, including shares issued pursuant to the DRP, less shares redeemed pursuant to the SRP and the self-tender offer, which occurred in May 2019.

Distribution Reinvestment Plan (DRP)

The Company has adopted the DRP, which allows stockholders to have dividends and other distributions otherwise distributable to them invested in additional shares of common stock. No sales commissions or dealer manager fees will be paid on shares sold through the DRP, but the DRP shares will be charged the applicable distribution fee payable with respect to all shares of the applicable class. The purchase price per share under the DRP is equal to the net asset value ("NAV") per share applicable to the class of shares purchased, calculated using the most recently published NAV available at the time of reinvestment. The Company may amend or terminate the DRP for any reason at any time upon 10 days' prior written notice to stockholders, which may be provided through the Company's filings with the SEC.

On July 17, 2020, the Company filed a registration statement on Form S-3 for the registration of up to $100 million in shares pursuant to the Company's DRP (the “DRP Offering”). The DRP Offering may be terminated at any time upon 10 days’ prior written notice to stockholders.

On October 1, 2021, the Board approved a suspension of the DRP, effective October 11, 2021.

The following table summarizes the DRP offerings, by share class, as of September 30, 2022:

(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

Share Class	Amount	Shares
Class A	$ 9,687	1,052,170
Class AA	19,047	2,068,367
Class AAA	290	31,521
Class D	21	2,231
Class E	311,405	32,299,362
Class I	437	47,028
Class S	—	12
Class T	177	19,090
Total	$ 341,064	35,519,781

As of September 30, 2022 and September 30, 2021, the Company had issued approximately $341.1 million in shares pursuant to the DRP offerings.

Share Redemption Program (SRP)

The Company has adopted the SRP which enables stockholders to sell their common stock to the Company in limited circumstances. On October 1, 2021, the Company announced that it had suspended the SRP beginning with the next cycle, which commenced during fourth quarter 2021. On August 5 2022, the Company announced that it had amended and restated the SRP and that the SRP would resume August 5, 2022, with the applicable redemption date of September 30, 2022. As was the case prior to the SRP's most recent suspension, the SRP continues to be available only for redemptions in connection with a holder's death, disability or incompetence. The amended and restated SRP differs from the prior SRP in a number of respects, including, among other things, that the cap on quarterly redemptions is no longer tied to the NAV of shares issued under the DRP but rather is a dollar amount to be set by the Board and disclosed by the Company. Quarterly redemptions are capped at $5 million (or some other quarterly or annual amount determined by the Board and announced at least 10 business days before the applicable redemption date). In addition, during any calendar year, with respect to each share class, the Company may redeem no more than 5% of the weighted-average number of shares of such class outstanding during the prior calendar year.

Under the SRP, the Company redeems shares as of the last business day of each quarter. The redemption price will is equal to the most recently published NAV per share for the applicable class prior to quarter end. Redemption requests must be received by 3:00 p.m. (Central time) one business day before on the last business day of the applicable quarter. Redemption requests exceeding the quarterly cap are filled on a pro rata basis, except that if pro rata redemption would result in a stockholder owning less than the minimum balance of $2,500 of shares of the Company's common stock, then the Company will redeem all of such stockholder's shares. All unsatisfied redemption requests are treated as a request for redemption at the redemption date unless withdrawn by the stockholder.

The following table summarizes share redemption (excluding the self-tender offer) activity during the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Shares of common stock redeemed	673,649	588,662	673,649	2,232,476
Weighted average price per share	$ 7.42	$ 9.09	$ 7.42	$ 9.03

During the three months ended September 30, 2022, the Company received requests for the redemption of common stock for approximately $5.4 million, which exceeded the quarterly limitation of $5.0 million.

Since July 31, 2014 and through September 30, 2022, the Company had redeemed 28,978,578 shares (excluding the self-tender offer) of common stock for approximately $270.5 million at a weighted average price per share of $9.33 pursuant to the SRP.

(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

Issuance of Restricted Stock Units to Executive Officers, Employees and Directors

The restricted stock units ("RSUs") granted since 2019 were pursuant to the Company's Employee and Director Long-Term Incentive Plan (the "Plan"). The Plan provides for the grant of awards to the Company's directors, full-time employees and certain consultants that provide services to the Company or affiliated entities. Awards granted under the Plan may consist of stock options, restricted stock, stock appreciation rights, distribution equivalent rights and other equity-based awards. The stock-based payments are measured at fair value and recognized as compensation expense over the vesting period. At the 2020 annual meeting of stockholders, stockholders approved an amended and restated Plan (the "Amended and Restated Plan") that reduced the maximum number of shares authorized under the Plan to 7,000,000 shares, among other changes. Awards that vest or are granted on or after March 30, 2020 (the effective date of the Amended and Restated Plan) are subject to the terms and provisions of the Amended and Restated Plan. As of September 30, 2022, approximately 5,494,646 shares were available for future issuance under the Amended and Restated Plan.

On August 5, 2022, the Company issued 1,050,741 RSUs to employees, including officers, under the Amended and Restated Plan. The fair value of grants issued was approximately $7.8 million.

As of September 30, 2022, there was $14.2 million of unrecognized compensation expense remaining, which vests between half a year and four years.

Total share-based compensation expense for the three months ended September 30, 2022 and 2021 was approximately $2.7 million and $1.9 million, respectively. Compensation expense for nine months ended September 30, 2022 and 2021 was approximately $6.1 million and $5.7 million, respectively.

The following table summarizes the activity of unvested shares of RSU awards for the periods presented:

	Number of Unvested Shares of RSU Awards	Weighted-Average Grant Date Fair Value per Share
Balance at December 31, 2020	943,836	
Granted	1,619,255	$ 8.97
Forfeited	(222,367)	$ 9.10
Vested	(812,111)	$ 9.24
Balance at December 31, 2021	1,528,613	
Granted	1,050,741	$ —
Forfeited	(68,743)	$ 9.06
Vested(1)	(128,235)	$ 8.97
Balance at September 30, 2022	2,382,376	

(1) Total shares vested include 50,587 shares of common stock that were tendered by employees during the nine months ended September 30, 2022 to satisfy minimum statutory tax with holdings requirements associated with the vesting of RSUs.

10. Noncontrolling Interests

Noncontrolling interests represent limited partnership interests in the GRT OP in which the Company is the general partner. General partnership units and limited partnership units of the GRT OP were issued as part of the initial capitalization of the GRT OP and GCEAR II Operating Partnership, in conjunction with members of management's contribution of certain assets, other contributions, and in connection with the self-administration transaction as discussed in Note 1, *Organization.*

(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

As of September 30, 2022, noncontrolling interests were approximately 9.0% of total shares and 8.8% of weighted average shares outstanding (both measures assuming GRT OP Units were converted to common stock). The Company has evaluated the terms of the limited partnership interests in the GRT OP, and as a result, has classified limited partnership interests issued in the initial capitalization, in conjunction with the contributed assets and in connection with the self-administration transaction, as noncontrolling interests, which are presented as a component of permanent equity, except as discussed below.

The Company evaluates individual noncontrolling interests for the ability to recognize the noncontrolling interest as permanent equity on the consolidated balance sheets at the time such interests are issued and on a continual basis. Any noncontrolling interest that fails to qualify as permanent equity has been reclassified as temporary equity and adjusted to the greater of (a) the carrying amount or (b) its redemption value as of the end of the period in which the determination is made.

As of September 30, 2022, the limited partners of the GRT OP owned approximately 31.8 million GRT OP Units, which were issued to affiliated parties and unaffiliated third parties in exchange for the contribution of certain properties to the Company, and in connection with the self-administration transaction and other services. In addition, 0.2 million GRT OP Units were issued to unaffiliated third parties unrelated to property contributions. To the extent the contributors should elect to redeem all or a portion of their GRT OP Units, pursuant to the terms of the respective contribution agreement, such redemption shall be at a per unit value equivalent to the price at which the contributor acquired its GRT OP Units in the respective transaction.

The limited partners of the GRT OP, other than those related to the Will Partners REIT, LLC ("Will Partners") property contribution, will have the right to cause the general partner of the GRT OP, the Company, to redeem their GRT OP Units for cash equal to the value of an equivalent number of shares, or, at the Company’s option, purchase their GRT OP Units by issuing one share of the Company’s common stock for the original redemption value of each limited partnership unit redeemed. The Company has the control and ability to settle such requests in shares. These rights may not be exercised under certain circumstances which could cause the Company to lose its REIT election.

The following summarizes the activity for noncontrolling interests recorded as equity for the nine months ended September 30, 2022 and year ended December 31, 2021:

	Nine Months Ended September 30, 2022	Year Ended December 31, 2021
Beginning balance	$ 218,653	$ 226,550
Reclass of noncontrolling interest subject to redemption	956	(159)
Distributions to noncontrolling interests	(8,184)	(10,942)
Allocated distributions to noncontrolling interests subject to redemption	(12)	(18)
Allocated net (loss) income	(17,643)	66
Allocated other comprehensive income (loss)	5,666	3,156
Ending balance	$ 199,436	$ 218,653

Noncontrolling interests subject to redemption

Operating partnership units issued pursuant to the Will Partners property contribution are not included in permanent equity on the consolidated balance sheets. The partners holding these units can cause the general partner to redeem the units for the cash value, as defined in the GRT OP agreement. As the general partner does not control these redemptions, these units are presented on the consolidated balance sheets as noncontrolling interest subject to redemption at their redeemable value. The net income (loss) and distributions attributed to these limited partners is allocated proportionately between common stockholders and other noncontrolling interests that are not considered redeemable.

(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

11. Related Party Transactions

Summarized below are the related party transaction costs incurred by the Company for the nine months ended September 30, 2022 and 2021, respectively, and any related amounts receivable and payable as of September 30, 2022 and December 31, 2021:

	Incurred for the Nine Months Ended September 30,		Receivable as of	
			September 30,	December 31,
	2022	2021	2022	2021
Due from GCC				
Reimbursable Expense Allocation	$ —	$ 15	$ 11	$ 11
Payroll/Expense Allocation	5	14	215	260
Total	$ 5	$ 29	$ 226	$ 271

	Incurred for the Nine Months Ended September 30,		Payable as of	
			September 30,	December 31,
	2022	2021	2022	2021
Expensed				
Costs advanced by the advisor	$ 705	$ 1,639	$ 291	$ 929
Administrative reimbursement	1,066	1,890	483	461
Assumed through Self-Administration Transaction/Mergers				
Earn-out	—	—	147	197
Stockholder Servicing Fee	—	—	—	92
Other				
Distributions	6,498	6,498	715	739
Total	$ 8,269	$ 10,027	$ 1,636	$ 2,418

Dealer Manager Agreement

The Company entered into a dealer manager agreement and associated form of participating dealer agreement (the “Dealer Manager Agreement”) with the dealer manager for the Follow-On Offering. The terms of the Dealer Manager Agreement are substantially similar to the terms of the dealer manager agreement from the Company's initial public offering, except as it relates to the share classes offered and the fees to be received by the dealer manager. The Follow-On Offering terminated on September 20, 2020. See Note 9, *Equity.*

Subject to the Financial Industry Regulatory Authority, Inc.'s limitations on underwriting compensation, under the Dealer Manager Agreement, the Company is required to pay to the dealer manager a distribution fee for ongoing services rendered to stockholders by participating broker-dealers or broker-dealers servicing investors’ accounts, referred to as servicing broker-dealers. The fee accrues daily, is paid monthly in arrears, and is calculated based on the average daily NAV for the applicable month.

