

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2017  
or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 000-55376

**Industrial Property Trust Inc.**  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

61-1577639  
(I.R.S. Employer  
Identification No.)

518 Seventeenth Street, 17th Floor Denver, CO  
(Address of principal executive offices)

80202  
(Zip code)

(303) 228-2200  
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer  Accelerated filer  Smaller reporting company

Non-accelerated filer  (Do not check if a 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 2, 2017, there were 104,974,318 shares of the registrant's Class A common stock and 70,025,018 shares of the registrant's Class T common stock outstanding.

**INDUSTRIAL PROPERTY TRUST INC.  
TABLE OF CONTENTS**

	<u>Page</u>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1.	<a href="#">Financial Statements:</a>
	<a href="#">Condensed Consolidated Balance Sheets as of September 30, 2017 (unaudited) and December 31, 2016</a> 1
	<a href="#">Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2017 and 2016 (unaudited)</a> 2
	<a href="#">Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2017 and 2016 (unaudited)</a> 3
	<a href="#">Condensed Consolidated Statement of Equity for the Nine Months Ended September 30, 2017 (unaudited)</a> 4
	<a href="#">Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2017 and 2016 (unaudited)</a> 5
	<a href="#">Notes to Condensed Consolidated Financial Statements (unaudited)</a> 6
Item 2.	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a> 23
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a> 35
Item 4.	<a href="#">Controls and Procedures</a> 37
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1A.	<a href="#">Risk Factors</a> 38
Item 2.	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a> 40
Item 6.	<a href="#">Exhibits</a> 44

---

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****INDUSTRIAL PROPERTY TRUST INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share data)	As of	
	September 30, 2017 (unaudited)	December 31, 2016
<b>ASSETS</b>		
Net investment in real estate properties	\$ 2,679,187	\$ 2,478,329
Investment in unconsolidated joint ventures	99,263	69,695
Cash and cash equivalents	30,631	8,358
Restricted cash	65	80
Straight-line and tenant receivables, net	21,973	15,565
Due from affiliates	85	30
Other assets	20,383	23,251
Assets held for sale	—	15,625
<b>Total assets</b>	<b>\$ 2,851,587</b>	<b>\$ 2,610,933</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 26,690	\$ 21,912
Debt, net	1,449,564	1,288,642
Due to affiliates	28,258	31,006
Distributions payable	23,653	19,609
Other liabilities	47,939	43,527
Liabilities related to assets held for sale	—	267
<b>Total liabilities</b>	<b>1,576,104</b>	<b>1,404,963</b>
Commitments and contingencies (Note 12)		
<b>Equity</b>		
Stockholders' equity:		
Preferred stock, \$0.01 par value - 200,000 shares authorized, none issued and outstanding	—	—
Class A common stock, \$0.01 par value per share - 900,000 shares authorized, 104,226 shares and 99,374 shares issued and outstanding, respectively	1,042	994
Class T common stock, \$0.01 par value per share - 600,000 shares authorized, 69,521 shares and 58,032 shares issued and outstanding, respectively	695	580
Additional paid-in capital	1,554,118	1,402,611
Accumulated deficit	(294,001)	(212,807)
Accumulated other comprehensive income	13,128	14,091
<b>Total stockholders' equity</b>	<b>1,274,982</b>	<b>1,205,469</b>
Noncontrolling interests	501	501
<b>Total equity</b>	<b>1,275,483</b>	<b>1,205,970</b>
<b>Total liabilities and equity</b>	<b>\$ 2,851,587</b>	<b>\$ 2,610,933</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

**INDUSTRIAL PROPERTY TRUST INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

(in thousands, except per share data)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Revenues:</b>				
Rental revenues	\$ 56,686	\$ 50,207	\$ 166,368	\$ 123,906
Total revenues	56,686	50,207	166,368	123,906
<b>Operating expenses:</b>				
Rental expenses	14,899	12,531	43,910	32,133
Real estate-related depreciation and amortization	29,044	27,229	83,756	68,665
General and administrative expenses	2,106	1,517	6,301	5,123
Asset management fees, related party	5,689	4,989	16,575	12,530
Acquisition expenses, related party	—	5,358	—	22,506
Acquisition expenses	—	1,458	—	9,940
Impairment of real estate property	—	2,326	—	2,326
Total operating expenses	51,738	55,408	150,542	153,223
Operating income (loss)	4,948	(5,201)	15,826	(29,317)
<b>Other expenses (income):</b>				
Equity in (income) loss of unconsolidated joint ventures	(39)	15	(124)	458
Interest expense and other	10,516	8,924	30,600	18,800
Net gain on disposition of real estate properties	—	—	(131)	—
Net loss on sell down of joint venture ownership interest	—	—	—	64
Total other expenses	10,477	8,939	30,345	19,322
Total expenses before expense support	62,215	64,347	180,887	172,545
Total expense repayment to Advisor	—	(3,947)	—	(5,111)
Net expenses after expense support	62,215	68,294	180,887	177,656
<b>Net loss</b>	(5,529)	(18,087)	(14,519)	(53,750)
Net income attributable to noncontrolling interests	(16)	(15)	(47)	(15)
<b>Net loss attributable to common stockholders</b>	\$ (5,545)	\$ (18,102)	\$ (14,566)	\$ (53,765)
Weighted-average shares outstanding	174,300	139,486	167,363	127,686
Net loss per common share - basic and diluted	\$ (0.03)	\$ (0.13)	\$ (0.09)	\$ (0.42)

See accompanying Notes to Condensed Consolidated Financial Statements.

**INDUSTRIAL PROPERTY TRUST INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Unaudited)**

<b>(in thousands)</b>	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net loss attributable to common stockholders	\$ (5,545)	\$ (18,102)	\$ (14,566)	\$ (53,765)
Unrealized (loss) gain on derivative instruments, net	(209)	3,721	(963)	(2,874)
Comprehensive loss attributable to common stockholders	\$ (5,754)	\$ (14,381)	\$ (15,529)	\$ (56,639)

See accompanying Notes to Condensed Consolidated Financial Statements.

**INDUSTRIAL PROPERTY TRUST INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF EQUITY**  
**(Unaudited)**

(in thousands)	Stockholders' Equity						
	Common Stock		Additional Paid- In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Equity
	Shares	Amount					
<b>Balance as of December 31, 2016</b>	157,406	\$ 1,574	\$ 1,402,611	\$ (212,807)	\$ 14,091	\$ 501	\$ 1,205,970
Net (loss) income	—	—	—	(14,566)	—	47	(14,519)
Unrealized loss on derivative instruments	—	—	—	—	(963)	—	(963)
Issuance of common stock	17,760	177	181,690	—	—	—	181,867
Share-based compensation	—	—	991	—	—	—	991
Upfront offering costs, including sales commissions, dealer manager fees, and offering costs	—	—	(11,757)	—	—	—	(11,757)
Trailing offering costs, consisting of distribution fees	—	—	(5,815)	4,889	—	—	(926)
Redemptions of common stock	(1,419)	(14)	(13,602)	—	—	—	(13,616)
Distributions on common stock and dividends on noncontrolling interests	—	—	—	(71,517)	—	(47)	(71,564)
<b>Balance as of September 30, 2017</b>	173,747	1,737	1,554,118	(294,001)	13,128	501	1,275,483

See accompanying Notes to Condensed Consolidated Financial Statements.

**INDUSTRIAL PROPERTY TRUST INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

(in thousands)	For the Nine Months Ended September 30,	
	2017	2016
<b>Operating activities:</b>		
Net loss	\$ (14,519)	\$ (53,750)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Real estate-related depreciation and amortization	83,756	68,665
Equity in (income) loss of unconsolidated joint ventures	(124)	458
Straight-line rent and amortization of above- and below-market leases	(9,278)	(9,208)
Net gain on disposition of real estate properties	(131)	—
Impairment of real estate property	—	2,326
Net loss on sell down of joint venture ownership interest	—	64
Other	2,913	2,291
Changes in operating assets and liabilities:		
Tenant receivables, restricted cash and other assets	(852)	(2,643)
Accounts payable, accrued expenses and other liabilities	6,633	15,398
Due from / to affiliates, net	(2,845)	2,842
Net cash provided by operating activities	65,553	26,443
<b>Investing activities:</b>		
Real estate acquisitions	(248,501)	(1,089,027)
Acquisition deposits	(623)	(325)
Proceeds from the disposition of real estate properties	15,427	—
Capital expenditures and development activities	(31,157)	(25,112)
Investment in unconsolidated joint ventures	(32,192)	(14,314)
Distributions from joint ventures	2,730	—
Net proceeds from sale of joint venture ownership interest	—	57,177
Net cash used in investing activities	(294,316)	(1,071,601)
<b>Financing activities:</b>		
Proceeds from line of credit	296,000	795,000
Repayments of line of credit	(241,000)	(718,000)
Proceeds from mortgage note	105,000	391,480
Proceeds from term loan	—	250,000
Financing costs paid	(777)	(6,952)
Proceeds from issuance of common stock	146,217	386,476
Offering costs paid upon issuance of common stock	(10,578)	(22,561)
Distributions paid to common stockholders	(29,091)	(19,073)
Dividends paid on noncontrolling interests	(63)	—
Distribution fees paid	(4,781)	(2,308)
Redemptions of common stock	(9,891)	(1,852)
Net cash provided by financing activities	251,036	1,052,210
Net increase in cash and cash equivalents	22,273	7,052
Cash and cash equivalents, at beginning of period	8,358	7,429
<b>Cash and cash equivalents, at end of period</b>	<b>\$ 30,631</b>	<b>\$ 14,481</b>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Distributions payable	\$ 23,653	\$ 18,169
Redemptions payable	6,220	1,742
Future estimated distribution fees payable	27,877	22,801
Distributions reinvested in common stock	33,586	22,525
Non-cash capital expenditures	609	868
Mortgage notes assumed on real estate acquisitions	—	11,400

See accompanying Notes to Condensed Consolidated Financial Statements.



**INDUSTRIAL PROPERTY TRUST INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. BASIS OF PRESENTATION**

Unless the context otherwise requires, the “Company” refers to Industrial Property Trust Inc. and its consolidated subsidiaries.

The accompanying unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, certain disclosures normally included in the annual audited financial statements prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) have been omitted. As such, the accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 15, 2017 (“2016 Form 10-K”).

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments and eliminations, consisting only of normal recurring adjustments necessary for a fair presentation in conformity with GAAP.

**Recently Adopted Accounting Standards**

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards update (“ASU”) No. 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business” (“ASU 2017-01”), which clarifies the definition of a business. ASU 2017-01 adds further guidance that assists preparers in evaluating whether a transaction will be accounted for as an asset acquisition or a business combination. The Company expects most of its acquisitions to qualify as asset acquisitions under the standard, which requires the capitalization of transaction costs to the basis of the acquired assets. ASU 2017-01 is effective for periods beginning after December 15, 2017. However, the Company early adopted this standard effective January 1, 2017. Under this new standard, all acquisition costs are being capitalized instead of expensed. For the nine months ended September 30, 2017, \$6.4 million of acquisition costs (including the acquisition fees paid to Industrial Property Advisors LLC (the “Advisor”) and its affiliates) were capitalized in net investment in real estate properties on the condensed consolidated balance sheets under the new standard instead of expensed as in prior periods.

**Recently Issued Accounting Standards**

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”), which provides guidance for revenue recognition and supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition.” The standard is based on the principle that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The guidance specifically excludes revenue derived from lease contracts from its scope. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date for the standard is for annual reporting periods beginning after December 15, 2017 and interim periods therein. The Company plans to adopt the standard when it becomes effective for the Company, as of the reporting period beginning January 1, 2018. Rental revenues and certain tenant reimbursement revenue earned from leasing the Company’s operating properties will be evaluated with the adoption of the lease accounting standard (as discussed below). The revised lease accounting standard includes a package of practical expedients that allows an entity to avoid reassessing the accounting for lease components, including the allocations between lease and nonlease components in contracts restated under ASU 2014-09. The Company expects to elect this package of practical expedients, and accordingly will not reallocate contract consideration to lease components within the scope of the existing lease guidance when the Company adopts ASU 2014-09. The Company’s initial analysis of its non-lease related revenue contracts indicates that the adoption of the standard will not have a material effect on its consolidated financial statements. The Company is still in the process of evaluating ASU 2014-09.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Subtopic 842)” (“ASU 2016-02”), which provides guidance for greater transparency in financial reporting by organizations that lease assets such as real estate, airplanes and manufacturing equipment by requiring such organizations to recognize lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The accounting for lessors will remain largely unchanged from current GAAP; however, the standard requires that lessors expense, on an as-incurred basis, certain initial direct costs that are not incremental in negotiating a lease. Under existing standards, certain of these costs are capitalizable and therefore this new standard will result in certain of these costs being expensed as incurred after adoption. ASU 2016-02 is effective for annual and interim

## [Table of Contents](#)

reporting periods beginning after December 15, 2018, with early adoption permitted. The Company plans to adopt the standard when it becomes effective for the Company, as of the reporting period beginning January 1, 2019, and it expects to elect the practical expedients available for implementation under the standard. Under the practical expedients election, the Company would not be required to reassess: (i) whether an expired or existing contract meets the definition of a lease; (ii) the lease classification at the adoption date for expired or existing leases; and (iii) whether costs previously capitalized as initial direct costs would continue to be amortized. The standard also will require new disclosures within the notes accompanying the consolidated financial statements, as well as result in the expensing of certain costs to negotiate and arrange lease agreements. The Company's initial analysis of its lease contracts indicates that the adoption of this standard will not have a material effect on its consolidated financial statements. The Company is still in the process of evaluating the impact of ASU 2016-02.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)" ("ASU 2017-05"), which clarifies the scope of Subtopic 610-20 and provides guidance relating to the accounting treatment for gains and losses from the derecognition of non-financial assets, including the accounting for partial sales. Upon adoption of ASU 2017-05, the Company will recognize, on a prospective basis, the entire gain attributed to sales to unconsolidated co-investment ventures rather than the third-party share the Company recognizes today. For deferred gains from existing partial sales recorded prior to the adoption of the standard, the Company will continue to recognize these gains into earnings over the lives of the assets. The Company is currently evaluating the effect of ASU 2017-05 on its consolidated financial statements and will adopt ASU 2017-05 in conjunction with ASU 2014-09 as of the reporting period beginning on January 1, 2018.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities." The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. The transition guidance provides companies with the option of early adopting the new standard using a modified retrospective transition method in any interim period after issuance of the update, or alternatively requires adoption for fiscal years beginning after December 15, 2018. This adoption method will require the Company to recognize the cumulative effect of initially applying the ASU as an adjustment to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the update. While the Company continues to assess all potential impacts of the standard, the Company currently expects adoption to have an immaterial impact on its consolidated financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Acquisition Costs**

Transaction costs associated with the acquisition of a property (including the acquisition fees paid to the Advisor and its affiliates) are allocated to land, building, and intangible lease assets on a pro-rata basis based on allocated purchase price and capitalized as incurred.

### 3. REAL ESTATE ACQUISITIONS

The Company acquired 100% of the following properties during the nine months ended September 30, 2017:

(S in thousands)	Acquisition Date	Number of Buildings	Intangibles					Total Purchase Price (1)
			Land	Building	Intangible Lease Assets	Above-Market Lease Assets	Below-Market Lease Liabilities	
South Bay Distribution Center	1/4/2017	1	\$ 9,334	\$ 2,928	\$ —	\$ —	\$ —	\$ 12,262
Tempe Business Center	1/5/2017	1	3,009	5,993	1,031	—	(258)	9,775
Corona Industrial Center	1/12/2017	1	4,322	4,684	730	—	—	9,736
Sycamore Industrial Center	1/13/2017	3	4,556	11,765	—	—	—	16,321
Oakesdale Commerce Center	2/8/2017	1	2,234	4,098	501	—	—	6,833
Airways Distribution Center	2/24/2017	2	5,461	28,840	3,791	—	(1,041)	37,051
Tuscany Industrial Center	3/23/2017	1	1,928	4,462	839	—	(316)	6,913
Lanham Distribution Center	5/11/2017	1	4,106	9,448	—	—	—	13,554
Trade Zone Industrial Center	5/15/2017	1	945	2,439	469	—	—	3,853
Addison Distribution Center	6/14/2017	1	8,030	14,883	1,740	—	(846)	23,807
Rampart Industrial Center II	6/29/2017	1	2,184	6,613	1,229	—	—	10,026
Airpark Industrial Center	8/9/2017	1	3,400	3,784	515	—	(227)	7,472
Chandler Distribution Center	8/21/2017	1	2,155	7,594	785	—	—	10,534
Salt Lake City Distribution Center II	8/30/2017	1	1,641	6,032	641	—	(75)	8,239
360 Logistics Center	9/22/2017	3	14,370	51,618	—	—	—	65,988
Riverport Distribution Center	9/29/2017	1	2,595	7,903	—	—	—	10,498
<b>Total Acquisitions</b>		<b>21</b>	<b>\$ 70,270</b>	<b>\$ 173,084</b>	<b>\$ 12,271</b>	<b>\$ —</b>	<b>\$ (2,763)</b>	<b>\$ 252,862</b>

(1) Total purchase price, which includes aggregate capitalized acquisition costs of \$6.4 million, is equal to the total consideration paid.

Intangible and above-market lease assets are amortized over the remaining lease term. Below-market lease liabilities are amortized over the remaining lease term, plus any below-market, fixed-rate renewal option periods. The weighted-average amortization periods for the intangible assets and liabilities acquired in connection with the 2017 acquisitions, as of the respective date of each acquisition, were as follows:

Property	Amortization period (years)
Tempe Business Center	9.8
Corona Industrial Center	7.1
Oakesdale Commerce Center	10.1
Airways Distribution Center	5.9
Tuscany Industrial Center	4.5
Trade Zone Industrial Center	4.4
Addison Distribution Center	6.4
Rampart Industrial Center II	12.0
Airpark Industrial Center	7.1
Chandler Distribution Center	4.5
Salt Lake City Distribution Center II	2.9

### 4. REAL ESTATE DISPOSITIONS

In February 2017, the Company sold to third parties the four industrial buildings that were classified as held for sale as of December 31, 2016, for net proceeds of approximately \$15.4 million. Total disposition fees and expenses were \$0.8 million, of which \$0.4 million was paid to the Advisor. Total net gain recognized on dispositions was approximately \$0.1 million. All of these buildings were located in the Atlanta market.

## 5. INVESTMENT IN REAL ESTATE PROPERTIES

As of September 30, 2017 and December 31, 2016, the Company's consolidated investment in real estate properties consisted of 232 and 215 industrial buildings, respectively.

(in thousands)	As of	
	September 30, 2017	December 31, 2016
Land	\$ 754,549	\$ 684,280
Building and improvements	1,883,009	1,686,929
Intangible lease assets	235,018	219,512
Construction in progress	16,280	13,843
Investment in real estate properties (1)	2,888,856	2,604,564
Less accumulated depreciation and amortization	(209,669)	(126,235)
Net investment in real estate properties	\$ 2,679,187	\$ 2,478,329

(1) As of September 30, 2017, the Company had capitalized approximately \$6.4 million of acquisition costs. As of December 31, 2016, there were no acquisition costs capitalized. See "Note 1" for detail on the new accounting standard we adopted effective January 1, 2017 and "Note 2" for a description of the accounting policy regarding acquisition costs.

### Intangible Lease Assets and Liabilities

Intangible lease assets and liabilities, as of September 30, 2017 and December 31, 2016, include the following:

(in thousands)	As of September 30, 2017			As of December 31, 2016		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible lease assets (1)	\$ 223,867	\$ (93,341)	\$ 130,526	\$ 208,361	\$ (59,226)	\$ 149,135
Above-market lease assets (1)	11,151	(4,720)	6,431	11,151	(3,143)	8,008
Below-market lease liabilities (2)	(33,278)	12,289	(20,989)	(30,929)	7,798	(23,131)

(1) Included in net investment in real estate properties on the condensed consolidated balance sheets.

(2) Included in other liabilities on the condensed consolidated balance sheets.

The following table details the estimated net amortization of such intangible lease assets and liabilities, as of September 30, 2017, for the next five years and thereafter:

(in thousands)	Estimated Net Amortization		
	Intangible Lease Assets	Above-Market Lease Assets	Below-Market Lease Liabilities
Remainder of 2017	\$ 10,788	\$ 499	\$ (1,500)
2018	36,296	1,740	(5,261)
2019	26,386	1,116	(4,218)
2020	18,980	802	(3,329)
2021	13,609	724	(2,556)
Thereafter	24,467	1,550	(4,125)
Total	\$ 130,526	\$ 6,431	\$ (20,989)

**Rental Revenue Adjustments and Depreciation and Amortization Expense**

The following table summarizes straight-line rent adjustments, amortization recognized as an increase (decrease) to rental revenues from above- and below-market lease assets and liabilities, and real estate-related depreciation and amortization expense:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Increase (Decrease) to Rental Revenue:</b>				
Straight-line rent adjustments	\$ 1,623	\$ 2,889	\$ 5,950	\$ 7,089
Above-market lease amortization	(508)	(643)	(1,577)	(1,796)
Below-market lease amortization	1,738	1,533	4,905	3,915
<b>Real Estate-Related Depreciation and Amortization:</b>				
Depreciation expense	\$ 16,430	\$ 14,240	\$ 47,742	\$ 34,839
Intangible lease asset amortization	12,614	12,989	36,014	33,826

**6. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES**

The Company has entered into joint ventures with third-party investors for purposes of investing in industrial properties located in certain major U.S. distribution markets. The Company reports its investment for the Build-To-Core I Partnership LP (the “BTC I Partnership”) and the Build-To-Core II Partnership LP (the “BTC II Partnership”), under the equity method on its condensed consolidated balance sheets due to the fact that the Company maintains significant influence in each partnership. The following table summarizes the Company’s investment in the unconsolidated joint ventures:

(\$ in thousands)	As of				Investment in Unconsolidated Joint Ventures as of	
	September 30, 2017		December 31, 2016		September 30, 2017	December 31, 2016
	Ownership Percentage	Number of Buildings	Ownership Percentage	Number of Buildings		
BTC I Partnership	20.0%	33	20.0%	27	\$ 92,781	\$ 69,695
BTC II Partnership	13.0%	7	—	—	6,482	—
Total joint ventures		40		27	\$ 99,263	\$ 69,695

**7. DEBT**

The Company's consolidated indebtedness is currently comprised of borrowings under its line of credit, term loans and mortgage notes. Borrowings under the non-recourse mortgage notes are secured by mortgages or deeds of trust and related assignments and security interests in collateralized and certain cross-collateralized properties, which are generally owned by single purpose entities. A summary of the Company's debt is as follows:

(\$ in thousands)	Weighted-Average Effective Interest Rate as of		Maturity Date	Balance as of	
	September 30, 2017	December 31, 2016		September 30, 2017	December 31, 2016
Line of credit (1)	2.47%	2.44%	January 2020	\$ 236,000	\$ 181,000
Term loan (2)	2.50%	2.65%	January 2021	350,000	350,000
Term loan (3)	2.98%	2.67%	May 2022	150,000	150,000
Fixed-rate mortgage notes (4)	3.36%	3.31%	July 2020 - December 2025	722,880	617,880
Total principal amount / weighted-average (5)	<u>2.97%</u>	<u>2.94%</u>		<u>\$ 1,458,880</u>	<u>\$ 1,298,880</u>
Less unamortized debt issuance costs				\$ (9,316)	\$ (10,238)
Total debt, net				<u>\$ 1,449,564</u>	<u>\$ 1,288,642</u>
Gross book value of properties encumbered by debt				<u>\$ 1,151,317</u>	<u>\$ 986,818</u>

- (1) The effective interest rate is calculated based on either: (i) the London Interbank Offered Rate ("LIBOR") multiplied by a statutory reserve rate plus a margin ranging from 1.40% to 2.30%; or (ii) an alternative base rate plus a margin ranging from 0.40% to 1.30%, each depending on the Company's consolidated leverage ratio. The weighted-average effective interest rate is the all-in interest rate, including the effects of interest rate swap agreements relating to \$150.0 million in borrowings under this line of credit. As of September 30, 2017, the unused and available portions under the line of credit were \$264.0 million and \$209.2 million, respectively. The line of credit is available for general corporate purposes, including but not limited to the acquisition and operation of permitted investments.
- (2) The effective interest rate is calculated based on either: (i) LIBOR multiplied by a statutory reserve rate, plus a margin ranging from 1.35% to 2.20%; or (ii) an alternative base rate plus a margin ranging from 0.35% to 1.20%, each depending on the Company's consolidated leverage ratio. The weighted-average effective interest rate is the all-in interest rate, including the effects of interest rate swap agreements. This term loan is available for general corporate purposes, including but not limited to the acquisition and operation of permitted investments.
- (3) The effective interest rate is calculated based on either: (i) LIBOR multiplied by a statutory reserve rate, plus a margin ranging from 1.60% to 2.50%; or (ii) an alternative base rate plus a margin ranging from 0.60% to 1.50%, each depending on the Company's consolidated leverage ratio. The weighted-average effective interest rate is the all-in interest rate. This term loan is available for general corporate purposes, including but not limited to the acquisition and operation of permitted investments.
- (4) Interest rates range from 2.94% to 3.65%, which includes the effects of an interest rate swap agreement relating to a variable-rate mortgage note with an outstanding amount of \$97.0 million as of both September 30, 2017 and December 31, 2016. The assets and credit of each of the Company's consolidated properties pledged as collateral for the Company's mortgage notes are not available to satisfy the Company's other debt and obligations, unless the Company first satisfies the mortgage notes payable on the respective underlying properties.
- (5) The weighted-average remaining term of the Company's consolidated debt was approximately 4.9 years as of September 30, 2017, excluding any extension options on the line of credit.

[Table of Contents](#)

As of September 30, 2017, the principal payments due on the Company's consolidated debt during each of the next five years and thereafter were as follows:

(in thousands)	Line of Credit (1)	Term Loans	Mortgage Notes	Total
Remainder of 2017	\$ —	\$ —	\$ —	\$ —
2018	—	—	1,354	1,354
2019	—	—	2,191	2,191
2020	236,000	—	15,259	251,259
2021	—	350,000	6,047	356,047
Thereafter	—	150,000	698,029	848,029
Total principal payments	<u>\$ 236,000</u>	<u>\$ 500,000</u>	<u>\$ 722,880</u>	<u>\$ 1,458,880</u>

(1) The term of the line of credit may be extended pursuant to a one-year extension option, subject to certain conditions.

**Debt Covenants**

The Company's line of credit, term loans and mortgage note agreements contain various property level covenants, including customary affirmative and negative covenants. In addition, the line of credit and term loan agreements contain certain corporate level financial covenants, including leverage ratio, fixed charge coverage ratio, and tangible net worth thresholds. The Company was in compliance with all debt covenants as of September 30, 2017.