Conflicts of Interest

Administrative Services Agreement

In connection with EA-1’s self-administration transaction, the Company, GRT OP, L.P., Griffin Capital Essential Asset TRS, Inc, and Griffin Capital Real Estate Company, LLC, on the one hand, and GCC and Griffin Capital, LLC (“GC LLC”), on the other hand, entered into that certain Administrative Services Agreement dated December 14, 2018 (as amended, the “ASA”), pursuant to which GCC and GC LLC continue to provide certain operational and administrative services at cost to Company. The Company’s Executive Chairman is also the Chief Executive Officer of and controls GCC, which is the sole member of GC LLC. The Company pays GCC a monthly amount based on the actual costs anticipated to be incurred by GCC for the provision of such services until such items are terminated from the ASA. Such costs are reconciled periodically and a full review of the costs will be performed at least annually. In addition, the Company will directly pay or reimburse GCC for the actual cost of any reasonable third-party expenses incurred in connection with the provision of such services. On March 30, 2022 and June 30, 2022, the Company amended the ASA to reduce the scope of services provided, including removing the provision of office space and advisor services. Following such amendments, GCC and GC LLC are obligated to provide the Company with human resources support, and general corporate support on an as-needed basis.

(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

Office Sublease

On March 25, 2022, the Company executed a sublease agreement with GCC (the "Sublease") for the building located at 1520 E. Grand Ave, El Segundo, CA (the "Building") which is the location of the Company's corporate headquarters. The Building is part of a campus that contains other buildings and parking (the "Campus"). The Sublease also entitles the Company to use certain common areas on the Campus. Prior to the sublease agreement being signed, the rent for the office space was paid to GCC as part of the Administrative Services Agreement. The Campus is owned by GCPI, LLC ("GCPI"), and the Building is master leased by GCPI to GCC. GCC is the sublessor under the Sublease. The Company's Executive Chairman is the Chief Executive Officer of and controls GCC and is also affiliated with GCPI.

The Sublease provides for initial monthly base rent of $0.05 million, subject to annual escalations of 3% as well as additional rent for certain operating expenses for the Building and portions of the Campus. The Company's Executive Chairman is the Chief Executive Officer of and controls GCC and is also affiliated with GCPI.

Certain Conflict Resolution Procedures

Every transaction that the Company enters into with affiliates is subject to an inherent conflict of interest. The Board may encounter conflicts of interest in enforcing the Company's rights against any affiliate in the event of a default by or disagreement with an affiliate or in invoking powers, rights or options pursuant to any agreement between the Company and affiliates. See the Company's Code of Ethics available at the "Governance Documents" subpage of the "Investors" section of the Company's website at www.grtreit.com for a detailed description of the Company's conflict resolution procedures.

12. Leases

Lessor

The Company leases commercial and industrial space to tenants primarily under non-cancelable operating leases that generally contain provisions for minimum base rents plus reimbursement for certain operating expenses. Total minimum lease payments are recognized in rental income on a straight-line basis over the term of the related lease and estimated reimbursements from tenants for real estate taxes, insurance, common area maintenance and other recoverable operating expenses are recognized in rental income in the period that the expenses are incurred.

The Company recognized $277.7 million and $280.7 million of lease income related to operating lease payments for the nine months ended September 30, 2022 and 2021, respectively.

The Company's current leases have expirations ranging from 2022 to 2044. The following table sets forth the undiscounted cash flows for future minimum base rents to be received under operating leases as of September 30, 2022:

	As of September 30, 2022
Remaining 2022	$ 64,680
2023	260,124
2024	246,214
2025	230,770
2026	219,626
Thereafter	983,351
Total	$ 2,004,765

The future minimum base rents in the table above excludes tenant reimbursements of operating expenses, amortization of adjustments for deferred rent receivables and the amortization of above/below-market lease intangibles.

Lessee

Certain of the Company's real estate are subject to ground leases. The Company's ground leases are classified as either operating leases or financing leases based on the characteristics of each lease. As of September 30, 2022, the Company had five ground leases classified as operating and two ground leases classified as financing. Each of the Company’s ground leases were acquired as part of the acquisition of real estate and no incremental costs were incurred for such ground leases. The Company’s ground leases are non-cancelable, and contain no renewal options. The Company's Chicago office space lease has a remaining lease term of approximately three years and no option to renew.

(Unaudited; dollars in thousands unless otherwise noted and excluding per share amounts)

On March 25, 2022, the Company executed a sublease agreement with GCC for the building which is the Company’s corporate headquarters (See Note 11, *Related Party Transactions,* for details). The Company leases office space as part of conducting day-to-day business in El Segundo. The Company's office space lease has a remaining lease term of approximately two years and one option to renew for a period of five years. As of September 30, 2022, the Company recorded a lease liability and a right-of-use asset for approximately $1.0 million and is included in Right of Use Asset and Lease Liability on the Company’s consolidated balance sheet.

The Company incurred operating lease costs of approximately $3.1 million for the nine months ended September 30, 2022 and $2.8 million for the nine months ended September 30, 2021, which are included in “Property Operating Expense” in the accompanying consolidated statement of operations. Total cash paid for amounts included in the measurement of operating lease liabilities was $1.6 million for the nine months ended September 30, 2022 and $1.2 million for the nine months ended September 30, 2021.

The following table sets forth the weighted-average for the lease term and the discount rate as of September 30, 2022:

	As of September 30, 2022	
Lease Term and Discount Rate	**Operating**	**Financing**
Weighted-average remaining lease term in years	76 years	15 years
Weighted-average discount rate (1)	4.86 %	3.26 %

(1) Because the rate implicit in each of the Company's leases was not readily determinable, the Company used an incremental borrowing rate. In determining the Company's incremental borrowing rate for each lease, the Company considered recent rates on secured borrowings, observable risk-free interest rates and credit spreads correlating to the Company's creditworthiness, the impact of collateralization and the term of each of the Company's lease agreements.

Maturities of lease liabilities as of September 30, 2022 were as follows:

	As of September 30, 2022	
	Operating	**Financing**
Remaining 2022	$ 534	$ 338
2023	2,151	355
2024	1,906	360
2025	1,567	365
2026	1,501	375
2026	1,524	381
Thereafter	250,233	3,458
Total undiscounted lease payments	259,416	5,632
Less: imputed interest	(216,320)	(2,130)
Total lease liabilities	$ 43,096	$ 3,502

13. *Commitments and Contingencies*

Litigation

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. The Company is not a party to any material legal proceedings, nor is the Company aware of any pending or threatened litigation that would have a material adverse effect on the Company’s business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

Capital Expenditures and Tenant Improvement Commitments

As of September 30, 2022, the Company had an aggregate remaining contractual commitment for repositioning, capital expenditure projects, leasing commissions and tenant improvements of approximately $25.8 million.

14. *Declaration of Distributions*

On June 1, 2022, the Board declared an all-cash distribution rate, based on 365 days in the calendar year, of $0.000958904 per day ($0.35 per share annualized), subject to adjustments for class-specific expenses, per Class E share, Class T share, Class S share, Class D share, Class I share, Class A share, Class AA share and Class AAA share of common stock, for stockholders of record at the close of each business day for the period commencing on July 1, 2022 and ending on July 31, 2022. The Company paid such distributions to each stockholder of record on August 1, 2022.

On June 30, 2022, the Board declared an all-cash distribution rate, based on 365 days in the calendar year, of $0.000958904 per day ($0.35 per share annualized), subject to adjustments for class-specific expenses, per Class E share, Class T share, Class S share, Class D share, Class I share, Class A share, Class AA share and Class AAA share of common stock, for stockholders of record at the close of each business day for the period commencing on August 1, 2022 and ending on August 31, 2022. The Company paid such distributions to each stockholder of record on September 1, 2022.

On August 3, 2022, the Board declared an all-cash distribution rate, based on 365 days in the calendar year, of $0.000958904 per day ($0.35 per share annualized), subject to adjustments for class-specific expenses, per Class E share, Class T share, Class S share, Class D share, Class I share, Class A share, Class AA share and Class AAA share of common stock, for stockholders of record at the close of each business day for the period commencing on September 1, 2022 and ending on September 30, 2022. The Company paid such distributions to each stockholder of record on October 3, 2022.

On September 20, 2022, the Board declared an all-cash distribution rate, based on 365 days in the calendar year, of $0.000958904 per day ($0.35 per share annualized), subject to adjustments for class-specific expenses, per Class E share, Class T share, Class S share, Class D share, Class I share, Class A share, Class AA share and Class AAA share of common stock, for stockholders of record at the close of each business day for the period commencing on October 1, 2022 and ending on October 31, 2022. The Company paid such distributions to each stockholder of record on November 1, 2022.

15. Subsequent Events

Cash Distributions

On October 20, 2022, the Board declared an all-cash distribution rate, based on 365 days in the calendar year, of $0.000958904 per day ($0.35 per share annualized), subject to adjustments for class-specific expenses, per Class E share, Class T share, Class S share, Class D share, Class I share, Class A share, Class AA share and Class AAA share of common stock, for stockholders of record at the close of each business day for the period commencing on November 1, 2022 and ending on November 30, 2022. The Company intends to pay such distributions to each stockholder of record at such time in December 2022 as determined by the Chief Executive Officer.

On November 2, 2022, the Board declared an all-cash distribution rate, based on 365 days in the calendar year, of $0.000958904 per day ($0.35 per share annualized), subject to adjustments for class-specific expenses, per Class E share, Class T share, Class S share, Class D share, Class I share, Class A share, Class AA share and Class AAA share of common stock, for stockholders of record at the close of each business day for the period commencing on December 1, 2022 and ending on December 31, 2022. The Company intends to pay such distributions to each stockholder of record at such time in January 2023 as determined by the Chief Executive Officer

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

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the Company's consolidated financial statements and the notes thereto contained in Part I of this Quarterly Report on Form 10-Q, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements, and the notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Overview

Griffin Realty Trust, Inc. is an internally managed, publicly-registered, non-traded REIT. We are committed to creating exceptional value for all of our stakeholders through the ownership and operation of a diversified portfolio of strategically-located, high-quality, business-essential office and industrial properties that are primarily leased to nationally recognized single tenants we have determined to be creditworthy.

The GRT platform was founded in 2009 and we have since grown to become one of the largest office and industrial-focused net-lease REITs in the United States. Since our founding, our mission has been consistent – to generate long-term results for our stockholders by combining the durability of high-quality corporate tenants, the stability of our revenue and the power of proactive management. To achieve this mission, we leverage the skills and expertise of our employees, who have experience across a range of disciplines including acquisitions, dispositions, asset management, property management, development, finance, law and accounting. They are led by an experienced senior management team with an average of approximately 30 years of commercial real estate experience.

On August 26, 2022, we completed the sale to an institutional buyer and its operating partner of a majority interest in a 41-property office portfolio (the "Office Joint Venture"), which was valued at approximately $1.1 billion. In connection with the Office Joint Venture, we invested $159.9 million for a 49% interest in the Office Joint Venture in which we are a member. Our obligation to the Office Joint Venture is generally limited to our initial contribution. We are not obligated to make any capital contributions beyond our initial contribution. The Office Joint Venture, through various subsidiary borrowers, obtained acquisition financing for the Office Portfolio comprised of (a) a $736.0 million mortgage loan (the "Mortgage Loan"), and (b) a $194.8 million mezzanine loan (the "Mezzanine Loan", and together with the Mortgage Loan, the "Office JV Loans"). The initial maturity date of the Office JV Loans is September 9, 2023, subject to two, one-year extension options. The interest rates during the initial term of the Mortgage Loan and the Mezzanine Loan are Term SOFR (1-month) (with a 3% interest rate cap on SOFR) + 3.635% (subject to a 0.25% increase during each extension term) and Term SOFR (1-month) with a 3% interest rate cap on SOFR + 6.574% (subject to a 0.25% increase during each extension term), respectively. We have not guaranteed any debt obligations and have not otherwise committed to providing financial support in respect of the debt. In addition, we do not anticipate receiving any near-term cash flow distributions. Considering our limited economic exposure to the Office Joint Venture, we exclude interests in the assets in the Office Joint Venture from operating data (including annualized base rent and leasing and occupancy percentages).

In connection with the Office JV Loans, GRT OP and GRT VAO Sub entered into a certain Put Agreement with JPMorgan Chase Bank, National Association ("JPM"), pursuant to which JPM had the right to put to GRT OP and GRT VAO Sub a portion of its interest in the Mezzanine Loan in the principal face amount of $39.3 million (the "Mezzanine Interest"). On September 29, 2022, JPM sold to GRT VAO Sub the Mezzanine Interest for approximately $34.4 million, which is included in the line item "Investments in unconsolidated entities" in the consolidated balance sheets. No gain or loss was recorded on the put purchase, as the purchase price was at fair value.

On July 1, 2021, we changed our name from Griffin Capital Essential Asset REIT, Inc. to Griffin Realty Trust, Inc. and our operating partnership changed its name from Griffin Capital Essential Asset Operating Partnership L.P. to GRT OP, L.P.

On March 1, 2021, we completed our acquisition of Cole Office & Industrial REIT (CCIT II), Inc. ("CCIT II") for approximately $1.3 billion, including transaction costs, in a stock-for-stock transaction (the "CCIT II Merger"). At the effective time of the CCIT II Merger, each issued and outstanding share of CCIT II Class A common stock and each issued and outstanding share of CCIT II Class T common stock was converted into the right to receive 1.392 shares of our Class E common stock.

As of September 30, 2022, our wholly-owned properties consisted of 79 properties in 24 states and excludes the properties included in the Office Joint Venture, as discussed above. Our contractual base rent before abatements and deducting base year operating expenses for gross and modified gross leases multiplied by 12 months ("Annualized Base Rents") as of September 30, 2022 is approximately $242.6 million. As of September 30, 2022 our portfolio was approximately 95.6% leased (based on square footage), 95.1% occupied (based on square footage) with a weighted average remaining lease term of 7.0 years, and had a weighted average annual rent increase of approximately 2.0%. Approximately 59.9% of our Annualized Base

Rents as of September 30, 2022 is expected to be generated by properties leased and/or guaranteed, directly or indirectly, by companies that have investment grade credit ratings or what management believes are generally equivalent ratings. Management can provide no assurance as to the comparability of these ratings methodologies or that any particular rating for a company is indicative of the rating that a single Nationally Recognized Statistical Rating Organization ("NRSRO") would provide in the event that it rated all companies for which the Company provides credit ratings; to the extent such companies are rated only by non-NRSRO ratings providers, such ratings providers may use methodologies that are different and less rigorous than those applied by NRSROs; moreover, because we provide credit ratings for some companies that are non-guarantor parents of our tenants, such credit ratings may not be indicative of the creditworthiness of the relevant tenants.

COVID-19 and Outlook

We are closely monitoring the continued impact of the COVID-19 pandemic on all aspects of our business and geographies, including how it has impacted, and may continue to impact, our tenants and business partners. We cannot predict when pandemic related restrictions currently in place will be lifted to some extent or entirely, and to whether or not restrictions though currently lifted, may later be put back in place. Demand for office space nationwide has declined and may continue to decline due to the current economic downturn, bankruptcies, downsizing, layoffs, government regulations and restrictions on travel and permitted businesses operations that may be extended in duration and become recurring, increased usage of teleworking arrangements and cost cutting resulting from the pandemic, which could lead to lower office occupancy. We expect such decline in demand for office space to have a negative impact on our ability to renew and replace office leases as they expire, including the office leases in the more than 3.2% of lease expirations (as a percentage of Annualized Base Rent) that are scheduled to occur prior to or at the end of 2023. See "Revenue Concentration" below.

While we did not incur significant disruptions from the COVID-19 pandemic during the nine months ended September 30, 2022, we are unable to predict the impact that the COVID-19 pandemic will have on our financial condition, results of operations and cash flows due to numerous uncertainties. As of November 2, 2022 we have received approximately 100% of our portfolio rent payments for July-October. We are unable to predict the amount of future rent relief inquiries and our prior rent collections and rent relief requests to-date may not be indicative of collections or requests in any future period.

NAV and NAV per Share Calculation

On October 1, 2021, we reported that we had temporarily suspended our quarterly publishing of NAV per share of common stock. Our Board authorized the suspension in light of us being in pursuit of certain strategic initiatives. The Board has determined it is appropriate for us to resume publishing the NAV per share of common stock and to plan to continue doing so on an annual basis (or more frequently should the Board determine that it is in our best interest to do so in light of significant developments that could affect NAV per share).

Set forth are the components of NAV as of June 30, 2022 and June 30, 2021, calculated in accordance with our valuation procedures (in thousands, except share and per share amounts):

	June 30, 2022	June 30, 2021
Real Estate Asset Fair Value (Industrial)	$ 1,102,203	$ 977,261
Real Estate Asset Fair Value (Office, including land parcel)	3,712,649	4,639,644
Goodwill (Management Company Value)	230,000	230,000
Interest Rate Swaps at Fair Value	21,462	(39,317)
Perpetual Convertible Preferred Stock	(125,000)	(125,000)
Other Assets, net	156,860	96,635
Total Debt at Fair Value	(2,457,002)	(2,537,117)
Consolidated NAV	**$ 2,641,172**	**$ 3,242,106**
Total Shares and OP Units Outstanding	355,905,189	356,167,456
Consolidated NAV per share	$ 7.42	$ 9.10

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The following table sets forth the changes to the components of NAV for the Registrant and the reconciliation of NAV changes for each class of shares (dollars in thousands, except share and per share amounts):

	Share Classes							
	Class T	Class S	Class D	Class I	Class E	IPO [(1)]	OP Units	Total
NAV as of June 30, 2021	**$ 5,193**	**$ 16**	**$ 382**	**$ 17,565**	**$ 2,267,807**	**$ 660,434**	**$ 290,709**	**$ 3,242,106**
Fund level changes to NAV								
Unrealized gain on net assets	(911)	(3)	(68)	(3,075)	(395,791)	(115,270)	(50,771)	(565,889)
Unrealized loss on interest rate swaps	98	—	7	330	42,495	12,392	5,457	60,779
Dividend accrual	(109)	—	(10)	(502)	(65,243)	(19,196)	(8,365)	(93,425)
Class specific changes to NAV								
Stockholder servicing fees/distribution fees	(40)	—	(1)	—	—	—	—	(41)
NAV as of June 30, 2022 before share/unit sale/redemption activity	**$ 4,231**	**$ 13**	**$ 310**	**$ 14,318**	**$ 1,849,268**	**$ 538,360**	**$ 237,030**	**$ 2,643,530**
Shares/ OP Units sale/redemption activity- Dollars								
Amount sold	$ 22	$ —	$ 3	$ 124	$ 8,732	$ 2,767	$ —	$ 11,648
Amount redeemed and to be paid	—	—	—	(79)	(10,732)	(3,195)	—	(14,006)
NAV as of June 30, 2022	**$ 4,253**	**$ 13**	**$ 313**	**$ 14,363**	**$ 1,847,268**	**$ 537,932**	**$ 237,030**	**$ 2,641,172**
Shares/ OP Units outstanding as of June 30, 2021	**562,852**	**1,802**	**41,709**	**1,907,000**	**248,738,990**	**73,076,204**	**31,838,899**	**356,167,456**
Shares/ OP Units sold	2,408	—	309	13,432	958,493	306,677	—	1,281,319
Shares/ OP Units redeemed	—	—	—	(8,610)	(1,180,723)	(354,253)	—	(1,543,586)
Shares/units outstanding as of June 30, 2022	**565,260**	**1,802**	**42,018**	**1,911,822**	**248,516,760**	**73,028,628**	**31,838,899**	**355,905,189**
NAV per share as of June 30, 2021	**$ 9.23**	**$ 9.22**	**$ 9.21**	**$ 9.21**	**$ 9.12**	**$ 9.04**		**$ 9.10**
Change in NAV per share/unit	(1.70)	(1.70)	(1.70)	(1.70)	(1.69)	(1.67)		(1.68)
NAV per share as of June 30, 2022	**$ 7.53**	**$ 7.52**	**$ 7.51**	**$ 7.51**	**$ 7.43**	**$ 7.37**		**$ 7.42**

(1) IPO shares include Class A, Class AA, and Class AAA shares.

Our valuation methodology began with appraisals of each of our 121 developed real estate assets as of June 30, 2022. Our independent valuation firm utilized the discounted cash flow approach to create a range of values for each of these developed properties. With respect to the Lynnwood land parcel, the independent valuation firm relied on the comparable market transactions approach.

The independent valuation firm calculated the discounted cash flow value of each of the 121 developed properties by applying ranges of discount rates and terminal capitalization rates to property-level cash flow estimates. These ranges were developed based on comparable market transactions and were adjusted for unique property- and market-specific factors. The independent valuation firm determined that the value of the land parcel remained consistent with its previously ascribed value after consideration of recent comparable transactions.