**Derivative Instruments**

To manage interest rate risk for certain of its variable-rate debt, the Company uses interest rate swaps as part of its risk management strategy. These derivatives are designed to mitigate the risk of future interest rate increases by providing a fixed interest rate for a limited, pre-determined period of time. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the interest rate swap agreements without exchange of the underlying notional amount. As of September 30, 2017, the Company had 11 outstanding interest rate swap agreements, which were associated with \$597.0 million of debt, that were designated as cash flow hedges of interest rate risk. Certain of the Company's variable-rate borrowings are not hedged, and therefore, to an extent, the Company has on-going exposure to interest rate movements.

The effective portion of the change in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) ("AOCI") on the condensed consolidated balance sheets and is subsequently reclassified into earnings as interest expense for the period that the hedged forecasted transaction affects earnings, which is when the interest expense is recognized on the related debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. For the three and nine months ended September 30, 2017 and 2016, there was no hedge ineffectiveness. The Company expects no hedge ineffectiveness in the next 12 months.

The following table summarizes the location and fair value of the cash flow hedges on the Company's condensed consolidated balance sheets:

(in thousands)	Notional Amount	Balance Sheet Location	Fair Value as of	
			September 30, 2017	December 31, 2016
Interest rate swaps	\$ 596,980	Other assets	\$ 13,128	\$ 14,091

[Table of Contents](#)

The following table presents the effect of the Company's cash flow hedges on the Company's condensed consolidated financial statements:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Interest rate swaps:</b>				
Income (loss) recognized in AOCI (effective portion)	\$ 144	\$ 3,147	\$ (719)	\$ (4,258)
(Income) loss reclassified from AOCI into income (effective portion)	(353)	574	(244)	1,384
Net other comprehensive (loss) income	\$ (209)	\$ 3,721	\$ (963)	\$ (2,874)

**8. FAIR VALUE**

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

**Fair Value Measurements on a Recurring Basis**

The following table presents the Company's financial instruments measured at fair value on a recurring basis as of September 30, 2017:

(in thousands)	Level 1	Level 2	Level 3	Total Fair Value
<b>September 30, 2017</b>				
<b>Assets</b>				
Derivative instruments	\$ —	\$ 13,128	\$ —	\$ 13,128
Total assets measured at fair value	\$ —	\$ 13,128	\$ —	\$ 13,128
<b>December 31, 2016</b>				
<b>Assets</b>				
Derivative instruments	\$ —	\$ 14,091	\$ —	\$ 14,091
Total assets measured at fair value	\$ —	\$ 14,091	\$ —	\$ 14,091

As of September 30, 2017, the Company had no financial instruments that were transferred among the fair value hierarchy levels. The Company also had no non-financial assets or liabilities that were required to be measured at fair value on a recurring basis.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Derivative Instruments.** The derivative instruments are interest rate swaps. The interest rate swaps are standard cash flow hedges whose fair value is estimated using market-standard valuation models. Such models involve using market-based observable inputs, including interest rate curves. The Company incorporates credit valuation adjustments to appropriately reflect both its nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements, which we have concluded are not material to the valuation. Due to the interest rate swaps being unique and not actively traded, the fair value is classified as Level 2. See "Note 7" above for further discussion of the Company's derivative instruments.

## Fair Value of Financial Instruments

As of September 30, 2017 and December 31, 2016, the fair values of cash and cash equivalents, restricted cash, tenant receivables, due from/to affiliates, accounts payable and accrued liabilities, and distributions payable approximate their carrying values due to the short-term nature of these instruments. The table below includes fair values for certain of the Company's financial instruments for which it is practicable to estimate fair value. The carrying values and fair values of these financial instruments were as follows:

(in thousands)	As of September 30, 2017		As of December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Derivative instruments	\$ 13,128	\$ 13,128	\$ 14,091	\$ 14,091
<b>Liabilities</b>				
Line of credit	236,000	236,000	181,000	181,000
Term loans	500,000	500,000	500,000	500,000
Mortgage notes	722,880	712,443	617,880	597,187

In addition to the previously described methods and assumptions for the derivative instruments, the following are the methods and assumptions used to estimate the fair value of the Company's other financial instruments:

**Line of Credit.** The fair value of the line of credit is estimated using discounted cash flow methods based on the Company's estimate of market interest rates, which the Company has determined to be its best estimate of current market spreads over comparable term benchmark rates of similar instruments. Credit spreads relating to the underlying instruments are based on Level 3 inputs.

**Term Loans.** The fair value of each of the term loans is estimated using discounted cash flow methods based on the Company's estimate of market interest rates, which the Company has determined to be its best estimate of current market spreads over comparable term benchmark rates of similar instruments. Credit spreads relating to the underlying instruments are based on Level 3 inputs.

**Mortgage Notes.** The fair value of each of the mortgage notes is estimated using discounted cash flow methods based on the Company's estimate of market interest rates, which the Company has determined to be its best estimate of current market spreads over comparable term benchmark rates of similar instruments. Credit spreads relating to the underlying instruments are based on Level 3 inputs.

## 9. STOCKHOLDERS' EQUITY

### Initial Public Offering

On September 27, 2012, the Company filed a registration statement with the SEC on Form S-11 in connection with its initial public offering of up to \$2.0 billion in shares of common stock (the "Offering"). The registration statement was subsequently declared effective on July 24, 2013. Pursuant to its registration statement, the Company offered for sale up to \$2.0 billion in shares of its common stock. Black Creek Capital Markets, LLC (formerly known as Dividend Capital Securities LLC, the "Dealer Manager"), a related party, provides dealer manager services in connection with the Offering.

On August 14, 2015, the Company filed a post-effective amendment to its registration statement that reclassified the Company's common stock being offered pursuant to the registration statement into Class A shares and Class T shares. The SEC declared the post-effective amendment effective on August 19, 2015, at which time the Company offered for sale up to \$1.5 billion in shares of common stock at a price of \$10.4407 per Class A share and \$9.8298 per Class T share, and up to \$500.0 million in shares under the Company's distribution reinvestment plan at a price of \$9.9187 per Class A share and \$9.8298 per Class T share. In each case, the offering price was arbitrarily determined by the Company's board of directors by taking the Company's estimated net asset value ("NAV") as of June 30, 2015 of \$9.24 per share and adding the respective per share up-front sales commissions, dealer manager fees and organization and offering expenses to be paid with respect to the Class A shares and the Class T shares, such that after the payment of such commissions, fees and expenses, the net proceeds to the Company will be the same for both Class A shares and Class T shares. The NAV was not subject to audit by the Company's independent registered public accounting firm. The offering prices have been rounded to the nearest whole cent throughout the remainder of this report.

[Table of Contents](#)

On December 22, 2016, the Company’s board of directors unanimously approved a new offering price of \$11.0056 per Class A share of the Company’s common stock and a new offering price of \$10.3617 per Class T share of the Company’s common stock, and \$9.74 per share for shares purchased through the Company’s distribution reinvestment plan. In each case, the offering price was arbitrarily determined by the Company’s board of directors by taking the Company’s estimated NAV as of November 30, 2016 of \$9.74 per share and adding the respective per share up-front sales commissions, dealer manager fees and organization and offering expenses to be paid with respect to the Class A shares and the Class T shares, such that after the payment of such commissions, fees and expenses, the net proceeds to the Company would be the same for both Class A shares and Class T shares. The NAV was not subject to audit by the Company’s independent registered public accounting firm. The new Class A offering price and the new Class T offering price took effect with respect to subscriptions accepted by the Company after January 1, 2017.

On June 30, 2017, the Company terminated the primary portion of the Offering. The Company is continuing to offer and sell shares pursuant to its distribution reinvestment plan. On August 30, 2017, the Company filed a post-effective amendment to its registration statement in connection with the termination of the primary portion of the Offering and reallocated all shares remaining unsold in the primary portion of the Offering to the distribution reinvestment plan offering, which is ongoing. Class A shares and Class T shares of the Company’s common stock are being offered pursuant to the distribution reinvestment plan at a price equal to the NAV per share most recently disclosed by the Company, which is presently \$9.74 per share. The Company may terminate its distribution reinvestment plan offering at any time.

The Class A shares and Class T shares have identical rights and privileges, including voting rights, but have differing fees that are payable on a class-specific basis, as described in “Note 11.” The per share amount of distributions on Class T shares will be lower than the per share amount of distributions on Class A shares because of the distribution fees payable with respect to Class T shares. The Company’s shares of common stock consist of Class A shares and Class T shares, all of which are collectively referred to herein as shares of common stock.

A summary of the Company’s public offering (including shares sold through the primary offering and distribution reinvestment plan (“DRIP”)), as of September 30, 2017, is as follows:

(in thousands)	Class A	Class T	Total
<b>Amount of gross proceeds raised:</b>			
Primary offering	\$ 1,016,951	\$ 671,137	\$ 1,688,088
DRIP	56,086	20,251	76,337
Total offering	<u>\$ 1,073,037</u>	<u>\$ 691,388</u>	<u>\$ 1,764,425</u>
<b>Number of shares sold:</b>			
Primary offering	99,982	67,758	167,740
DRIP	5,724	2,072	7,796
Total offering	<u>105,706</u>	<u>69,830</u>	<u>175,536</u>

**Common Stock**

The following table summarizes the changes in the shares outstanding and the aggregate par value of the outstanding shares for each class of common stock for the periods presented below:

(in thousands)	Class A		Class T		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance as of December 31, 2016	99,374	\$ 994	58,032	\$ 580	157,406	\$ 1,574
Issuance of common stock:						
Primary shares	3,696	37	10,468	105	14,164	142
DRIP	2,159	21	1,290	13	3,449	34
Stock grants	151	1	—	—	151	1
Redemptions	(1,150)	(11)	(269)	(3)	(1,419)	(14)
Forfeitures	(4)	—	—	—	(4)	—
Balance as of September 30, 2017	<u>104,226</u>	<u>\$ 1,042</u>	<u>69,521</u>	<u>\$ 695</u>	<u>173,747</u>	<u>\$ 1,737</u>

**Distributions**

The following table summarizes the Company’s distribution activity (including distributions reinvested in shares of the Company’s common stock) for the quarters ended below:

(in thousands, except per share data)	Amount				
	Declared per Common Share (1)	Paid in Cash	Reinvested in Shares	Distribution Fees (2)	Gross Distributions (3)
<b>2017</b>					
September 30	\$ 0.14250	\$ 10,828	\$ 12,234	\$ 1,764	\$ 24,826
June 30	0.14250	10,349	11,868	1,630	23,847
March 31	0.14250	9,902	11,447	1,495	22,844
Total		<u>\$ 31,079</u>	<u>\$ 35,549</u>	<u>\$ 4,889</u>	<u>\$ 71,517</u>
<b>2016</b>					
December 31	\$ 0.13515	\$ 8,840	\$ 10,271	\$ 1,286	\$ 20,397
September 30	0.13515	8,147	9,638	1,069	18,854
June 30	0.13515	7,534	9,042	876	17,452
March 31	0.13515	6,788	8,040	622	15,450
Total		<u>\$ 31,309</u>	<u>\$ 36,991</u>	<u>\$ 3,853</u>	<u>\$ 72,153</u>

- (1) Amounts reflect the quarterly distribution rate authorized by the Company’s board of directors per Class A share and per Class T share of common stock. The quarterly distribution on Class T shares of common stock is reduced by the distribution fees that are payable monthly with respect to such Class T shares (as calculated on a daily basis).
- (2) Distribution fees are paid monthly to the Dealer Manager with respect to Class T shares issued in the primary portion of the Initial Public Offering only. Refer to “Note 11” for further detail regarding distribution fees.
- (3) Gross distributions are total distributions before the deduction of distribution fees relating to Class T shares.

**Redemptions**

The following table summarizes the Company’s redemption activity for the periods presented below:

(in thousands)	For the Nine Months Ended September 30,	
	2017	2016
Number of eligible shares redeemed	1,419	352
Aggregate amount of shares redeemed	\$ 13,616	\$ 3,386
Average redemption price per share	\$ 9.60	\$ 9.62

## 10. SHARE-BASED COMPENSATION

### Restricted Stock Summary

A summary of the Company's activity with respect to the issuance of restricted stock pursuant to its Equity Incentive Plan and its Private Placement Equity Incentive Plan for the nine months ended September 30, 2017 is as follows:

(shares in thousands)	Shares	Weighted-Average Fair Value per Share
Nonvested shares at January 1, 2017 (1)	110	\$ 10.94
Granted (2)	151	\$ 11.01
Vested (3)	(69)	\$ 10.90
Forfeited (2)	(4)	\$ 11.01
Nonvested shares at September 30, 2017	188	\$ 11.01

- (1) Nonvested shares granted to non-senior executive employees of the Advisor were remeasured to estimated fair value based on the most recent primary offering price of \$11.01 per Class A share that took effect on January 1, 2017.
- (2) The weighted-average fair value is based on the most recent primary offering price of \$11.01 per Class A share.
- (3) Shares vested during the nine months ended September 30, 2017 include: shares granted to the Company's board of directors, which have an estimated fair value based on the most recent primary offering price per Class A share in effect on the respective grant date, and shares granted to non-senior executive employees of the Advisor, which were remeasured as described above.

The following table summarizes other share-based compensation data:

(in thousands, except per share data)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Share-based compensation expense	\$ 254	\$ 164	\$ 991	\$ 730
Total fair value of restricted stock vested	\$ —	\$ —	\$ 756	\$ 494
Weighted-average grant date fair value of restricted stock granted, per share (1)	\$ 11.01	\$ 10.44	\$ 11.01	\$ 10.44

- (1) The weighted-average grant date fair value is based on the most recent primary offering price per Class A share in effect on the respective grant dates.

As of September 30, 2017, the aggregate unrecognized compensation expense related to the restricted stock was approximately \$1.2 million and is expected to be fully recognized over a weighted-average period of one year.

## 11. RELATED PARTY TRANSACTIONS

The Company relies on the Advisor, a related party, to manage the Company's day-to-day operating and acquisition activities and to implement the Company's investment strategy pursuant to the terms of the fifth amended and restated advisory agreement, dated August 12, 2017, by and among the Company, the Operating Partnership, and the Advisor (the "Advisory Agreement"). The current term of the Advisory Agreement ends August 12, 2018, subject to renewals by the Company's board of directors for an unlimited number of successive one-year periods. The Dealer Manager provides dealer manager services in connection with the Offering. The Sponsor, which owns the Advisor, is presently directly or indirectly majority owned by John A. Blumberg, James R. Mulvihill and Evan H. Zucker and/or their affiliates, and the Sponsor and the Advisor are jointly controlled by Messrs. Blumberg, Mulvihill and Zucker and/or their affiliates. The Dealer Manager is presently directly or indirectly majority owned, controlled and/or managed by Messrs. Blumberg, Mulvihill and/or Zucker and/or their affiliates. Mr. Zucker is the Chairman of our board of directors. The Advisor and the Dealer Manager receive compensation from the Company in the form of fees and expense reimbursements for certain services relating to the Offering and for the investment and management of the Company's assets. The following summarizes these fees and expense reimbursements:

**Sales Commissions.** Sales commissions were payable to the Dealer Manager, all of which may have been reallocated to participating unaffiliated broker dealers, and were equal to up to 7.0% and 2.0% of the gross proceeds from the sale of Class A shares and Class T shares, respectively, in the primary offering.

## [Table of Contents](#)

**Dealer Manager Fees.** Dealer manager fees were payable to the Dealer Manager, a portion of which may have been reallocated to unaffiliated participating broker dealers, and were equal to up to 2.5% and 2.0% of the gross proceeds from the sale of Class A shares and Class T shares, respectively, in the primary offering.

**Distribution Fees.** Distribution fees are payable to the Dealer Manager with respect to Class T shares issued in the primary portion of the Offering only. All or a portion of the distribution fees are typically reallocated or advanced by the Dealer Manager to unaffiliated participating broker dealers or broker dealers servicing accounts of investors who own Class T shares, referred to as servicing broker dealers. The distribution fees accrue daily, are payable monthly in arrears and will be paid on a continuous basis from year to year. The distribution fees are calculated on outstanding Class T shares issued in the primary offering in an amount equal to 1.0% per annum of (i) the current gross offering price per Class T share, or (ii) if the Company is no longer offering shares in a public offering, the estimated per share value of Class T shares. If the Company is no longer offering shares in a public offering, but has not reported an estimated per share value subsequent to the termination of the Offering, which is the case as of the date of this report, then the gross offering price in effect immediately prior to the termination of the Offering will be deemed the estimated per share value for purposes of the prior sentence. If the Company reports an estimated per share value prior to the termination of the Offering, the distribution fee will continue to be calculated as a percentage of the then current gross offering price per Class T share until the Company reports an estimated per share value following the termination of the Offering, at which point the distribution fee will be calculated based on the new estimated per share value. In the event an estimated per share value reported after termination of the Offering changes, the distribution fee will change immediately with respect to all outstanding Class T shares issued in the primary offering, and will be calculated based on the new gross offering price or the new estimated per share value, without regard to the actual price at which a particular Class T share was issued.

All shares of a particular class will receive the same quarterly per share distribution, including shares issued pursuant to the Company's distribution reinvestment plan. The quarterly distributions paid with respect to all outstanding Class T shares will be reduced by the monthly distribution fees calculated with respect to Class T shares issued in the primary offering. The Company does not pay distribution fees with respect to the sale of shares issued pursuant to the Company's distribution reinvestment plan or shares issued as stock dividends, although the amount of distribution fees payable with respect to Class T shares sold in its primary offering will be allocated among all Class T shares, including shares issued pursuant to the Company's distribution reinvestment plan and those issued as stock dividends, if any. The Company will cease paying distribution fees with respect to all Class T shares on the earliest to occur of the following: (i) a listing of shares of the Company's common stock on a national securities exchange; (ii) such Class T shares no longer being outstanding; (iii) the Dealer Manager's determination that total underwriting compensation from all sources, including dealer manager fees, sales commissions, distribution fees and any other underwriting compensation paid to participating broker dealers with respect to all Class A shares and Class T shares would be in excess of 10% of the gross proceeds of the primary portion of the Offering; or (iv) the end of the month in which the transfer agent, on behalf of the Company, determines that total underwriting compensation, including dealer manager fees, sales commissions, and distribution fees with respect to the Class T shares held by a stockholder within his or her particular account, would be in excess of 10% of the total gross investment amount at the time of purchase of the primary Class T shares held in such account.

**Acquisition Fees.** Acquisition fees are payable to the Advisor in connection with the acquisition of real property, and will vary depending on whether the Advisor provides development services or development oversight services, each as described below, in connection with the acquisition (including, but not limited to, forward commitment acquisitions) or stabilization (including, but not limited to, development and value-add transactions) of such real property, or both. The Company refers to such properties for which the Advisor provides development services or development oversight services as development real properties. For each real property acquired for which the Advisor does not provide development services or development oversight services, the acquisition fee is an amount equal to 2.0% of the total purchase price of the properties acquired (or the Company's proportional interest therein), including in all instances real property held in joint ventures or co-ownership arrangements. In connection with providing services related to the development, construction, improvement or stabilization, including tenant improvements of development real properties, which the Company refers to collectively as development services, or overseeing the provision of these services by third parties on the Company's behalf, which the Company refers to as development oversight services, the acquisition fee, which the Company refers to as the development acquisition fee, will equal up to 4.0% of total project cost, including debt, whether borrowed or assumed (or the Company's proportional interest therein with respect to real properties held in joint ventures or co-ownership arrangements). If the Advisor engages a third party to provide development services directly to the Company, the third party will be compensated directly by the Company and the Advisor will receive the development acquisition fee if it provides the development oversight services. With respect to an acquisition of an interest in a real estate-related entity, the acquisition fee will equal: (i) 2.0% of the Company's proportionate share of the purchase price of the property owned by any real estate-related entity in which the Company acquires a majority economic interest or that the Company consolidates for financial reporting purposes in accordance with GAAP; and (ii) 2.0% of the purchase price in connection with the acquisition of any interest in any other real estate-related entity. In addition, the

## [Table of Contents](#)

Advisor is entitled to receive an acquisition fee of 1.0% of the purchase price, including any third-party expenses related to such investment, in connection with the acquisition or origination of any type of debt investment or other investment.

**Asset Management Fees.** Asset management fees consist of: (i) a monthly fee of one-twelfth of 0.80% of the aggregate cost (including debt, whether borrowed or assumed, and before non-cash reserves, depreciation and amortization expenses and acquisition fees paid to the Advisor) of each real property asset within the Company's portfolio (or the Company's proportional interest therein with respect to real property held in joint ventures, co-ownership arrangements or real estate-related entities in which the Company owns a majority economic interest or that the Company consolidates for financial reporting purposes in accordance with GAAP), provided, that the monthly asset management fee with respect to each real property asset located outside the U.S. that the Company owns, directly or indirectly, will be one-twelfth of 1.20% of the aggregate cost (including debt, whether borrowed or assumed, and before non-cash reserves, depreciation and amortization expenses and acquisition fees paid to the Advisor) of such real property asset; (ii) a monthly fee of one-twelfth of 0.80% of the aggregate cost or investment (before non-cash reserves, depreciation and amortization expenses and acquisition fees paid to the Advisor, as applicable) of any interest in any other real estate-related entity or any type of debt investment or other investment; and (iii) with respect to a disposition, a fee equal to 2.5% of the total consideration paid in connection with the disposition, calculated in accordance with the terms of the Advisory Agreement. The term "disposition" shall include: (i) a sale of one or more assets; (ii) a sale of one or more assets effectuated either directly or indirectly through the sale of any entity owning such assets, including, without limitation, the Company or the Operating Partnership; (iii) a sale, merger, or other transaction in which the stockholders either receive, or have the option to receive, cash, securities redeemable for cash, and/or securities of a publicly traded company; or (iv) a listing of the Company's common stock on a national securities exchange or the receipt by the Company's stockholders of securities that are listed on a national securities exchange in exchange for the Company's common stock.

**Organization and Offering Expenses.** The Company reimburses the Advisor or its affiliates for cumulative organization expenses and for cumulative expenses of its public offerings up to 2.0% of the aggregate gross offering proceeds from the sale of shares in its public offerings. The Advisor or an affiliate of the Advisor is responsible for the payment of the Company's cumulative organization expenses and offering expenses to the extent that such cumulative expenses exceed the 2.0% organization and offering expense reimbursement for the Company's public offerings, without recourse against or reimbursement by the Company. Organization and offering expenses are accrued by the Company only to the extent that the Company is successful in raising gross offering proceeds. If the Company does not raise additional amounts of offering proceeds, no additional amounts will be payable by the Company to the Advisor for reimbursement of cumulative organization and offering expenses. Organization costs are expensed in the period they become reimbursable and offering costs are recorded as a reduction of gross offering proceeds in additional paid-in capital.

**Other Expense Reimbursements.** In addition to the reimbursement of organization and offering expenses, provided that the Advisor will not be reimbursed for costs of personnel to the extent that such personnel perform services for which the Advisor receives a separate fee, the Company is obligated, subject to certain limitations, to reimburse the Advisor for all of the costs it incurs in connection with the services it provides to the Company, including, without limitation, personnel (and related employment) costs and overhead (including, but not limited to, allocated rent paid to both third parties and an affiliate of the Advisor, equipment, utilities, insurance, travel and entertainment, and other costs) incurred by the Advisor or its affiliates, including, but not limited to, total compensation, benefits and other overhead of all employees involved in the performance of such services. The Advisor may utilize its employees to provide such services and in certain instances those employees may include the Company's executive officers.

[Table of Contents](#)

The table below summarizes the fees and expenses incurred by the Company for services provided by the Advisor and its affiliates, and by the Dealer Manager related to the services described above, and any related amounts payable:

(in thousands)	Incurred				Payable as of	
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		September 30, 2017	December 31, 2016
	2017	2016	2017	2016		
<b>Expensed:</b>						
Acquisition fees (1)	\$ —	\$ 5,358	\$ —	\$ 22,506	\$ —	\$ —
Asset management fees (2)	5,689	4,989	16,575	12,530	104	1,745
Asset management fees related to dispositions (3)	—	—	409	1,466	—	1,015
Other expense reimbursements (4)	1,056	836	3,317	2,423	493	383
Total	<u>\$ 6,745</u>	<u>\$ 11,183</u>	<u>\$ 20,301</u>	<u>\$ 38,925</u>	<u>\$ 597</u>	<u>\$ 3,143</u>
<b>Capitalized:</b>						
Acquisition fees (1)	\$ 2,102	\$ —	\$ 5,144	\$ —	\$ 41	\$ —
Development acquisition fees (5)	384	—	558	155	28	14
Total	<u>\$ 2,486</u>	<u>\$ —</u>	<u>\$ 5,702</u>	<u>\$ 155</u>	<u>\$ 69</u>	<u>\$ 14</u>
<b>Additional Paid-In Capital:</b>						
Sales commissions	\$ 222	\$ 2,862	\$ 4,491	\$ 12,850	\$ —	\$ —
Dealer manager fees	143	2,028	3,026	8,391	—	1
Offering costs	509	1,812	4,240	6,397	102	984
Distribution fees (6)	271	4,093	5,815	25,368	28,453	27,419
Total	<u>\$ 1,145</u>	<u>\$ 10,795</u>	<u>\$ 17,572</u>	<u>\$ 53,006</u>	<u>\$ 28,555</u>	<u>\$ 28,404</u>

- (1) See “Note 1” for detail on the new accounting standard we adopted effective January 1, 2017 and “Note 2” for a description of the accounting policy regarding acquisition costs. Amounts also include the Company’s proportionate share of acquisition fees relating to the joint ventures, which is included in investment in unconsolidated joint ventures on the Company’s condensed consolidated balance sheets.
- (2) Includes asset management fees other than asset management fees related to dispositions.
- (3) Fees are netted against the respective gain and are included in the related net gain amount on the condensed consolidated statements of operations.
- (4) Other expense reimbursements include certain expenses incurred in connection with the services provided to the Company under the Advisory Agreement. These reimbursements include a portion of compensation expenses of individual employees of the Advisor, including certain of the Company’s named executive officers, of the Advisor related to activities for which the Advisor does not otherwise receive a separate fee. The Company reimbursed the Advisor approximately \$0.9 million and \$0.7 million for the three months ended September 30, 2017 and 2016, respectively, and \$3.1 million and \$2.2 million for the nine months ended September 30, 2017 and 2016, respectively, for such compensation expenses. The remaining amount of other expense reimbursements relate to other general overhead and administrative expenses including, but not limited to, allocated rent paid to both third parties and affiliates of the Advisor, equipment, utilities, insurance, travel and entertainment.
- (5) Development acquisition fees are included in the total development project costs of the respective properties and are capitalized in construction in progress, which is included in net investment in real estate properties on the Company’s condensed consolidated balance sheets. Amounts also include the Company’s proportionate share of development acquisition fees relating to the joint ventures, which is included in investment in unconsolidated joint ventures on the Company’s condensed consolidated balance sheets.
- (6) The distribution fees accrue daily and are payable monthly in arrears. As of September 30, 2017, the monthly amount of distribution fees payable of \$0.6 million is included in distributions payable on the condensed consolidated balance sheets. Additionally, the Company accrues for future estimated amounts payable based on the shares outstanding as of the balance sheet date. As of September 30, 2017, the future estimated amounts payable of \$27.9 million are included in due to affiliates on the condensed consolidated balance sheets.