The following reflects (i) the range of real estate values, cash flow discount rates and terminal capitalization rates for the 121 developed properties using the discounted cash flow approach, and (ii) the land parcel value, consistent with its previously ascribed value.

Industrial Valuation Rates (Wtd. Avg.)

	Low	Midpoint	High
Cash Flow Discount Rate	5.87 %	6.13 %	6.38 %
Terminal Capitalization Rate	4.87 %	5.12 %	5.38 %

Office Valuation Rates (Wtd. Avg.)

	Low	Midpoint	High
Cash Flow Discount Rate	7.92 %	8.18 %	8.43 %
Terminal Capitalization Rate	7.14 %	7.40 %	7.64 %

Real Estate Values (in thousands, except per share amount)

	Low	Midpoint	High
Industrial	$ 1,102,203	$ 1,160,787	$ 1,225,884
Office, including land parcel	3,712,649	3,860,354	4,019,094
Total Real Estate Value	**$ 4,814,852**	**$ 5,021,141**	**$ 5,244,978**
Impact to NAV Per Share	**$ —**	**$ 0.58**	**$ 1.21**

Valuations for most property types continue to fluctuate due to weakness in current real estate capital markets as a result of economic uncertainty, rising concern about inflation and higher interest rates, and the reluctance to transact in various asset classes. The markets are causing office and industrial assets to experience divergent prospects: office valuations have been negatively impacted due to, among other things, pandemic-related work-from-home trends. Industrial valuations have generally improved over the last year due to, among other things, increased demand for warehouse and distribution infrastructure to meet the needs of increased e-commerce. Given this market volatility, and our own observations as we pursue sales of properties as part of our strategic monetization plan, in determining our updated NAV we selected the lower end of the range of real estate values calculated by our independent valuation firm. Our NAV estimates may be updated in the future as a result of our future transaction activity or other significant developments that could affect our NAV per share.

Revenue Concentration

No tenant or property, based on Annualized Base Rents as of September 30, 2022, pursuant to the respective in-place leases, was greater than 6.7% as of September 30, 2022.

The percentage of Annualized Base Rents as of September 30, 2022 by state, based on the respective in-place leases, is as follows (dollars in thousands):

State	Annualized Base Rents (unaudited)	Number of Properties	Percentage of Annualized Base Rents
Arizona	$ 22,016	6	9.1 %
Texas	20,641	7	8.5
California	19,838	5	8.2
New Jersey	18,810	5	7.8
Ohio	18,513	6	7.6
Massachusetts	16,673	5	6.9
Colorado	16,019	6	6.6
Alabama	13,503	3	5.6
Illinois	12,976	4	5.3
South Carolina	11,695	3	4.8
All Others (1)	71,926	29	29.6
Total	$ 242,610	79	100.0 %

(1) All others are 4.3% or less of Annualized Base Rents on an individual state basis.

The percentage of Annualized Base Rents as of September 30, 2022, by industry, based on the respective in-place leases, is as follows (dollars in thousands):

Industry (1)	Annualized Base Rents (unaudited)	Number of Lessees	Percentage of Annualized Base Rents
Capital Goods	$ 38,574	16	15.9 %
Consumer Services	23,608	6	9.7
Materials	19,764	5	8.1
Technology Hardware & Equipment	18,720	6	7.7
Food, Beverage & Tobacco	16,455	3	6.8
E-Commerce	16,266	1	6.7
Energy	15,814	3	6.5
Health Care Equipment & Services	13,794	6	5.7
Commercial & Professional Services	12,339	7	5.1
Consumer Durables & Apparel	11,751	4	4.8
All Others (2)	55,525	24	23.0
Total	$ 242,610	81	100.0 %

(1) Industry classification based on the Global Industry Classification Standard.
(2) All others account for less than 4.6% of total Annualized Base Rents on an individual industry basis.

The percentage of Annualized Base Rents as of September 30, 2022, for the top 10 tenants, based on the respective in-place leases, is as follows (dollars in thousands):

Tenant	Annualized Base Rents	Percentage of Annualized Base Rents
Amazon.com Inc.	$ 16,266	6.7 %
Keurig Dr. Pepper, Inc.	$ 11,419	4.7 %
Wood Group USA, Inc.	$ 10,036	4.1 %
Southern Company Services, Inc.	$ 9,043	3.7 %
LPL Holdings, Inc.	$ 8,404	3.5 %
Freeport Minerals Corporation	$ 7,867	3.2 %
DigitalGlobe, Inc.	$ 7,535	3.1 %
RH	$ 7,340	3.0 %
Wyndham Hotel Group, LLC	$ 7,265	3.0 %
McKesson Corporation	$ 5,973	2.5 %

The tenant lease expirations by year based on Annualized Base Rents as of September 30, 2022 are as follows (dollars in thousands):

Year of Lease Expiration (1)	Annualized Base Rents	Number of Leases	Approx. Square Feet	Percentage of Annualized Base Rents
2022	$ 1,108	1	70,300	0.5 %
2023	6,437	3	746,600	2.7
2024	23,984	11	2,357,400	9.9
2025	15,488	9	1,217,000	6.4
2026	14,964	5	1,568,700	6.2
2027	22,480	9	1,003,000	9.3
>2028	158,149	56	13,168,000	65.0
Vacant	—	—	924,644	—
Total	$ 242,610	94	21,055,644	100.0 %

(1) Expirations that occur on the last day of the month are shown as expiring in the subsequent month.

Critical Accounting Estimates

We have established accounting estimates which conform to GAAP in the United States as contained in the FASB ASC. The preparation of our consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. If our judgment or interpretation of the facts and circumstances relating to the various transactions had been different, it is possible that different estimates would have been applied, thus resulting in a different presentation of the financial statements. Additionally, other companies may use different estimates and assumptions that may impact the comparability of our financial condition and results of operations to those companies.

For further information about our critical accounting estimates, refer to our consolidated financial statements and notes thereto for the year ended December 31, 2021 included in our Annual Report on Form 10-K filed with the SEC.

Recently Issued Accounting Pronouncements

See Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*, to the consolidated financial statements.

Results of Operations

Overview

Our ability to re-lease space subject to expiring leases will impact our results of operations and is affected by economic and competitive conditions in our markets. Leases that comprise approximately 3.2% of our Annualized Base Rents will expire during the period from October 1, 2022 to September 30, 2023. We assume, based upon internal renewal probability estimates, that some of our tenants will renew and others will vacate and the associated space will be re-let subject to market leasing assumptions. Using the aforementioned assumptions, we expect that the rental rates on the respective new leases may vary from the rates under existing leases expiring during the period from October 1, 2022 to September 30, 2023, thereby resulting in revenue that may differ from the current in-place rents.

We are not aware of any other material trends or uncertainties, other than as discussed under “COVID-19 and Outlook” above and other than national economic conditions affecting real estate in general, that may reasonably be expected to have a material impact, favorable or unfavorable, on revenues or income from the acquisition, management and operations of properties other than those listed in Part I, Item 1A., Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2021.

Segment Information

The Company internally evaluates all of the properties and interests therein as one reportable segment.

Same Store Analysis

For the three months ended September 30, 2022, our "Same Store" portfolio consisted of 79 properties, encompassing approximately 21.1 million square feet, with an acquisition value of $3.7 billion and Annualized Base Rents as of September 30, 2022 of $242.6 million. Our "Same Store" portfolio includes properties which were held for a full period for all periods presented. The following table provides a comparative summary of the results of operations for the 79 properties for the three months ended September 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended September 30,		Increase/	Percentage
	2022	2021	(Decrease)	Change
Rental income	$ 75,679	$ 75,614	$ 65	— %
Property operating expense	8,375	8,092	283	3 %
Property management fees to non-affiliates	579	574	5	1 %
Property tax expense	6,621	6,004	617	10 %
Depreciation and amortization	37,065	37,106	(41)	— %

Property Tax Expense

Property tax increased by approximately $0.6 million during the three months ended September 30, 2022 is primarily due to one property becoming landlord-managed instead of tenant-managed, which requires us to record property tax expense and corresponding recovery revenue.

For the nine months ended September 30, 2022, our “Same Store” portfolio consisted of 59 properties, encompassing approximately 17.8 million square feet, with an acquisition value of $2.7 billion and annualized base rents of $183.1 million as of September 30, 2022. Our "Same Store" portfolio includes properties which were held for a full period for all periods presented. The following table provides a comparative summary of the results of operations for the 59 properties for the nine months ended September 30, 2022 and 2021 (dollars in thousands):

	Nine Months Ended September 30,		Increase/	Percentage
	2022	2021	(Decrease)	Change
Rental income	$ 178,196	$ 170,226	$ 7,970	5 %
Property operating expense	18,625	18,166	459	3 %
Property management fees to non-affiliates	1,454	1,404	50	4 %
Property tax expense	14,398	13,771	627	5 %
Depreciation and amortization	82,126	74,993	7,133	10 %

Rental Income

Rental income increased by approximately $8.0 million during the nine months ended September 30, 2022 primarily as a result of (1) an increase of approximately $10.4 million in termination income in the nine months ended September 30, 2022; (2) approximately $2.9 million in leasing activity and amendments to existing tenant leases; (3) approximately $0.4 million of fully amortized and written intangibles in the current period due to terminations or amendments to existing leases; offset by (4) approximately $6.5 million in expiring leases and terminations.

Property Tax Expense

Property tax increased by approximately $0.6 million during the nine months ended September 30, 2022 is primarily due to one property becoming landlord-managed instead of tenant-managed, which requires us to record property tax expense and corresponding recovery revenue.

Depreciation and Amortization

Depreciation and amortization increased by approximately $7.1 million during the nine months ended September 30, 2022 as a result of (1) $6.0 million in accelerated amortization due to early terminated leases during 2022; and (2) approximately $1.0 million due to new assets being placed into service.

Portfolio Analysis

Comparison of the Three Months Ended September 30, 2022 and 2021

The following table provides summary information about our results of operations for the three months ended September 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended September 30,		Increase/ (Decrease)	Percentage Change
	2022	2021		
Rental income	$ 101,330	$ 120,568	$ (19,238)	(16)%
Property operating expense	13,716	15,830	(2,114)	(13)%
Property tax expense	9,737	10,684	(947)	(9)%
Property management fees to non-affiliates	823	1,017	(194)	(19)%
General and administrative expenses	9,772	10,462	(690)	(7)%
Corporate operating expenses to affiliates	140	630	(490)	(78)%
Depreciation and amortization	42,628	55,269	(12,641)	(23)%
Impairment provision	10,697	—	10,697	100 %
Interest expense	24,283	21,485	2,798	13 %
Debt breakage costs	13,249	—	13,249	100 %
Transaction expense	234	—	234	100 %
Loss from disposition of assets	95,513	—	95,513	100 %

Rental Income

The decrease in rental income of $19.2 during the three months ended September 30, 2022 compared to the same period a year ago is primarily the result of (1) a decrease of $14.3 million in rental income due to the sale of the Office Portfolio in August 2022; (2) a decrease of approximately $3.7 million due to expiring leases and terminations; (3) an approximately $1.5 million decrease in prior year operating expense concessions expirations and common area reconciliation; offset by (4) approximately $2.2 million in new leasing activity and amendments to existing tenant leases.

Property Operating Expense

The decrease in property operating expense of $2.1 million during three months ended September 30, 2022 compared to the same period a year ago is primarily the result of the sale of the Office Portfolio in August 2022.

Property Tax Expense

The decrease in property tax expense of approximately $0.9 million during the three months ended September 30, 2022 compared to the same period a year ago is primarily the result of (1) a decrease of approximately $1.5 million as a result of the Office Portfolio sale in August 2022; (2) offset by approximately $0.5 million due to one property becoming landlord-managed instead of tenant-managed, which requires us to record property tax expense and corresponding recovery revenue.

General and Administrative Expenses

General and administrative expenses decreased by approximately $0.7 million during the three months ended September 30, 2022 compared to the same period a year ago primarily due to (1) an approximately $0.7 million decrease in professional fees during the three months ended September 30, 2022; (2) approximately $0.6 million in lower corporate payroll expense as a result of a reduction of employee count; offset by (3) an increase of $0.8 million in employee stock-based compensation expense due to timing of the 2022 grant.

Corporate Operating Expenses to Affiliates

The decrease in corporate operating expense to affiliates of approximately $0.5 million during the three months ended September 30, 2022 is the result of an amendment to the Administrative Services Agreement in the current year, which reduces the services provided.

Depreciation and Amortization

Depreciation and amortization decreased by approximately $12.6 million during the three months ended September 30, 2022 as a result of (1) approximately $11.9 million related to the sale of the Office Portfolio in August 2022 and one property in September 2022; (2) approximately $0.4 million in accelerated amortization of intangibles due to early terminated leases; offset by (3) approximately $0.2 million of new assets being placed into service.

Impairment Provision

The increase in impairment provision of approximately $10.7 million for the three months ended September 30, 2022 compared to the same period a year ago is primarily the result of an impairment at one office property located in the Southern United States recorded during the period in connection with the preparation and review of the financial statements.

Interest Expense

Interest expense increased by approximately $2.8 million during the three months ended September 30, 2022 due to (1) approximately $7.7 million higher in interest rates during the three months ended September 30, 2022 compared to the same period prior; (2) write off of approximately $1.8 million of financing costs related to the early payoff of the 2023 Term Loan, Midland Mortgage Loan, and Bank of America Loan; offset by (3) $4.2 million hedge for the interest rate swaps; (4) $1.5 million decrease due to the payoff of the Midland Mortgage Loan; (5) $1.0 million decrease due to the paydown of the Revolver Line of Credit.

Debt Breakage Costs

Debt breakage costs increased by approximately $13.2 million during the three months ended September 30, 2022 due to prepayment penalties for the payoff of the Midland Mortgage Loan of approximately $0.9 million and the Bank of America Loan of approximately $12.3 million.

Loss From Disposition of Assets

The loss from disposition of assets of approximately $95.5 million during the three months ended September 30, 2022 compared to the same period a year ago is primarily the result of a $105.9 million loss driven by the sale of the Office Portfolio in August 2022, offset by the gain of $10.4 million driven by the sale of one property in September 2022.

Comparison of the Nine Months Ended September 30, 2022 and 2021

The following table provides summary information about our results of operations for the nine months ended September 30, 2022 and 2021 (dollars in thousands):

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Increase/ (Decrease)	Percentage Change
Rental income	$ 340,592	$ 340,747	$ (155)	— %
Property operating expense	43,094	44,572	(1,478)	(3)%
Property tax expense	31,252	30,541	711	2 %
Property management fees to non-affiliates	2,907	3,015	(108)	(4)%
General and administrative expenses	28,187	30,129	(1,942)	(6)%
Corporate operating expenses to affiliates	1,065	1,890	(825)	(44)%
Depreciation and amortization	155,470	154,716	754	— %
Impairment provision	86,254	4,242	82,012	1,933 %
Interest expense	68,315	63,662	4,653	7 %
Debt breakage costs	13,249	—	13,249	100 %
Loss from disposition of assets	95,513	326	95,187	29,198 %
Transaction expense	8,662	—	8,662	100 %

General and Administrative Expenses

General and administrative expenses decreased by approximately $1.9 million during the nine months ended September 30, 2022 compared to the same period a year ago primarily due to (1) an approximately $1.0 million decrease in corporate payroll due to a reduced headcount; and (2) an approximately $0.7 million decrease in professional fees during nine months ended September 30, 2022; (3) an approximately $0.4 million decrease in state taxes compared to the same period a year ago; offset by (4) an increase of approximately $0.4 million in employee stock-based compensation during the nine months ended September 30, 2022.

Corporate Operating Expenses to Affiliates

The decrease in corporate operating expense to affiliates of approximately $0.8 million during the nine months ended September 30, 2022 is the result of an amendment to the Administrative Services Agreement in the current year, which reduces the services provided.

Impairment Provision

The increase in impairment provision of approximately $82.0 million for the nine months ended September 30, 2022 compared to the same period a year ago is primarily the result of larger impairments at five properties located in the Midwest, Southwest, and Southern region of the United States incurred during the period.

Interest Expense

The increase in interest expense of approximately $4.7 million for the nine months ended September 30, 2022 compared to the same period a year ago is the result of (1) an approximately $11.0 million increase in interest rates on our variable rate debt; (2) a write off of approximately $1.8 million of financing costs related to the early payoff of the 2023 Term Loan, Midland Mortgage Loan and Bank of America Loan; offset by (3) $5.4 million hedge for the interest rate swaps; (4) $1.5 million decrease due to the payoff of the Midland Mortgage Loan; and (5) $1.0 million decrease due to the paydown of the Revolver Line of Credit.

Debt Breakage costs

Debt breakage costs increased by approximately $13.2 million during the nine months ended September 30, 2022 due to prepayment penalties for the payoff of the Midland Mortgage Loan of approximately $0.9 million and the Bank of America Loan of approximately $12.3 million.

(Loss) Gain from Disposition of Assets

The loss from disposition of assets of approximately $95.2 million during the nine months ended September 30, 2022 compared to the same period a year ago is primarily the result of a $105.9 million loss driven by the sale of the Office Portfolio in August 2022, offset by a gain of $10.4 million from the sale of one property in September 2022.

Transaction Expense

The increase of transaction expense of approximately $8.7 million during the nine months ended September 30, 2022 compared to the same period a year prior is due to the timing of costs incurred related to strategic transactions.

Funds from Operations and Adjusted Funds from Operations

Our management believes that historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient.

Management is responsible for managing interest rate, hedge and foreign exchange risks. To achieve our objectives, we may borrow at fixed rates or variable rates. In order to mitigate our interest rate risk on certain financial instruments, if any, we may enter into interest rate cap agreements or other hedge instruments and in order to mitigate our risk to foreign currency exposure, if any, we may enter into foreign currency hedges. We view fair value adjustments of derivatives, impairment charges and gains and losses from dispositions of assets as non-recurring items or items which are unrealized and may not ultimately be realized, and which are not reflective of ongoing operations and are therefore typically adjusted for when assessing operating performance.

In order to provide a more complete understanding of the operating performance of a REIT, the National Association of Real Estate Investment Trusts ("NAREIT") promulgated a measure known as Funds from Operations ("FFO"). FFO is defined as net income or loss computed in accordance with GAAP, excluding extraordinary items, as defined by GAAP, and gains and losses from sales of depreciable operating property, adding back asset impairment write-downs, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), and after adjustment for unconsolidated partnerships, joint ventures and preferred distributions. Because FFO calculations exclude such items as depreciation and amortization of real estate assets and gains and losses from sales of operating real estate assets (which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates), they facilitate comparisons of operating performance between periods and between other REITs. As a result, we believe that the use of FFO, together with the required GAAP presentations, provides a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities. It should be noted, however, that other REITs may not define FFO in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently than we do, making comparisons less meaningful.

Additionally, we use Adjusted Funds from Operations ("AFFO") as a non-GAAP financial measure to evaluate our operating performance. AFFO excludes non-routine and certain non-cash items such as revenues in excess of cash received, amortization of stock-based compensation net, deferred rent, amortization of in-place lease valuation, acquisition-related costs, financed termination fee, net of payments received, gain or loss from the extinguishment of debt, unrealized gains (losses) on derivative instruments, write-off transaction costs and other one-time transactions. FFO and AFFO have been revised to include amounts available to both common stockholders and limits partners for all periods presented.

AFFO is a measure used among our peer group, which includes daily NAV REITs. We also believe that AFFO is a recognized measure of sustainable operating performance by the REIT industry. Further, we believe AFFO is useful in comparing the sustainability of our operating performance with the sustainability of the operating performance of other real estate companies.

Management believes that AFFO is a beneficial indicator of our ongoing portfolio performance and ability to sustain our current distribution level. More specifically, AFFO isolates the financial results of our operations. AFFO, however, is not considered an appropriate measure of historical earnings as it excludes certain significant costs that are otherwise included in reported earnings. Further, since the measure is based on historical financial information, AFFO for the period presented may not be indicative of future results or our future ability to pay our dividends. By providing FFO and AFFO, we present information that assists investors in aligning their analysis with management's analysis of long-term operating activities.

For all of these reasons, we believe the non-GAAP measures of FFO and AFFO, in addition to income (loss) from operations, net income (loss) and cash flows from operating activities, as defined by GAAP, are helpful supplemental performance measures and useful to investors in evaluating the performance of our real estate portfolio. However, a material limitation associated with FFO and AFFO is that they are not indicative of our cash available to fund distributions since other uses of cash, such as capital expenditures at our properties and principal payments of debt, are not deducted when calculating

FFO and AFFO. The use of AFFO as a measure of long-term operating performance on value is also limited if we do not continue to operate under our current business plan as noted above. AFFO is useful in assisting management and investors in assessing our ongoing ability to generate cash flow from operations and continue as a going concern in future operating periods, and in particular, after the offering and acquisition stages are complete. However, FFO and AFFO are not useful measures in evaluating NAV because impairments are taken into account in determining NAV but not in determining FFO and AFFO. Therefore, FFO and AFFO should not be viewed as a more prominent measure of performance than income (loss) from operations, net income (loss) or to cash flows from operating activities and each should be reviewed in connection with GAAP measurements.