**Joint Ventures.** Both the BTC I Partnership and the BTC II Partnership (described in “Note 6”) pay fees to the Advisor and/or a wholly-owned subsidiary of the Advisor for providing advisory services to both joint ventures. These advisory services include acquisition and asset management services and, to the extent applicable, development management and development oversight services. For the three and nine months ended September 30, 2017 the joint ventures incurred in aggregate approximately \$1.3 million and \$3.8 million, respectively, in acquisition and asset management fees, which were paid to the Advisor and its wholly-owned subsidiary pursuant to the respective service agreements, as compared to \$0.9 million and \$2.2 million, respectively, for the three and nine months ended September 30, 2016.

### **Expense Support Agreement**

In October 2013, the Company entered into an Expense Support and Conditional Reimbursement Agreement (as amended, the “Expense Support Agreement”) with the Operating Partnership and the Advisor. Pursuant to the Expense Support Agreement, the Advisor has agreed to defer payment of all or a portion of the asset management fee otherwise payable to it pursuant to the Advisory Agreement if Company-defined funds from operations (“CDFFO” or “Company-defined FFO”), as disclosed in the Company’s quarterly and annual reports, for a particular quarter is less than the aggregate distributions that would have been declared for such quarter assuming daily distributions at a specified quarterly rate per share of common stock (the “Baseline Distributions”). Baseline Distributions were equal to: \$0.11250 per share from January 1 through June 30, 2014; \$0.11875 per share from July 1 through September 30, 2014; and \$0.1250 per share from October 1, 2014 through June 30, 2015. In addition, pursuant to the Expense Support Agreement that was in effect through June 30, 2015, prior to the amendment and restatement of the agreement as described below, the Advisor, in its sole discretion, could elect to fund certain expenses of the Company and the Operating Partnership as expense support payments. Subject to certain conditions and limitations, the Advisor is entitled to reimbursement from the Company for any asset management fees that were deferred and any expense support payments that it made pursuant to the agreement that was in effect through June 30, 2015.

The Expense Support Agreement was amended and restated on August 14, 2015, effective from July 1, 2015 through June 30, 2018. Pursuant to the amended and restated Expense Support Agreement, for the period from July 1, 2015 through June 30, 2018, Baseline Distributions means the aggregate distributions that are declared on the Company’s common stock in accordance with the quarterly distribution rate for such quarter; provided that for purposes of calculating the amount of payment by the Advisor pursuant to the agreement, such amount will not exceed the amount that would have been declared on shares of the Company’s common stock assuming a quarterly distribution rate of \$0.13515 per share (which is the rate that the Company’s board of directors authorized for the fourth quarter of 2015 and each quarter of 2016 with respect to the Company’s Class A shares and the Company’s Class T shares (less the annual distribution fees that are payable monthly with respect to such Class T shares, as calculated on a daily basis)). Starting with any asset management fees waived pursuant to the agreement on or after July 1, 2015, the Advisor will not be entitled to reimbursement from the Company.

In addition, beginning on July 1, 2015 and ending upon the termination or expiration of the agreement, if, in a given calendar quarter, the Company’s CDFFO is less than the Baseline Distributions for such quarter, and the waived asset management fee is not sufficient to satisfy the shortfall for such quarter (a “Deficiency”), the Advisor will be required to fund certain expenses of the Company or the Operating Partnership in an amount equal to such Deficiency. Starting with any such payments made by the Advisor on or after July 1, 2015 to cover a Deficiency, the Advisor is not entitled to reimbursement from the Company. The Expense Support Agreement, as amended, will govern all waivers and payments made by the Advisor from July 1, 2015 through the second quarter of 2018. The Advisor still will be entitled to reimbursement of amounts owed to it by the Company prior to July 1, 2015 pursuant to the prior versions of the agreement in accordance with the terms thereof.

For the period beginning on July 1, 2015 and terminating on the earlier of the expiration or termination of the agreement, in no event will the aggregate of the waived asset management fees and the Deficiency support payments, when added to all amounts deferred or paid by the Advisor prior to August 14, 2015 under the prior versions of the Expense Support Agreement (approximately \$5.4 million), exceed \$30.0 million (the “Maximum Amount”). As of September 30, 2017, the aggregate amount paid by the Advisor pursuant to the Expense Support Agreement was \$7.4 million. Of this amount, the Company has fully reimbursed the \$5.4 million that was potentially reimbursable to the Advisor, and there are no additional amounts reimbursable to the Advisor under the Expense Support Agreement.

Although the Expense Support Agreement has an effective term through June 30, 2018, it may be terminated prior thereto without cause or penalty by a majority of the Company’s independent directors upon 30 days’ written notice to the Advisor. In addition, the Advisor’s obligations under the Expense Support Agreement will immediately terminate upon the earlier to occur of (i) the termination or non-renewal of the Advisory Agreement, (ii) the delivery by the Company of notice to the Advisor of the Company’s intention to terminate or not renew the Advisory Agreement, (iii) the Company’s completion of a liquidity event or (iv) the time the Advisor has deferred, waived or paid the Maximum Amount. Except with respect to the early termination

[Table of Contents](#)

events described above, any obligation of the Advisor to make payments under the Expense Support Agreement with respect to the calendar quarter ending June 30, 2018 will remain operative and in full force and effect through the end of such quarter.

The table below provides information regarding the fees deferred or waived or expenses supported by the Advisor pursuant to the Expense Support Agreement, as well as any amounts reimbursed to the Advisor by the Company:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Asset management fees waived	\$ —	\$ —	\$ —	\$ 267
Other expenses supported	—	—	—	—
Reimbursement of previously deferred amounts	—	(3,947)	—	(5,378)
Total expense repayment to Advisor	<u>\$ —</u>	<u>\$ (3,947)</u>	<u>\$ —</u>	<u>\$ (5,111)</u>

## 12. COMMITMENTS AND CONTINGENCIES

The Company and the Operating Partnership are not presently involved in any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company or its investments.

### Environmental Matters

A majority of the properties the Company acquires are subject to environmental reviews either by the Company or the previous owners. In addition, the Company may incur environmental remediation costs associated with certain land parcels it may acquire in connection with the development of land. The Company has acquired certain properties in urban and industrial areas that may have been leased to or previously owned by commercial and industrial companies that discharged hazardous material. The Company may purchase various environmental insurance policies to mitigate its exposure to environmental liabilities. The Company is not aware of any environmental liabilities that it believes would have a material adverse effect on its business, financial condition, or results of operations as of September 30, 2017.

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

References to the terms "we," "our," or "us" refer to Industrial Property Trust Inc. and its consolidated subsidiaries. The following discussion and analysis should be read together with our unaudited condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes certain statements that may be deemed 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"). Such forward-looking statements relate to, without limitation, rent and occupancy growth, general conditions in the geographic area where we operate, our future debt and financial position, our future capital expenditures, future distributions and acquisitions (including the amount and nature thereof), other developments and trends of the real estate industry, business strategies and the expansion and growth of our operations. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "project," or the negative of these words or other comparable terminology. These statements are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that are difficult to predict.

The forward-looking statements included herein are based upon our current expectations, plans, estimates, assumptions, and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to:

- Our ability to effectively deploy the proceeds from the Offering in accordance with our investment strategy and objectives;
- The failure of properties to perform as we expect;
- Risks associated with acquisitions, dispositions and development of properties;
- Our failure to successfully integrate acquired properties and operations;
- Unexpected delays or increased costs associated with any development projects;
- The availability of cash flows from operating activities for distributions and capital expenditures;
- Defaults on or non-renewal of leases by customers, lease renewals at lower than expected rent, or failure to lease properties at all or on favorable rents and terms;
- Difficulties in economic conditions generally and the real estate, debt, and securities markets specifically;
- Legislative or regulatory changes, including changes to the laws governing the taxation of real estate investment trusts ("REITs");
- Our failure to obtain, renew, or extend necessary financing or access the debt or equity markets;
- Conflicts of interest arising out of our relationships with Industrial Property Advisors Group LLC (the "Sponsor"), the Advisor, and their affiliates;
- Risks associated with using debt to fund our business activities, including re-financing and interest rate risks;
- Increases in interest rates, operating costs, or greater than expected capital expenditures;
- Changes to GAAP; and
- Our ability to continue to qualify as a REIT.

Any of the assumptions underlying forward-looking statements could prove to be inaccurate. Our stockholders are cautioned not to place undue reliance on any forward-looking statements included in this Quarterly Report on Form 10-Q. All forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q and the risk that actual results will differ materially from the expectations expressed in this Quarterly Report on Form 10-Q will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements after the date of this Quarterly Report on Form 10-Q, whether as a result of new information, future events, changed circumstances, or any other reason. In light of the significant uncertainties inherent in the forward-looking statements included in this Quarterly Report on Form 10-Q, including, without limitation, the risks described under "Risk Factors," the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this Quarterly Report on Form 10-Q will be achieved.

## **OVERVIEW**

### **General**

Industrial Property Trust Inc. is a Maryland corporation formed on August 28, 2012 to make investments in income-producing real estate assets consisting primarily of high-quality distribution warehouses and other industrial properties that are leased to creditworthy corporate customers. We have operated and elected to be treated as a REIT for U.S. federal income tax purposes, commencing with the taxable year ended December 31, 2013, and we intend to continue to operate in accordance with the requirements for qualification as a REIT. We utilize an Umbrella Partnership Real Estate Investment Trust (“UPREIT”) organizational structure to hold all or substantially all of our assets through the Operating Partnership.

On July 24, 2013, we commenced an initial public offering of up to \$2.0 billion in shares of our common stock (the “Offering”), including \$1.5 billion in shares of common stock offered at a price of \$10.00 per share and \$500.0 million in shares offered under our distribution reinvestment plan at a price of \$9.50 per share. On September 6, 2013, we broke escrow for the Offering, and on January 15, 2014, we acquired our first property and began real estate operations.

On August 14, 2015, we filed a post-effective amendment to our registration statement to reclassify our common stock offered pursuant to our registration statement into Class A shares and Class T shares. On August 19, 2015, the SEC declared our post-effective amendment effective and we began offering for sale up to \$1.5 billion in shares of common stock at a price of \$10.44 per Class A share and \$9.83 per Class T share, and up to \$500.0 million in shares under our distribution reinvestment plan at a price of \$9.92 per Class A share and \$9.83 per Class T share.

On December 22, 2016, our board of directors unanimously approved an estimated NAV of our common stock of \$9.74 per share based on the number of shares issued and outstanding as of November 30, 2016. The estimated NAV per share was determined in accordance with our valuation policy, utilizing certain guidelines applicable to non-traded REITs. Also on December 22, 2016, our board of directors unanimously approved a new offering price of \$11.01 per Class A share of our common stock and a new offering price of \$10.36 per Class T share of our common stock, as well as an offering price of \$9.74 per share for shares purchased through our distribution reinvestment plan. The new Class A offering price and the new Class T offering price took effect with respect to subscriptions accepted by us after January 1, 2017. Accordingly, the estimated NAV per share of our common stock determined as of November 30, 2016 was 11.5% and 6.0%, respectively, lower than the offering prices with respect to Class A shares and Class T shares. The differences between the offering prices and the actual value per share fluctuate depending on the actual value of our net assets per share at any given point in time. The offering prices have been rounded to the nearest whole cent throughout this report.

On June 30, 2017, we terminated the primary portion of the Offering. We are continuing to offer and sell shares pursuant to our distribution reinvestment plan. On August 30, 2017, we filed a post-effective amendment to our registration statement in connection with the termination of the primary portion of the Offering and reallocated all shares remaining unsold in the primary portion of the Offering to the distribution reinvestment plan offering, which is ongoing. Class A shares and Class T shares of our common stock are being offered pursuant to the distribution reinvestment plan at a price equal to the NAV per share we most recently disclosed, which is presently \$9.74 per share. We may terminate our distribution reinvestment plan offering at any time.

As of September 30, 2017, we had raised gross proceeds of approximately \$1.8 billion from the sale of 175.5 million shares of our common stock in the Offering, including shares issued under our distribution reinvestment plan. See “Note 9 to the Condensed Consolidated Financial Statements” for information concerning the Offering.

As of September 30, 2017, we owned and managed, either directly or through our minority ownership interests in our joint ventures, a real estate portfolio that included 272 industrial buildings totaling approximately 44.9 million square feet located in 26 markets throughout the U.S., with 495 customers, and was 88.2% occupied (91.4% leased) with a weighted-average remaining lease term (based on square feet) of approximately 4.3 years. The occupied rate reflects the square footage with a paying customer in place. The leased rate includes the occupied square footage and additional square footage with leases in place that have not yet commenced. As of September 30, 2017:

- 255 industrial buildings totaling approximately 41.3 million square feet comprised our operating portfolio, which includes stabilized properties, and was 95.0% occupied (97.3% leased).
- 17 industrial buildings totaling approximately 3.6 million square feet comprised our development and value-add portfolio, which includes buildings acquired with the intention to reposition or redevelop, or buildings recently completed which have not yet reached stabilization. We generally consider a building to be stabilized on the earlier to occur of the first anniversary of a building’s shell completion or a building achieving 90% occupancy.

During the nine months ended September 30, 2017, we directly acquired 21 buildings comprising approximately 3.0 million square feet for an aggregate total purchase price of approximately \$247.3 million, exclusive of transfer taxes, due diligence expenses,

## [Table of Contents](#)

acquisition costs (including the acquisition fees paid to the Advisor and its affiliates) and other closing costs. We funded these acquisitions with proceeds from the Offering, debt financings and net proceeds from asset sales. See “Note 3 to the Condensed Consolidated Financial Statements” for additional information regarding our acquisitions.

As of September 30, 2017, we owned and managed 40 buildings totaling approximately 7.9 million square feet of the total 44.9 million square feet (discussed above) through our joint ventures (as described in “Note 6 to the Condensed Consolidated Financial Statements”). During the nine months ended September 30, 2017, the joint ventures acquired eight buildings comprising approximately 1.4 million square feet and completed the development of five buildings comprising approximately 2.0 million square feet for an aggregate total purchase price of approximately \$223.6 million, exclusive of transfer taxes, due diligence expenses, acquisition costs (including the acquisition fees paid to the Advisor and its affiliates) and other closing costs. Additionally, as of that date, the joint ventures had 10 buildings under construction totaling approximately 3.1 million square feet, and 14 buildings in the pre-construction phase for an additional 2.1 million square feet. See “Note 6 to the Condensed Consolidated Financial Statements” for additional information regarding our joint ventures.

From January 2014 through September 30, 2017, we had acquired, either directly or through our joint ventures, 281 buildings comprised of approximately 46.4 million square feet for an aggregate total purchase price of approximately \$3.4 billion, exclusive of transfer taxes, due diligence expenses, acquisition costs (including the acquisition fees paid to the Advisor and its affiliates) and other closing costs. We funded these acquisitions primarily with proceeds from the Offering and debt financings.

We have used the net proceeds from the Offering primarily to make investments in real estate assets. We may use the cash flows generated from operating activities, net proceeds from the sale of common stock pursuant to our distribution reinvestment plan, funds provided by debt financings and refinancings, and net proceeds from asset sales to continue to acquire real estate assets. The number and type of properties we may acquire and debt and other investments we may make will depend upon real estate market conditions and other circumstances existing at the time we make our investments.

Our primary investment objectives include the following:

- Preserving and protecting our stockholders’ capital contributions;
- Providing current income to our stockholders in the form of regular distributions; and
- Realizing capital appreciation upon the potential sale of our assets or other liquidity events.

There is no assurance that we will attain our investment objectives. Our charter places numerous limitations on us with respect to the manner in which we may invest our funds. In most cases these limitations cannot be changed unless our charter is amended, which may require the approval of our stockholders.

We may acquire assets free and clear of mortgage or other indebtedness by paying the entire purchase price in cash or equity securities, or a combination thereof, and we may selectively encumber all or only certain assets with debt. The proceeds from our borrowings may be used to fund investments, make capital expenditures, pay distributions, and for general corporate purposes.

We expect to manage our financing strategy under the current mortgage lending and corporate financing environment by considering various lending sources, which may include long-term fixed rate mortgage loans, unsecured or secured lines of credit or term loans, private placements or public bond issuances, and the assumption of existing loans in connection with certain property acquisitions, or any combination of the foregoing.

### **Industrial Real Estate Outlook**

Overall, fundamentals for the U.S. industrial real estate sector continue to remain healthy, primarily driven by the continued growth in the U.S. economy. Both U.S. gross domestic product (“GDP”) and consumer spending, including online retailing (or e-commerce), remain positive and we believe will continue growing over the next several quarters. There is a high correlation between these statistics and industrial warehouse demand. Additionally, forecasted growth in both employment and population levels is expected to drive consumer spending growth over the longer-term, leading to increased utilization of distribution warehouses. We expect moderate economic growth in the U.S. to continue throughout 2018, which should continue to drive positive demand for warehouse space as companies expand and upgrade their distribution networks and supply chains.

While growth in the U.S. economy has continued, global trade growth has slowed due to structural factors and increased restrictions on international trade, such as tariffs and quotas on imports. Commodity prices have stabilized and may further recover as planned production cuts from the Organization of Petroleum Exporting Countries (“OPEC”) may lead oil prices higher. Financial market conditions for developing countries tightened significantly following the U.S. elections as concerns over protectionism decreased.

## [Table of Contents](#)

currencies and increased bond yields globally. Heightened policy uncertainty in the U.S. and Europe will likely weigh on global trade and capital flows throughout the coming year.

Despite certain global uncertainties, the U.S. industrial real estate sector continues to benefit from positive net absorption (the net change in total occupied industrial space), low vacancy rates and rent growth in our primary target markets. Consistent with recent experience and based on current market conditions, we expect average net effective rental rates on new leases signed during the remainder of 2017 and into 2018 to be higher than the rates on expiring leases.

Technological advancements, shifting consumer preferences, and the resultant supply-chain innovations have supported the growth of e-commerce. The dollar volume of retail goods purchased online continues to grow significantly, averaging a 14.3% annual increase compounded over the past five years, and comprises an increasing proportion of total retail sales. As online sales grow and more retailers adapt to changing consumer preferences and technologies, the need for highly-functional warehouse space near major cities is expected to increase.

The capital markets outlook for industrial real estate remains strong as institutional investor demand continues to increase in part driven by the current industrial real estate fundamentals and secular shift to online consumer spending.

### **Summary of 2017 Activities**

During the nine months ended September 30, 2017, we completed the following activities:

- We raised \$181.9 million of gross equity capital from the Offering, including from shares issued pursuant to our distribution reinvestment plan. We terminated the primary portion of the Offering on June 30, 2017.
- We borrowed \$105.0 million under a new mortgage note, with total debt increasing by a net \$160.0 million.
- We directly acquired 21 industrial buildings, comprised of approximately 3.0 million square feet for an aggregate total purchase price of approximately \$247.3 million, exclusive of transfer taxes, due diligence expenses, acquisition costs (including the acquisition fees paid to the Advisor and its affiliates) and other closing costs. We funded these acquisitions primarily with proceeds from the Offering and debt financings.
- We sold four industrial buildings aggregating 0.4 million square feet for net proceeds of \$15.4 million and recognized net gains of approximately \$0.1 million.
- We acquired, through our 20.0% ownership interest in the BTC I Partnership, one building comprising approximately 0.2 million square feet, and completed the development of five buildings comprising approximately 2.0 million square feet for an aggregate total purchase price of approximately \$140.5 million, exclusive of transfer taxes, due diligence expenses, acquisition costs (including the acquisition fees paid to the Advisor and its affiliates) and other closing costs.
- On May 19, 2017, we formed the BTC II Partnership with eight investors as limited partners who collectively own an 85.0% interest in the partnership (collectively, the “QuadReal Limited Partner”). We own a 13.0% interest in the partnership, an affiliate of the Advisor owns a 2.0% interest in the partnership and a subsidiary of the Advisor owns a special limited partnership interest in the partnership. The BTC II Partnership was formed to invest in a portfolio of industrial properties located in certain major U.S. distribution markets. As of September 30, 2017, the BTC II Partnership owned seven industrial buildings totaling approximately 1.2 million square feet.
- As of September 30, 2017, we owned and managed, either directly or through our joint ventures, a real estate portfolio comprised of 272 industrial buildings totaling approximately 44.9 million square feet located in 26 markets throughout the U.S.
- We leased approximately 6.8 million square feet, which included 3.1 million square feet of new leases and 3.7 million square feet of renewals and future leases. Future leases represent new leases for units that are entered into while the units are occupied by the current customer.

**Portfolio Information**

Our total owned and managed portfolio was as follows:

(square feet in thousands)	As of		
	September 30, 2017	December 31, 2016	September 30, 2016
<b>Portfolio data:</b>			
Consolidated buildings	232	215	212
Unconsolidated buildings	40	27	24
Total buildings	272	242	236
Rentable square feet of consolidated buildings	37,078	34,339	34,000
Rentable square feet of unconsolidated buildings	7,862	4,405	4,330
Total rentable square feet	44,940	38,744	38,330
Total number of customers (1)	495	477	457
Percent occupied of operating portfolio (1)(2)	95.0%	95.3%	95.2%
Percent occupied of total portfolio (1)(2)	88.2%	92.5%	91.9%
Percent leased of operating portfolio (1)(2)	97.3%	96.7%	95.7%
Percent leased of total portfolio (1)(2)	91.4%	94.0%	92.8%

(1) Represents our total portfolio, which includes our consolidated and unconsolidated properties.

(2) See “Overview—General” above for a description of our operating portfolio and our total portfolio (which includes our operating and development and value-add portfolios) and for a description of the occupied and leased rates.

We have been in the acquisition phase of our life cycle and the results of our operations are primarily impacted by the timing of our acquisitions and the equity raised through the Offering. Accordingly, our operating results for the three and nine months ended September 30, 2017 and 2016 are not directly comparable, nor are our results of operations for the three and nine months ended September 30, 2017 indicative of those expected in future periods. We believe that our revenues, operating expenses and interest expense will continue to increase in future periods as a result of continued growth in our portfolio and as a result of the incremental effect of anticipated future acquisitions of industrial real estate properties.

**Results for the Three and Nine Months Ended September 30, 2017 Compared to the Same Periods in 2016**

The following table summarizes our results of operations for the three and nine months ended September 30, 2017 as compared to the three and nine months ended September 30, 2016. We evaluate the performance of consolidated operating properties we own and manage using a same store analysis because the population of properties in this analysis is consistent from period to period, thereby eliminating the effects of any material changes in the composition of the aggregate portfolio on performance measures. We have defined the same store portfolio to include consolidated operating properties owned for the entirety of both the current and prior reporting periods for which the operations had been stabilized. "Other properties" includes buildings not meeting the same store criteria. The same store operating portfolio for the three month periods presented below included 181 buildings totaling approximately 28.0 million square feet owned as of July 1, 2016, which portfolio represented 75.4% of total rentable square feet, 81.0% of total revenues, and 81.4% of net operating income as of September 30, 2017. The same store operating portfolio for the nine month periods presented below included 127 buildings totaling approximately 16.1 million square feet owned as of January 1, 2016, which portfolio represented 43.6% of total rentable square feet, 52.5% of total revenues, and 52.2% of net operating income as of September 30, 2017.

(in thousands, except per share data)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2017	2016	\$ Change	% Change	2017	2016	\$ Change	% Change
<b>Rental revenues:</b>								
Same store operating properties	\$ 45,901	\$ 44,145	1,756	4.0 %	\$ 87,320	\$ 85,085	2,235	2.6 %
Other properties	10,785	6,062	4,723	77.9	79,048	38,821	40,227	103.6
Total rental revenues	56,686	50,207	6,479	12.9	166,368	123,906	42,462	34.3
<b>Rental expenses:</b>								
Same store operating properties	(11,873)	(11,065)	(808)	7.3	(23,456)	(22,344)	(1,112)	5.0
Other properties	(3,026)	(1,466)	(1,560)	106.4	(20,454)	(9,789)	(10,665)	108.9
Total rental expenses	(14,899)	(12,531)	(2,368)	18.9	(43,910)	(32,133)	(11,777)	36.7
<b>Net operating income:</b>								
Same store operating properties	34,028	33,080	948	2.9	63,864	62,741	1,123	1.8
Other properties	7,759	4,596	3,163	68.8	58,594	29,032	29,562	101.8
Total net operating income	41,787	37,676	4,111	10.9	122,458	91,773	30,685	33.4
<b>Other income and (expenses):</b>								
Real estate-related depreciation and amortization	(29,044)	(27,229)	(1,815)	6.7	(83,756)	(68,665)	(15,091)	22.0
General and administrative expenses	(2,106)	(1,517)	(589)	38.8	(6,301)	(5,123)	(1,178)	23.0
Asset management fees, related party	(5,689)	(4,989)	(700)	14.0	(16,575)	(12,530)	(4,045)	32.3
Acquisition expenses, related party	—	(5,358)	5,358	(100.0)	—	(22,506)	22,506	(100.0)
Acquisition expenses	—	(1,458)	1,458	(100.0)	—	(9,940)	9,940	(100.0)
Impairment of real estate property	—	(2,326)	2,326	(100.0)	—	(2,326)	2,326	(100.0)
Equity in income (loss) of unconsolidated joint ventures	39	(15)	54	(360.0)	124	(458)	582	(127.1)
Interest expense and other	(10,516)	(8,924)	(1,592)	17.8	(30,600)	(18,800)	(11,800)	62.8
Net gain on disposition of real estate properties	—	—	—	—	131	—	131	100.0
Net loss on sell down of joint venture ownership interest	—	—	—	—	—	(64)	64	(100.0)
Total expense repayment to Advisor	—	(3,947)	3,947	(100.0)	—	(5,111)	5,111	(100.0)
Total other income (expenses)	(47,316)	(55,763)	8,447	(15.1)	(136,977)	(145,523)	8,546	(5.9)
<b>Net loss</b>	(5,529)	(18,087)	12,558	(69.4)	(14,519)	(53,750)	39,231	(73.0)
Net loss attributable to noncontrolling interests	(16)	(15)	(1)	6.7	(47)	(15)	(32)	213.3
<b>Net loss attributable to common stockholders</b>	<u>\$ (5,545)</u>	<u>\$ (18,102)</u>	<u>\$ 12,557</u>	<u>(69.4) %</u>	<u>\$ (14,566)</u>	<u>\$ (53,765)</u>	<u>39,199</u>	<u>(72.9) %</u>
Weighted-average shares outstanding	174,300	139,486	34,814		167,363	127,686	39,677	
Net loss per common share - basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.13)</u>	<u>\$ 0.10</u>		<u>\$ (0.09)</u>	<u>\$ (0.42)</u>	<u>\$ 0.33</u>	

**Rental Revenues.** Rental revenues are comprised of base rent, straight-line rent, amortization of above- and below-market lease assets and liabilities, and tenant reimbursement revenue. Total rental revenues increased by approximately \$6.5 million and \$42.5 million for the three and nine months ended September 30, 2017, respectively, as compared to the same periods in 2016, primarily due to an increase in non-same store revenues, which was attributable to the significant growth in our portfolio over these periods. For the three months ended September 30, 2017, non-same store rental revenues reflect the addition of 46 buildings we had acquired since July 1, 2016, and for the nine months ended September 30, 2017, non-same store rental revenues reflect the addition of 110 buildings we had acquired since January 1, 2016. Same store rental revenues for the three and nine months ended September 30, 2017 increased by

## [Table of Contents](#)

4.0% and 2.6%, respectively, as compared to the same periods in 2016, primarily due to higher rental rates for new leases and renewals, as well as an increase in the average occupancy rate for the same store operating portfolio from 95.1% to 97.3% and from 96.2% to 96.6% for the three and nine months ended September 30, 2017, respectively, as compared to the same periods in 2016.