Neither the SEC, NAREIT, nor any other applicable regulatory body has opined on the acceptability of the adjustments contemplated to adjust FFO in order to calculate AFFO and its use as a non-GAAP performance measure. In the future, the SEC or NAREIT may decide to standardize the allowable exclusions across the REIT industry, and we may have to adjust the calculation and characterization of this non-GAAP measure.

Our calculation of FFO and AFFO is presented in the following table for the three and nine months ended September 30, 2022 and 2021 (dollars in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (loss) income	$ (119,373)	$ 5,207	$ (193,240)	$ 7,894
Adjustments:				
Depreciation of building and improvements	26,268	33,074	90,855	92,353
Amortization of leasing costs and intangibles	16,456	22,286	64,889	62,621
Impairment provision	10,697	—	86,254	4,242
Loss from disposition of assets, net	95,513	—	95,513	327
Equity interest of gain on sale - unconsolidated entities	—	—	—	(8)
FFO	29,561	60,567	144,271	167,429
Distribution to redeemable preferred shareholders	(2,516)	(2,464)	(7,548)	(7,182)
FFO attributable to common stockholders and limited partners	$ 27,045	$ 58,103	$ 136,723	$ 160,247
Reconciliation of FFO to AFFO:				
FFO attributable to common stockholders and limited partners	$ 27,045	$ 58,103	$ 136,723	$ 160,247
Adjustments:				
Revenues in excess of cash received, net	(3,521)	(4,876)	(10,208)	(11,419)
Amortization of share-based compensation	2,698	1,888	6,141	5,718
Deferred rent - ground lease	490	516	1,518	1,548
Unrealized loss (gain) on investments	22	26	180	(10)
Loss on extinguishment of debt — write-off of deferred financing costs	1,771	—	1,771	—
Amortization of above/(below) market rent, net	(436)	(839)	(1,282)	(632)
Amortization of debt premium/(discount), net	103	103	306	306
Amortization of ground leasehold interests	(95)	(91)	(274)	(259)
Amortization of below tax benefit amortization	377	377	1,117	876
Write-off of transaction costs	—	16	28	62
Employee separation expense	—	—	72	—
Transaction expenses	234	—	8,663	—
Debt breakage costs	13,249	—	13,249	—
AFFO available to common stockholders and limited partners	$ 41,937	$ 55,223	$ 158,004	$ 156,437
FFO per share, basic and diluted	$ 0.08	$ 0.16	$ 0.38	$ 0.48
AFFO per share, basic and diluted	$ 0.12	$ 0.15	$ 0.44	$ 0.47
Weighted-average common shares outstanding - basic EPS	324,732,268	324,479,039	324,698,525	304,211,053
Weighted-average OP Units	31,838,890	31,838,890	31,838,890	31,838,890
Weighted-average common shares and OP Units outstanding - basic and diluted FFO/AFFO	356,571,158	356,317,929	356,537,415	336,049,943

Liquidity and Capital Resources

Property rental income is our primary source of operating cash flow and is dependent on a number of factors including occupancy levels and rental rates, as well as the ability and willingness of our tenants' to pay rent. Our assets provide a relatively consistent level of cash flow that enables us to pay operating expenses, distributions, including preferred equity distribution, redemptions, and for the payment of debt service on our outstanding indebtedness, including repayment of our Second Amended and Restated Credit Agreement, and property secured mortgage loans. Generally, we anticipate that cash needs will be met from funds from operations and our credit facility. We anticipate that cash flows from continuing operations and proceeds from financings, together with existing cash balances, will be adequate to fund our business operations, debt amortization, capital expenditures, distributions and other requirements over the next 12 months and in the longer term.

Financing Activities

Second Amended and Restated Credit Agreement

Pursuant to the Second Amended and Restated Credit Agreement, we, through the GRT OP as the borrower, have been initially provided with a $1.9 billion credit facility consisting of the Revolving Credit Facility initially scheduled to mature in June 2022 with (subject to the satisfaction of certain customary conditions) four three-month extension options, the $200M 5-Year Term Loan, the $400M 5-Year Term Loan, the $400M 5-Year Term Loan 2025, and the $150M 7-Year Term Loan. The $200M 5-Year Term Loan was paid off as discussed in Note 5, *Deb*t to the consolidated financial statements. The credit facility also provides the option, subject to obtaining additional commitments from lenders and certain other customary conditions, to increase the commitments under the Revolving Credit Facility, increase the existing term loans and/or incur new term loans by up to an additional $600 million in the aggregate. As of September 30, 2022, the remaining undrawn capacity under the Revolving Credit Facility was $249.8 million.

On April 28, 2022, we, through the GRT OP, entered into the Fourth Amendment, which amended our maturity extension on the Revolving Credit Facility from a one-year extension option (to June 2023) to a series of three-month extension options (to September 28, 2022, December 28, 2022, March 28, 2023 and June 28, 2023, respectively). The exercise of each extension option requires the payment of a fee of 0.05% on the extended revolving loan commitments and is subject to certain other customary conditions. On May 24, 2022, we exercised the first three-month extension option on the Revolving Credit Facility, which extended the maturity date from June 28, 2022 to September 28, 2022.

Fifth Amendment to Amended and Restated Credit Agreement

Pursuant to the Fifth Amendment to the Second Amended and Restated Credit Agreement, on September 28, 2022, we extended the maturity date on the Revolving Credit Facility from September 28, 2022 to September 30, 2023 and amended the maturity date extension options to a series of three three-month extensions (to December 30, 2023, March 30, 2024 and June 30, 2024, respectively). In addition, the contract interest rate was amended from LIBOR to Secured Overnight Financing Rate ("SOFR") plus 0.10% per annum (combined "Adjusted SOFR").

Based on the terms as of September 30, 2022, the interest rate for the credit facility varies based on our consolidated leverage ratio and ranges (a) in the case of the Revolving Credit Facility, from Adjusted SOFR plus 1.30% to Adjusted SOFR plus 2.20%, (b) in the case of each of the $400M 5-Year Term Loan, the $400M 5-Year Term Loan, and the $150M 7-Year Term Loan from Adjusted SOFR plus 1.25% to Adjusted SOFR plus 2.15%. If the GRT OP obtains an investment grade rating of its senior unsecured long term debt from Standard & Poor's Rating Services, Moody's Investors Service, Inc., or Fitch, Inc., the applicable SOFR margin and base rate margin will vary based on such rating and range (i) in the case of the Revolving Credit Facility, from Adjusted SOFR plus 0.825% to Adjusted SOFR plus 1.55%, (ii) in the case of each of the $400M 5-Year Term Loan and the $400M 5-Year Term Loan 2025, from Adjusted SOFR plus 0.90% to Adjusted SOFR plus 1.75% and (iii) in the case of the $150M 7-Year Term Loan, from Adjusted SOFR plus 1.40% to Adjusted SOFR plus 2.35%. The Second Amended and Restated Credit Agreement provides procedures for determining a replacement reference rate in the event that LIBOR is discontinued. See Part I "Item 1A. Risk Factors", of our Annual Report on Form 10-K for the year ended December 31, 2021 for a discussion about risks that the replacement of LIBOR with an alternative reference rate may adversely affect interest rates on our current or future indebtedness and may otherwise adversely affect our financial condition and results of operations.

Derivative Instruments

As discussed in Note 6, *Interest Rate Contracts,* to the consolidated financial statements, we entered into interest rate swap agreements to hedge the variable cash flows associated with certain existing or forecasted, LIBOR-based variable-rate debt, including our Second Amended and Restated Credit Agreement. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Derivatives were used to hedge the variable cash flows associated with existing variable-rate debt and forecasted issuances of debt. The ineffective portion of the change in the fair value of the derivatives is recognized directly in earnings.

The following table sets forth a summary of the interest rate swaps at September 30, 2022 and December 31, 2021 (dollars in thousands):

				Fair Value [(1)]		Current Notional Amounts	
Derivative Instrument	Effective Date	Maturity Date	Interest Strike Rate	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Assets/(Liabilities)							
Interest Rate Swap	3/10/2020	7/1/2025	0.83%	$ 13,018	$ 1,648	$ 150,000	$ 150,000
Interest Rate Swap	3/10/2020	7/1/2025	0.84%	8,673	1,059	100,000	100,000
Interest Rate Swap	3/10/2020	7/1/2025	0.86%	6,453	749	75,000	75,000
Interest Rate Swap	7/1/2020	7/1/2025	2.82%	4,324	(7,342)	125,000	125,000
Interest Rate Swap	7/1/2020	7/1/2025	2.82%	3,428	(5,909)	100,000	100,000
Interest Rate Swap	7/1/2020	7/1/2025	2.83%	3,430	(5,899)	100,000	100,000
Interest Rate Swap	7/1/2020	7/1/2025	2.84%	3,398	(5,958)	100,000	100,000
Total				$ 42,724	$ (21,652)	$ 750,000	$ 750,000

(1) We record all derivative instruments on a gross basis in the consolidated balance sheets, and accordingly, there are no offsetting amounts that net assets against liabilities. As of September 30, 2022, derivatives where in an asset/liability position are included in the line item “Interest rate swap assets” or "Interest rate swap liability," in the consolidated balance sheets at fair value.

Common Equity

Follow-On Offering

On September 20, 2017, we commenced a follow-on offering of up to $2.2 billion of shares, consisting of up to $2.0 billion of shares in our primary offering and $0.2 billion of shares pursuant to our DRP (collectively, the "Follow-On Offering"). Pursuant to the Follow-On Offering, we offered to the public four new classes of shares of our common stock: Class T shares, Class S shares, Class D shares, and Class I shares with NAV-based pricing. The share classes have different selling commissions, dealer manager fees, and ongoing distribution fees and eligibility requirements.

The Follow-On Offering terminated with the expiration of the registration statement on September 20, 2020.

Distribution Reinvestment Plan

On July 17, 2020, we filed a registration statement on Form S-3 for the registration of up to $100 million in shares pursuant to our DRP (the “DRP Offering”). The DRP Offering may be terminated at any time upon 10 days prior written notice to stockholders. As of September 30, 2022, we had sold 35,519,781 shares for approximately $341.1 million in our DRP Offering.

On October 1, 2021, the Company announced a suspension of our DRP, effective October 11, 2021, which remained in effect as of the date of this filing.

Share Redemption Program

Under parameters established by our Board in 2020 under the SRP, redemptions through September 30, 2021 were limited to those sought upon a stockholder's death, qualifying disability, or determination of incompetence in accordance with the terms of the SRP, and the quarterly cap on aggregate redemptions was equal to the aggregate NAV, as of the last business day of the previous quarter, of the shares issued pursuant to the DRP during such quarter. Settlements of share redemptions are made within the first three business days of the following quarter. During the three months ended September 30, 2022, we redeemed 673,649 shares.