**Rental Expenses.** Rental expenses include certain property operating expenses typically reimbursed by our customers, such as real estate taxes, property insurance, property management fees, repair and maintenance, and certain non-recoverable expenses, such as consulting services and roof repairs. Total rental expenses increased by approximately \$2.4 million for the three months ended September 30, 2017, as compared to the same period in 2016, and \$11.8 million for the nine months ended September 30, 2017, as compared to the same period in 2016, primarily due to an increase in non-same store rental expenses attributable to the significant growth in our portfolio over these periods. Same store rental expenses for the three and nine months ended September 30, 2017 increased by 7.3% and 5.0%, respectively, primarily due to higher maintenance and repair expenses and higher real estate taxes as compared to the same periods in 2016.

**Other Income and Expenses.** Other income and expenses, in aggregate, decreased by \$8.4 million, or 15.1%, for the three months ended September 30, 2017, as compared to the same period in 2016, and decreased by \$8.5 million, or 5.9% for the nine months ended September 30, 2017, as compared to the same period in 2016, primarily due to:

- a new FASB accounting standard that we adopted effective January 1, 2017, which resulted in all 2017 acquisition-related expenses of \$6.4 million being capitalized instead of expensed as they were in the prior periods, resulting in a decrease in acquisition-related expenses of \$6.8 million and \$32.4 million for the three and nine months ended September 30, 2017, respectively, as compared to the same periods in 2016;
- the payment to the Advisor of previously deferred asset management fees and the reimbursement to the Advisor of expense support payments pursuant to the Expense Support Agreement in the amount of \$3.9 million and \$5.1 million for the three and nine months ended September 30, 2016, respectively, as compared to no payments or reimbursements to the Advisor during the same periods in 2017; and
- an impairment charge of \$2.3 million for the three and nine months ended September 30, 2016 related to three wholly-owned properties that were evaluated for impairment due to a change in management's estimate of the intended hold periods, as compared to no impairments during the same periods in 2017.

Partially offsetting the decreases above:

- an increase in real estate-related depreciation and amortization expense, asset management fees, and general and administrative expenses totaling an aggregate amount of \$3.1 million, or 9.2%, for the three months ended September 30, 2017 as a result of the growth in our portfolio since July 1, 2016, and \$20.3 million, or 23.5%, for the nine months ended September 30, 2017 as a result of the growth in our portfolio since January 1, 2016; and
- an increase in interest expense of \$1.6 million and \$11.8 million for the three and nine months ended September 30, 2017, respectively, primarily due to: (i) a net increase in property level borrowings of \$220.0 million as of September 30, 2017, as compared to September 30, 2016; and (ii) a higher aggregate weighted-average interest rate of 2.97% as of September 30, 2017, as compared to 2.79% as of September 30, 2016.

## **ADDITIONAL MEASURES OF PERFORMANCE**

### **Net Loss and Net Operating Income ("NOI")**

We define NOI as GAAP rental revenues less GAAP rental expenses. For the three and nine months ended September 30, 2017, GAAP net loss applicable to common stockholders was \$5.5 million and \$14.6 million, respectively, as compared to \$18.1 million and \$53.8 million, respectively, for the three and nine months ended September 30, 2016. For the three and nine months ended September 30, 2017, NOI increased 10.9% to \$41.8 million and 33.4% to \$122.5 million, respectively, as compared to \$37.7 million and \$91.8 million, respectively, for the three and nine months ended September 30, 2016. For the three and nine months ended September 30, 2017, same store NOI was \$34.0 million and \$63.9 million, respectively, as compared to \$33.1 million and \$62.7 million for the three and nine months ended September 30, 2016. We consider NOI to be an appropriate supplemental performance measure and believe NOI provides useful information to our investors regarding our financial condition and results of operations because NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the properties, such as real estate-related depreciation and amortization, acquisition-related expenses, impairment charges, general and administrative expenses and interest expense. However, NOI should not be viewed as an alternative measure of our financial performance since it excludes such expenses, which could materially impact our results of operations. Further, our NOI may not be comparable to that of other real estate companies as they may use different methodologies for calculating NOI. Therefore, we believe our net loss, as defined by GAAP, to be the most appropriate measure to evaluate our overall performance. Refer to "Results of Operations—

Results for the Three and Nine Months Ended September 30, 2017 Compared to the Same Periods in 2016” above for a reconciliation of our GAAP net loss to NOI for the three and nine months ended September 30, 2017 and 2016.

**Funds from Operations (“FFO”), Company-Defined FFO and Modified Funds from Operations (“MFFO”)**

We believe that FFO, Company-defined FFO, and MFFO, in addition to net loss and cash flows from operating activities as defined by GAAP, are useful supplemental performance measures that our management uses to evaluate our consolidated operating performance. However, these supplemental, non-GAAP measures should not be considered as an alternative to net loss or to cash flows from operating activities as an indication of our performance and are not intended to be used as a liquidity measure indicative of cash flow available to fund our cash needs, including our ability to make distributions to our stockholders. No single measure can provide users of financial information with sufficient information and only our disclosures read as a whole can be relied upon to adequately portray our financial position, liquidity, and results of operations. Fees deferred or waived by the Advisor and payments received from the Advisor pursuant to the Expense Support Agreement described in “Note 11 to the Condensed Consolidated Financial Statements” are included in determining our net loss, which is used to determine FFO, Company-defined FFO, and MFFO. If we had not received expense support from the Advisor in prior periods, our FFO, Company-defined FFO, and MFFO for such periods would have been lower. In addition, other REITs may define FFO and similar measures differently and choose to treat acquisition-related costs and potentially other accounting line items in a manner different from us due to specific differences in investment and operating strategy or for other reasons.

**FFO.** As defined by the National Association of Real Estate Investment Trusts (“NAREIT”), FFO is a non-GAAP measure that excludes certain items such as real estate-related depreciation and amortization, impairment of depreciable real estate, and gains or losses on sales of assets. We believe FFO is a meaningful supplemental measure of our operating performance that is useful to investors because depreciation and amortization in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. By excluding gains or losses on the sale of assets, we believe FFO provides a helpful additional measure of our consolidated operating performance on a comparative basis. We use FFO as an indication of our consolidated operating performance and as a guide to making decisions about future investments.

**Company-defined FFO.** Similar to FFO, Company-defined FFO is a non-GAAP measure that excludes real estate-related depreciation and amortization, impairment of depreciable real estate, and gains or losses on sales of assets, and also excludes acquisition-related costs (including acquisition fees paid to the Advisor) and organization costs, each of which are characterized as expenses in determining net loss under GAAP. Organization costs are excluded as they are paid in cash and relate to costs paid in conjunction with the organization of the Company. The purchase of operating properties has been a key strategic objective of our business plan focused on generating growth in operating income and cash flow in order to make distributions to investors. However, the corresponding acquisition-related costs are driven by transactional activity rather than factors specific to the on-going operating performance of our properties or investments. Due to a new accounting standard that we adopted as of January 1, 2017, acquisition-related costs are no longer expensed, but are capitalized as incurred, as the properties we acquire are considered assets rather than businesses under the new standard. As a result, acquisition-related costs for properties that meet the definition of an asset rather than a business will no longer be an adjustment, effective January 1, 2017. Company-defined FFO may not be a complete indicator of our operating performance, and may not be a useful measure of the long-term operating performance of our properties if we do not continue to operate our business plan as disclosed.

**MFFO.** As defined by the Investment Program Association (“IPA”), MFFO is a non-GAAP supplemental financial performance measure used to evaluate our operating performance. Similar to FFO, MFFO excludes items such as real estate-related depreciation and amortization, impairment of depreciable real estate, and gains or losses on sales of assets, but includes organization costs. Similar to Company-defined FFO, MFFO excludes acquisition-related costs. MFFO also excludes straight-line rent and amortization of above- and below-market leases. As described above, due to a new accounting standard that we adopted as of January 1, 2017, acquisition-related costs are no longer expensed, but are capitalized as incurred, as the properties we acquire are considered assets rather than businesses under the new standard. As a result, acquisition-related costs for properties that meet the definition of an asset rather than a business will no longer be an adjustment, effective January 1, 2017. In addition, there are certain other MFFO adjustments as defined by the IPA that are not applicable to us and are not included in our presentation of MFFO.

We have been in the acquisition phase of our life cycle. Management does not include historical acquisition-related costs in its evaluation of future operating performance, as such costs are not expected to be incurred once our acquisition phase is complete. In addition, management does not include organization costs as those costs are also not expected to be incurred because we have commenced operations. We use FFO, Company-defined FFO and MFFO to, among other things: (i) evaluate and compare the potential performance of the portfolio after the acquisition phase is complete, and (ii) evaluate potential performance to determine liquidity event strategies. We believe FFO, Company-defined FFO and MFFO facilitate a comparison to other REITs that have similar operating characteristics as us. We believe investors are best served if the

[Table of Contents](#)

information that is made available to them allows them to align their analyses and evaluation with the same performance metrics used by management in planning and executing our business strategy. We believe that these performance metrics will assist investors in evaluating the potential performance of the portfolio after the completion of the acquisition phase. However, these supplemental, non-GAAP measures are not necessarily indicative of future performance and should not be considered as an alternative to net loss or to cash flows from operating activities and is not intended to be used as a liquidity measure indicative of cash flow available to fund our cash needs. Neither the SEC, NAREIT, nor any regulatory body has passed judgment on the acceptability of the adjustments used to calculate FFO, Company-defined FFO and MFFO. In the future, the SEC, NAREIT, or a regulatory body may decide to standardize the allowable adjustments across the non-traded REIT industry at which point we may adjust our calculation and characterization of FFO, Company-defined FFO and MFFO.

The following unaudited table presents a reconciliation of GAAP net loss to NAREIT FFO, Company-defined FFO and MFFO:

(in thousands, except per share data)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Period from Inception (August 28, 2012) to September 30, 2017
	2017	2016	2017	2016	
GAAP net loss applicable to common stockholders	\$ (5,545)	\$ (18,102)	\$ (14,566)	\$ (53,765)	\$ (127,367)
GAAP net loss per common share	\$ (0.03)	\$ (0.13)	\$ (0.09)	\$ (0.42)	\$ (1.99)
<b>Reconciliation of GAAP net loss to NAREIT FFO:</b>					
GAAP net loss applicable to common stockholders	\$ (5,545)	\$ (18,102)	\$ (14,566)	\$ (53,765)	\$ (127,367)
Add NAREIT-defined adjustments:					
Real estate-related depreciation and amortization	29,044	27,229	83,756	68,665	212,630
Our share of real estate-related depreciation and amortization of unconsolidated joint ventures	736	601	1,975	1,871	7,113
Impairment of real estate property	—	2,326	—	2,326	2,672
Net gain on disposition of real estate properties	—	—	(131)	—	(1,560)
Net loss on sell down of joint venture ownership interest	—	—	—	64	64
NAREIT FFO applicable to common stockholders	\$ 24,235	\$ 12,054	\$ 71,034	\$ 19,161	\$ 93,552
NAREIT FFO per common share	\$ 0.14	\$ 0.09	\$ 0.42	\$ 0.15	\$ 1.46
<b>Reconciliation of NAREIT FFO to Company-defined FFO:</b>					
NAREIT FFO applicable to common stockholders	\$ 24,235	\$ 12,054	\$ 71,034	\$ 19,161	\$ 93,552
Add Company-defined adjustments:					
Acquisition costs	—	6,816	—	32,446	80,877
Our share of acquisition costs of unconsolidated joint ventures	—	10	—	175	1,697
Organization costs	—	—	—	—	93
Company-defined FFO applicable to common stockholders	\$ 24,235	\$ 18,880	\$ 71,034	\$ 51,782	\$ 176,219
Company-defined FFO per common share	\$ 0.14	\$ 0.14	\$ 0.42	\$ 0.41	\$ 2.75
<b>Reconciliation of Company-defined FFO to MFFO:</b>					
Company-defined FFO applicable to common stockholders	\$ 24,235	\$ 18,880	\$ 71,034	\$ 51,782	\$ 176,219
Deduct MFFO adjustments:					
Straight-line rent and amortization of above/below market leases	(2,853)	(3,779)	(9,278)	(9,208)	(27,899)
Our share of straight-line rent and amortization of above/below market leases of unconsolidated joint ventures	(154)	(129)	(285)	(389)	(1,293)
Organization costs	—	—	—	—	(93)
MFFO applicable to common stockholders	\$ 21,228	\$ 14,972	\$ 61,471	\$ 42,185	\$ 146,934
MFFO per common share	\$ 0.12	\$ 0.11	\$ 0.37	\$ 0.33	\$ 2.30
Weighted-average shares outstanding	174,300	139,486	167,363	127,686	64,004

We believe that: (i) our FFO of \$24.2 million, or \$0.14 per share, as compared to the total gross distributions declared (which are paid in cash or reinvested in shares offered through our distribution reinvestment plan) in the amount of \$24.8 million, or \$0.14 per share, for the three months ended September 30, 2017; (ii) our FFO of \$71.0 million, or \$0.42 per share, as compared to the gross distributions declared (which are paid in cash or reinvested in shares offered through our distribution reinvestment plan) in the amount of \$71.5 million, or \$0.43 per share, for the nine months ended September 30, 2017; and (iii) our FFO of \$93.6 million, or \$1.46 per share, as compared to the total gross distributions declared (which are paid in cash or reinvested in shares offered through our distribution reinvestment plan) of \$174.8 million, or \$2.04 per share, for the period from Inception

[Table of Contents](#)

(August 28, 2012) to September 30, 2017, are not indicative of future performance as we have been in the acquisition phase of our life cycle. See “Capital Resources and Uses of Liquidity—Distributions” below for details concerning our distributions, which are paid in cash or reinvested in shares of our common stock by participants in our distribution reinvestment plan.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

Our primary sources of capital for meeting our cash requirements include, and will continue to include, cash flows generated from operating activities, net proceeds from the sale of common stock pursuant to our distribution reinvestment plan, funds provided by debt financings and refinancings, and net proceeds from asset sales. Our principal uses of funds are, and will continue to be, for the acquisition of properties and other investments, capital expenditures, operating expenses, payments under our debt obligations, and distributions to our stockholders. We terminated the primary portion of the Offering on June 30, 2017, and accordingly, net proceeds from the Offering will no longer be a primary source of capital for meeting our cash needs, as we have fully deployed the net proceeds from the sale of primary shares in the Offering. Refer to “Note 9 to the Condensed Consolidated Financial Statements” for further detail. We expect to utilize the same sources of capital to meet our short-term and long-term liquidity and capital requirements.