On October 1, 2021, the Company announced a suspension of our SRP beginning with the next cycle commencing fourth quarter 2021. The Company announced on August 5, 2022 that it had amended and restated the SRP effective as of August 5, 2022 and that redemptions upon death, qualifying disability or determination of incompetence would resume for the third quarter of 2022.

Perpetual Convertible Preferred Shares

Upon consummation of the EA Mergers, we issued 5,000,000 Series A Preferred Shares to the Purchaser (defined below). We assumed the purchase agreement (the "Purchase Agreement") that EA-1 entered into on August 8, 2018 with SHBNPP Global Professional Investment Type Private Real Estate Trust No. 13(H) (acting through Kookmin Bank as trustee) (the “Purchaser”) and Shinhan BNP Paribas Asset Management Corporation, as an asset manager of the Purchaser, pursuant to which the Purchaser agreed to purchase an aggregate of 10,000,000 shares of EA-1 Series A Cumulative Perpetual Convertible Preferred Stock at a price of $25.00 per share (the "EA-1 Series A Preferred Shares") in two tranches, each comprising 5,000,000 EA-1 Series A Preferred Shares.

Pursuant to the Purchase Agreement, the Purchaser has agreed to purchase an additional 5,000,000 Series A Preferred Shares (the “Second Issuance”) at a later date (the “Second Issuance Date”) for an additional purchase price of $125 million subject to approval by the Purchaser’s internal investment committee and the satisfaction of certain conditions set forth in the Purchase Agreement. Pursuant to the Purchaser is generally restricted from transferring the Series A Preferred Shares or the economic interest in the Series A Preferred Shares for a period of five years from the applicable closing date.

Distributions for Perpetual Convertible Preferred Shares

Subject to the terms of the applicable articles supplementary, the holder of the Series A Preferred Shares are entitled to receive distributions quarterly in arrears at a rate equal to one-fourth (1/4) of the applicable varying rate, as follows:

i. 6.55% from and after August 8, 2018 until August 8, 2023, or if the Second Issuance occurs, the five year anniversary of the Second Issuance Date (the “Reset Date”), subject to paragraphs (iii) and (iv) below;

ii. 6.75% from and after the Reset Date, subject to paragraphs (iii) and (iv) below;

iii. if a listing of our Class E shares of common stock or the Series A Preferred Shares on a national securities exchange registered under Section 6(a) of the Exchange Act, does not occur by August 1, 2020 (the “First Triggering Event”), 7.55% from and after August 2, 2020 and 7.75% from and after the Reset Date, subject to paragraph (iv) below and certain conditions as set forth in the articles supplementary; or

iv. if such a listing does not occur by August 1, 2021, 8.05% from and after August 2, 2021 until the Reset Date, and 8.25% from and after the Reset Date.

As of September 30, 2022, our annual distribution rate was 8.05% for the Series A Preferred Shares since no listing of either our Class E common stock or the Series A Preferred Shares occurred prior to August 1, 2021.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Series A Preferred Shares will be entitled to be paid out of our assets legally available for distribution to the stockholders, after payment of or provision for our debts and other liabilities, liquidating distributions, in cash or property at its fair market value as determined by the Board, in the amount, for each outstanding Series A Preferred Share equal to $25.00 per Series A Preferred Share (the “Liquidation Preference”), plus an amount equal to any accumulated and unpaid distributions to the date of payment, before any distribution or payment is made to holders of shares of common stock or any other class or series of equity securities ranking junior to the Series A Preferred Shares but subject to the preferential rights of holders of any class or series of equity securities ranking senior to the Series A Preferred Shares. After payment of the full amount of the Liquidation Preference to which they are entitled, plus an amount equal to any accumulated and unpaid distributions to the date of payment, the holders of Series A Preferred Shares will have no right or claim to any of our remaining assets.

Company Redemption Rights

The Series A Preferred Shares may be redeemed by the Company, in whole or in part, at our option, at a per share redemption price in cash equal to $25.00 per Series A Preferred Share (the “Redemption Price”), plus any accumulated and unpaid distributions on the Series A Preferred Shares up to the redemption date, plus, a redemption fee of 1.5% of the Redemption Price in the case of a redemption that occurs on or after the date of the First Triggering Event, but before August 8, 2023.

Holder Redemption Rights

In the event we fail to effect a listing of our shares of common stock or Series A Preferred Shares by August 1, 2023, the holder of any Series A Preferred Shares has the option to request a redemption of such shares on or on any date following August 1, 2023, at the Redemption Price, plus any accumulated and unpaid distributions up to the redemption date (the "Redemption Right"); provided, however, that no holder of the Series A Preferred Shares shall have a Redemption Right if such a listing occurs prior to or on August 1, 2023.

Conversion Rights

Subject to our redemption rights and certain conditions set forth in the articles supplementary, a holder of the Series A Preferred Shares, at his or her option, will have the right to convert such holder's Series A Preferred Shares into shares of our common stock any time after the earlier of (i) August 8, 2023, or if the Second Issuance occurs, five years from the Second Issuance Date or (ii) a Change of Control (as defined in the articles supplementary) at a per share conversion rate equal to the Liquidation Preference divided by the then Common Stock Fair Market Value (as defined in the articles supplementary).

Other Potential Future Sources of Capital

Other potential future sources of capital include proceeds from potential private or public offerings of our stock or common limited partnership units of the GRT OP ("GRT OP Units"), proceeds from secured or unsecured financings from banks or other lenders, including debt assumed in a real estate acquisition transaction, proceeds from the sale of properties and undistributed funds from operations, and entering into joint venture arrangements to acquire or develop facilities. If necessary, we may use financings or other sources of capital in the event of unforeseen significant capital expenditures. To the extent we are not able to secure additional financing in the form of a credit facility or other third party source of liquidity, we will be heavily dependent upon our current financing and income from operations.

Liquidity Requirements

Our principal liquidity needs for the next 12 months and in the longer term are to fund:

- normal recurring expenses;
- debt service and principal repayment obligations;
- capital expenditures, including tenant improvements and leasing costs;
- redemptions;
- distributions to shareholders, including preferred equity distribution and distributions to holders of GRT OP Units; and
- possible acquisitions of properties.

Our long-term liquidity requirements consist primarily of funds necessary to acquire additional properties and repay indebtedness. We expect to meet our long-term liquidity requirements through various sources of capital, including proceeds from secured or unsecured financings from banks or other lenders, proceeds from the sale of properties and undistributed funds from operations, and entering into joint venture arrangements to acquire or develop facilities. If necessary, we may use financings or other sources of capital in the event of unforeseen significant capital expenditures. To the extent we are not able to secure additional financing in the form of a credit facility, securitization vehicle or other third party source of liquidity, we will be heavily dependent upon our current financing and income from operations. The success of our business strategy will depend, to a significant degree, on our ability to access these various capital sources.

To qualify as a REIT, we must meet a number of organizational and operational requirements on a continuing basis, including the requirement that we annually distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gain, to our stockholders. As a result of this requirement, we cannot rely on retained earnings to fund our business needs to the same extent as other entities that are not REITs. If we do not have sufficient funds available to us from our operations to fund our business needs, we will need to find alternative ways to fund those needs. Such alternatives may include, among other things, divesting ourselves of properties (whether or not the sales price is optimal or otherwise meets our strategic long-term objectives), incurring additional indebtedness or issuing equity securities in public or private transactions, the availability and attractiveness of the terms of which cannot be assured.

Cash Requirements

The Company’s material cash requirements as of September 30, 2022 including the following contractual obligations are as follows (in thousands):

	Payments Due During the Years Ending December 31,		
	Total	Remaining 2022	Thereafter
Outstanding debt obligations [(1)]	$ 1,491,690	$ 1,888	$ 1,489,802
Interest on outstanding debt obligations [(2)]	230,893	15,769	215,124
Ground lease obligations	265,728	743	264,985
Total	$ 1,988,311	$ 18,400	$ 1,969,911

(1) Amounts only include principal payments. The payments on our mortgage debt do not include the premium/discount or debt financing costs.
(2) Projected interest payments are based on the outstanding principal amounts at September 30, 2022. Projected interest payments on the KeyBank National Association (“KeyBank”) loans are based on the contractual interest rates in effect at September 30, 2022.

Capital Expenditures and Tenant Improvement Commitments

As of September 30, 2022, we had aggregate remaining contractual commitments for repositioning, capital expenditure projects, leasing commitments and tenant improvements of approximately $25.8 million.

Summary of Cash Flows

We expect to meet our short-term operating liquidity requirements with operating cash flows generated from our properties and draws from our KeyBank Loans.

Our cash, cash equivalents and restricted cash balances decreased by approximately $79.4 million during the nine months ended September 30, 2022 compared to the same period a year ago and were primarily used in or provided by the following (in thousands):

	Nine Months Ended September 30,		
	2022	2021	Change
Net cash provided by operating activities	$ 135,348	$ 155,777	$ (20,429)
Net cash used in investing activities	$ 921,545	$ (58,876)	$ 980,421
Net cash used in financing activities	$ (1,155,150)	$ (115,709)	$ (1,039,441)

Operating Activities. Cash flows provided by operating activities are primarily dependent on the occupancy level, the rental rates of our leases, the collectability of rent and recovery of operating expenses from our tenants, and the timing of acquisitions. During the nine months ended September 30, 2022, we generated $135.3 million in cash from operating activities compared to $155.8 million for the nine months ended September 30, 2021. Net cash provided by operating activities before changes in operating assets and liabilities for the nine months ended September 30, 2022 increased by approximately $19.8 million to approximately $146.3 million compared to approximately $166.1 million for the nine months ended September 30, 2021.

Investing Activities. Cash provided by investing activities for the nine months ended September 30, 2022 and 2021 consisted of the following (in thousands):

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Increase (decrease)
Sources of cash (used in) provided by investing activities:			
Proceeds from disposition of properties	$ 970,376	$ 22,408	$ 947,968
Distributions of capital from investment in unconsolidated entities	—	37	(37)
Restricted reserves	—	2,795	(2,795)
Total sources of cash provided by investing activities	$ 970,376	$ 25,240	$ 945,136
Uses of cash for investing activities:			
Cash paid in connection with the CCIT II Merger, net of acquisition costs	$ —	$ (36,746)	$ 36,746
Acquisition of properties, net	—	—	—
Restricted reserves	(337)	—	(337)
Payments for construction in progress	(13,715)	(47,123)	33,408
Purchase of investments	(221)	(247)	26
Investment in unconsolidated entities	(34,558)	—	(34,558)
Total uses of cash used in investing activities	$ (48,831)	$ (84,116)	$ 35,285
Net cash used in investing activities	$ 921,545	$ (58,876)	$ 980,421

Financing Activities. Cash used in financing activities for the nine months ended September 30, 2022 and 2021 consisted of the following (in thousands):

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Increase (decrease)
Sources of cash provided by (used in) financing activities:			
Proceeds from borrowings - Term Loan	$ —	$ 400,000	$ (400,000)
Total sources of cash provided by financing activities	$ —	$ 400,000	$ (400,000)
Uses of cash for financing activities:			
Principal payoff of indebtedness - CCIT II Credit Facility	$ —	$ (415,500)	$ 415,500
Principal payoff of secured indebtedness - Mortgage Debt	(469,777)	(1,292)	(468,485)
Principal pay down of indebtedness - Revolving Credit Facility	(373,500)	—	(373,500)
Principal payoff of indebtedness - Term Loan	(200,000)	—	(200,000)
Principal amortization payments on secured indebtedness	(6,848)	(7,245)	397
Offering costs	(35)	(35)	—
Deferred financing costs	(2,724)	(567)	(2,157)
Repurchase of common stock	—	(20,180)	20,180
Distributions to noncontrolling interests	(8,360)	(8,357)	(3)
Distributions to preferred units subject to redemption	(7,547)	(7,078)	(469)
Repurchase of common shares to satisfy employee tax withholding requirements	(459)	(891)	432
Distributions to common stockholders	(85,674)	(54,564)	(31,110)
Financing lease payment	(226)	—	(226)
Total sources of cash used in financing activities	$ (1,155,150)	$ (515,709)	$ (639,441)
Net cash (used in) provided by financing activities	$ (1,155,150)	$ (115,709)	$ (1,039,441)

Distributions will be paid to our stockholders as of the record date selected by our Board. We expect to continue to pay distributions monthly based on daily declaration and record dates. We expect to pay distributions regularly unless our results of operations, our general financial condition, general economic conditions, or other factors inhibit us from doing so. Distributions will be authorized at the discretion of our Board, which will be directed, in substantial part, by its obligation to cause us to comply with the REIT requirements of the Internal Revenue Code of 1986, as amended. The funds we receive from operations that are available for distribution may be affected by a number of factors, including the following:

- our operating and interest expenses;
- the amount of distributions or dividends received by us from our indirect real estate investments;
- our ability to keep our properties occupied;
- our ability to maintain or increase rental rates;

- tenant improvements, capital expenditures and reserves for such expenditures;
- the issuance of additional shares; and
- financings, refinancings, and debt repayment.

Distributions may be funded with operating cash flow from our properties. To the extent that we do not have taxable income, distributions paid will be considered a return of capital to stockholders. The following table shows distributions paid, and cash flow provided by operating activities during the nine months ended September 30, 2022 and year ended December 31, 2021 (dollars in thousands):

	Nine Months Ended September 30, 2022			Year Ended December 31, 2021	
Distributions paid in cash — noncontrolling interests	$ 8,360			$ 11,134	
Distributions paid in cash — common stockholders	85,674			82,976	
Distributions paid in cash — preferred stockholders	7,547			9,542	
Distributions of DRP	—			22,886	
Total distributions	$ 101,581	(1)		$ 126,538	
Source of distributions (2)					
Paid from cash flows provided by operations	$ 101,581		100 %	$ 103,652	82 %
Offering proceeds from issuance of common stock pursuant to the DRP	—		— %	22,886	18 %
Total sources	$ 101,581	(3)	100 %	$ 126,538	100 %
Net cash provided by operating activities	$ 135,348			$ 204,979	

(1) Distributions are paid on a monthly basis in arrears. Distributions for all record dates of a given month are paid on or about the first business day of the following month. Total cash distributions declared but not paid as of September 30, 2022 were $10.3 million for common stockholders and noncontrolling interests.
(2) Percentages were calculated by dividing the respective source amount by the total sources of distributions.
(3) Allocation of total sources are calculated on a quarterly basis.

For the nine months ended September 30, 2022, we paid and declared cash distributions of approximately $85.4 million to common stockholders including shares issued pursuant to the DRP and approximately $8.3 million to the limited partners of the GRT OP, as compared to FFO attributable to common stockholders and limited partners and AFFO available to common stockholders and limited partners for the nine months ended September 30, 2022 of approximately $136.7 million and $158.0 million, respectively. The payment of distributions from sources other than FFO or AFFO may reduce the amount of proceeds available for investment and operations or cause us to incur additional interest expense as a result of borrowed funds. From our inception through September 30, 2022, we paid approximately $1.1 billion of cumulative distributions (excluding preferred distributions), including approximately $341.2 million reinvested through our DRP, as compared to net cash provided by operating activities of approximately $752.8 million.

Subsequent Events

See Note 15, *Subsequent Events*, to the consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risks include risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. We expect that the primary market risk to which we will be exposed is interest rate risk, including the risk of changes in the underlying rates on our variable rate debt. Our current indebtedness consists of the KeyBank loans and other loans and property secured mortgages as described in Note 5, *Debt,* to our consolidated financial statements included in this Quarterly Report on Form 10-Q. These instruments were not entered into for trading purposes.

Our interest rate risk management objectives will be to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve our objectives, we may borrow at fixed rates or variable rates. We may also utilize a variety of financial instruments, including interest rate swap agreements, caps, floors, and other interest rate exchange contracts. We will not enter into these financial instruments for speculative purposes. The use of these types of instruments to hedge a portion of our exposure to changes in interest rates carries additional risks, such as counterparty credit risk and the legal enforceability of hedging contracts.

As of September 30, 2022, our debt consisted of approximately $1.3 billion in fixed rate debt (including the interest rate swaps) and approximately $200.0 million in variable rate debt (excluding unamortized deferred financing cost and discounts, net, of approximately $4.9 million). As of December 31, 2021, our debt consisted of approximately $1.8 billion in fixed rate debt (including the effect of interest rate swaps) and approximately $773.5 million in variable rate debt (excluding unamortized deferred financing cost and discounts, net, of approximately $9.1 million). Changes in interest rates have different impacts on the fixed and variable rate debt. A change in interest rates on fixed rate debt impacts its fair value but has no effect on interest incurred or cash flows. A change in interest rates on variable rate debt could affect the interest incurred and cash flows and its fair value.

Our future earnings and fair values relating to variable rate financial instruments are primarily dependent upon prevalent market rates of interest, such as LIBOR. However, our interest rate swap agreements are intended to reduce the effects of interest rate changes. The effect of an increase of 100 basis points in interest rates, assuming a SOFR floor of 0%, on our variable-rate debt, including our KeyBank loans, after considering the effect of our interest rate swap agreements, would decrease our future earnings and cash flows by approximately $2.0 million annually.

Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, management, with the participation of our principal executive and principal financial officers, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon, and as of the date of the evaluation, our chief executive officer and chief financial officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file and submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for us. Our management, including our chief executive officer and chief financial officer, evaluated, as of September 30, 2022, the effectiveness of our internal control over financial reporting using the framework in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring

Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of September 30, 2022.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities
During the nine months ended September 30, 2022, there were no sales of unregistered securities.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers
On October 1, 2021, the Company announced that it suspended the SRP beginning with the next cycle commencing fourth quarter 2021. Therefore, during the quarter ended September 30, 2022, we had no redemptions of common shares.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) On November 10, 2022, the Company completed an internal restructuring (the “Restructuring”). The Company conducts all of its business through an operating partnership, with that operating partnership, directly or indirectly through subsidiaries, owning all of the Company’s assets and liabilities. Pursuant to the Restructuring, an operating company, GRT OP LLC (the “Operating Company”), wholly owns GRT OP, L.P., the entity through which the Company conducts all of its business (the “Operating Partnership”).

In connection with the Restructuring, the Company, as managing member of the Operating Company, entered into the Limited Liability Company Agreement of GRT OP LLC, dated November 10, 2022 (the “LLCA”), which contains the same material terms as the Fifth Amended and Restated Limited Partnership Agreement of GRT OP, L.P., as amended (the “Existing LPA”), with certain technical, conforming and clarifying changes to reflect the different form of organization. The description of the material terms of the Existing LPA was previously reported in the section entitled “Our Operating Partnership Agreement” in the Company’s Registration Statement on Form S-11 filed September 18, 2017 and supplemented by Item 1.01 of the Company’s Current Report on Form 8-K dated April 29, 2019, which descriptions are incorporated herein by reference.

Also, in connection with the Restructuring, the Company entered into the Sixth Amended and Restated Limited Partnership Agreement of GRT OP, L.P., dated November 10, 2022 (the “Amended LPA”), which amends and supersedes the Existing LPA. In light of this entity now being wholly-owned under the new operating company, the Amended LPA includes customary provisions relating to the business of the Operating Partnership, capital contributions, profits and losses, distributions, admission of additional limited partners, management of the Operating Partnership, indemnification and liability.

The foregoing descriptions of the LLCA and Amended LPA are not complete and are subject to and qualified in its entirety by the terms of the LLCA and Amended LPA, copies of which are filed as Exhibits 10.4 and 10.5, respectively, and incorporated by reference herein.

(b) During the quarter ended September 30, 2022, there were no material changes to the procedures by which security holders may recommend nominees to the Board.

ITEM 6. EXHIBITS

The following exhibits are included in this Quarterly Report on Form 10-Q for the period ended September 30, 2022 (and are numbered in accordance with Item 601 of Regulation S-K).

Exhibit No.	Description
3.1	Second Articles of Amendment and Restatement, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on August 5, 2022, SEC File No. 000-55605
3.2	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed on August 5, 2022, SEC File No. 000-55605
10.1	Purchase and Sale Agreement dated August 26, 2022, by and between the Office Buyers and the GRT Sellers, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on September 1, 2022, SEC File No. 000-55605
10.2	Joint Venture and Limited Liability Company Agreement of NVO Promote LLC, dated August 26, 2022, by and between GRT VAO OP, LLC and RVMC Capital LLC, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed on September 1, 2022, SEC File No. 000-55605
10.3	Fifth Amendment to Second Amended and Restated Credit Agreement dated September 28, 2022, by and among Griffin Realty Trust, Inc., GRT OP, L.P., the subsidiary guarantors party thereto, the lending institutions party thereto as lenders and KeyBank National Association, as administrative agent, incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, filed on October 4, 2022, SEC File No. 000-55605
10.4	Limited Liability Company Agreement of GRT OP LLC, dated November 10, 2022
10.5	Sixth Amended and Restated Limited Partnership Agreement of GRT OP, L.P., dated November 10, 2022
31.1*	Certification of Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following Griffin Realty Trust, Inc. financial information for the period ended September 30, 2022 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive (Loss) Income (unaudited), (iv) Consolidated Statements of Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) Notes to Consolidated Financial Statements (unaudited).
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
*	Filed herewith.
**	Furnished herewith.

SIGNATURES

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

GRIFFIN REALTY TRUST, INC.
(Registrant)

Dated:	November 14, 2022	By:	/s/ Javier F. Bitar
			Javier F. Bitar
			On behalf of the Registrant and as Chief Financial Officer and Treasurer (Principal Financial Officer)