Now that the net proceeds from the primary portion of the Offering have been fully deployed, we will no longer have priority over another non-traded, public REIT, Black Creek Industrial REIT IV Inc. (“BCI IV”), which is sponsored by an affiliate of our Sponsor, with regard to the acquisition of industrial properties. Rather, we and other investment vehicles sponsored by affiliates of the Advisor and the Sponsor with capital available to invest will have access to industrial property investment opportunities on a rotational basis that the Sponsor determines to be fair and reasonable to the applicable vehicles. The Advisor, subject to the oversight of our board of directors and, under certain circumstances, the investment committee or other committees established by our board of directors, will continue to evaluate potential acquisitions and will engage in negotiations with sellers and lenders on our behalf.

**Cash Flows.** The following table summarizes our cash flows, as determined on a GAAP basis, for the following periods:

(in thousands)	For the Nine Months Ended September 30,	
	2017	2016
<b>Total cash provided by (used in):</b>		
Operating activities	\$ 65,553	\$ 26,443
Investing activities	(294,316)	(1,071,601)
Financing activities	251,036	1,052,210
Net increase in cash	<u>\$ 22,273</u>	<u>\$ 7,052</u>

Cash provided by operating activities during the nine months ended September 30, 2017 increased by approximately \$39.1 million as compared to the same period in 2016, primarily as a result of continued growth in our property operations. Cash used in investing activities during the nine months ended September 30, 2017 decreased by approximately \$777.3 million as compared to the same period in 2016, primarily due to a net decrease in our acquisition activity in the amount of \$834.2 million, partially offset by net proceeds from the sale of a portion of our interest in the BTC I Partnership in the first quarter of 2016 of \$57.2 million, as well as by net proceeds from the disposition of real estate properties in the first quarter of 2017 of \$15.4 million. Cash provided by financing activities during the nine months ended September 30, 2017 decreased by approximately \$801.2 million as compared to the same period in 2016, primarily due to a decrease in our net borrowing activity of \$552.3 million, as well as a decrease in our equity raised of \$228.3 million as a result of the termination of the primary portion of our offering.

### Capital Resources and Uses of Liquidity

In addition to our cash and cash equivalents balances available, our capital resources and uses of liquidity are as follows:

**Line of Credit and Term Loans.** As of September 30, 2017, we had an aggregate of \$1.0 billion of commitments under our credit agreements, including \$500.0 million under our line of credit and \$500.0 million under our two term loans. As of that date, we had: (i) approximately \$236.0 million outstanding under our line of credit with a weighted average effective interest rate of 2.47%, which includes the effect of the interest rate swap agreements related to \$150.0 million in borrowings under our line of credit; and (ii) \$500.0 million outstanding under our term loans with a weighted average effective interest rate of 2.64%, which includes the effect of the interest rate swap agreements related to \$350.0 million in borrowings under our term loans. The unused and available portions under our line of credit were \$264.0 million and \$209.2 million, respectively. Our \$500.0 million

## [Table of Contents](#)

line of credit matures in January 2020, and may be extended pursuant to a one-year extension option, subject to certain conditions, including the payment of an extension fee. Our \$350.0 million term loan matures in January 2021 and our \$150.0 million term loan matures in May 2022. Our line of credit and term loan borrowings are available for general corporate purposes, including but not limited to the acquisition and operation of permitted investments. Refer to “Note 7 to the Condensed Consolidated Financial Statements” for additional information regarding our line of credit and term loans.

**Mortgage Notes.** As of September 30, 2017, we had property-level borrowings of approximately \$722.9 million outstanding with a weighted-average remaining term of 6.6 years. These borrowings are secured by mortgages or deeds of trust and related assignments and security interests in the collateralized properties, and had a weighted-average interest rate of 3.36%, which includes the effects of the interest rate swap agreement relating to our \$97.0 million variable-rate mortgage note. The proceeds from our mortgage notes were used to partially finance certain of our acquisitions. Refer to “Note 7 to the Condensed Consolidated Financial Statements” for additional information regarding the mortgage notes.

**Debt Covenants.** Our line of credit, term loan and mortgage note agreements contain various property level covenants, including customary affirmative and negative covenants. In addition, our line of credit and term loan agreements contain certain corporate level financial covenants, including leverage ratio, fixed charge coverage ratio, and tangible net worth thresholds. These covenants may limit our ability to incur additional debt, to make borrowings under our line of credit, or to pay distributions. We were in compliance with all debt covenants as of September 30, 2017.

**Offering Proceeds.** As of September 30, 2017, aggregate gross proceeds raised from the Offering, including proceeds raised through our distribution reinvestment plan, were \$1.8 billion (\$1.6 billion net of direct selling costs).

**Distributions.** We intend to continue to make distributions on a quarterly basis. For the nine months ended September 30, 2017, 50.3% of our total gross distributions were paid from cash flows from operating activities, as determined on a GAAP basis, and 49.7% of our total gross distributions were funded from sources other than cash flows from operating activities, specifically with proceeds from shares issued pursuant to our distribution reinvestment plan. Some or all of our future distributions may continue to be paid from sources other than cash flows from operating activities, such as cash flows from financing activities, which include borrowings, proceeds from the issuance of shares pursuant to our distribution reinvestment plan, cash resulting from a waiver or deferral of fees or expense reimbursements otherwise payable to the Advisor or its affiliates, cash resulting from the Advisor or its affiliates paying certain of our expenses, net proceeds from the sales of assets, and our cash balances. We have not established a cap on the amount of our distributions that may be paid from any of these sources. The amount of any distributions will be determined by our board of directors, and will depend on, among other things, current and projected cash requirements, tax considerations and other factors deemed relevant by our board. For the fourth quarter of 2017, our board of directors authorized daily distributions to all common stockholders of record as of the close of business on each day of the fourth quarter of 2017 at a quarterly rate of \$0.1425 per Class A share of common stock and \$0.1425 per Class T share of common stock less the annual distribution fees that are payable monthly with respect to such Class T shares (calculated on a daily basis). Distributions for the fourth quarter of 2017 will be aggregated and paid in cash or reinvested in shares of our common stock for those electing to participate in our distribution reinvestment plan, on a date determined by us that is no later than January 15, 2018.

There can be no assurances that the current distribution rate or amount per share will be maintained. In the near-term, we expect that we may need to continue to utilize cash flows from financing activities, as determined on a GAAP basis, to pay distributions, which if insufficient could negatively impact our ability to pay such distributions.

[Table of Contents](#)

The following table outlines sources used, as determined on a GAAP basis, to pay total gross distributions (which are paid in cash or reinvested in shares of our common stock through our distribution reinvestment plan) for the periods indicated below:

(\$ in thousands)	Source of Distributions										
	Provided by Operating Activities		Proceeds from Financing Activities (1)		Proceeds from Issuance of DRIP Shares (2)		Gross Distributions (3)				
<b>2017</b>											
September 30	\$	12,592	50.7 %	\$	—	— %	\$	12,234	49.3 %	\$	24,826
June 30		11,979	50.2		—	—		11,868	49.8		23,847
March 31		11,397	49.9		—	—		11,447	50.1		22,844
Total	\$	35,968	50.3 %	\$	—	— %	\$	35,549	49.7 %	\$	71,517
<b>2016</b>											
December 31	\$	10,126	49.6 %	\$	—	— %	\$	10,271	50.4 %	\$	20,397
September 30		9,216	48.9		—	—		9,638	51.1		18,854
June 30		8,410	48.2		—	—		9,042	51.8		17,452
March 31		—	—		7,410	48.0		8,040	52.0		15,450
Total	\$	27,752	38.5 %	\$	7,410	10.2 %	\$	36,991	51.3 %	\$	72,153

- (1) For the periods presented, all distributions provided by financing activities were funded from debt financings.
- (2) Stockholders may elect to have their distributions reinvested in shares of our common stock through our distribution reinvestment plan.
- (3) Gross distributions are total distributions before the deduction of distribution fees relating to Class T shares issued in the primary portion of the Offering.

Refer to “Note 9 to the Condensed Consolidated Financial Statements” for further detail on distributions.

**Redemptions.** For the nine months ended September 30, 2017 and 2016, we received eligible redemption requests related to approximately 1.4 million and 0.4 million shares of our common stock, respectively, all of which we redeemed using cash flows from financing activities, for an aggregate amount of approximately \$13.6 million, or an average price of \$9.60 per share, and approximately \$3.4 million, or an average price of \$9.62 per share, respectively. We have repurchased shares of our common stock above the estimated NAV per share most recently determined as of the date of such redemptions and, accordingly, these repurchases have been dilutive to our remaining stockholders. We are not obligated to redeem shares of our common stock under the share redemption program. We presently intend to limit the number of shares to be redeemed during any calendar quarter to the “Quarterly Redemption Cap” which will equal the lesser of: (i) one-quarter of five percent of the number of shares of common stock outstanding as of the date that is 12 months prior to the end of the current quarter; and (ii) the aggregate number of shares sold pursuant to our distribution reinvestment plan in the immediately preceding quarter, less the number of shares redeemed in the most recently completed quarter in excess of such quarter’s applicable redemption cap due to qualifying death or disability requests of a stockholder or stockholders during such quarter, which amount may be less than the Aggregate Redemption Cap described below. However, to the extent that the aggregate proceeds received from the sale of shares pursuant to our distribution reinvestment plan are not at a level sufficient to fund redemption requests, subject to the limitations as discussed in Part II, Item 2. “Unregistered Sales of Equity Securities and Use of Proceeds—Share Redemption Program,” our board of directors retains the right, but is not obligated to, redeem additional shares if, in its sole discretion, it determines that it is in our best interest to do so, provided that we will not redeem during any consecutive 12-month period more than five percent of the number of shares of common stock outstanding at the beginning of such 12-month period (referred to herein as the “Aggregate Redemption Cap” and together with the Quarterly Redemption Cap, the “Redemption Caps”) unless permitted to do so by applicable regulatory authorities. In addition, our board of directors has reserved the right to apply the Quarterly Redemption Cap on a per class basis as described in Part II, Item 2. “Unregistered Sales of Equity Securities and Use of Proceeds—Share Redemption Program.”

Although we presently intend to redeem shares pursuant to the above-referenced methodology, to the extent that the aggregate proceeds received from the sale of shares pursuant to our distribution reinvestment plan in any quarter are not sufficient to fund redemption requests, our board of directors may, in its sole discretion, choose to use other sources of funds to redeem shares of our common stock, up to the Aggregate Redemption Cap. Such sources of funds could include cash on hand, cash available

from borrowings, cash from the sale of our shares pursuant to our distribution reinvestment plan in other quarters, and cash from liquidations of securities investments, to the extent that such funds are not otherwise dedicated to a particular use, such as working capital, distributions to stockholders, debt repayment, purchases of real property, debt related or other investments. Our board of directors may, in its sole discretion, amend, suspend, or terminate the share redemption program at any time if it determines that the funds available to fund the share redemption program are needed for other business or operational purposes or that amendment, suspension or termination of the share redemption program is in the best interest of our stockholders. If our board of directors decides to materially amend, suspend or terminate the share redemption program, we will provide stockholders with no less than 30 days' prior notice, which we will provide by filing a Current Report on Form 8-K with the SEC.

#### **CONTRACTUAL OBLIGATIONS**

A summary of future obligations as of December 31, 2016 was disclosed in our 2016 Form 10-K. Except as otherwise disclosed in "Note 7 to the Condensed Consolidated Financial Statements" relating to our debt obligations, there were no material changes outside the ordinary course of business.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

As of September 30, 2017, we had no off-balance sheet arrangements that have or are reasonably likely to have a material effect, on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

#### **CRITICAL ACCOUNTING ESTIMATES**

Our unaudited condensed consolidated financial statements have been prepared in accordance with GAAP and in conjunction with the rules and regulations of the SEC. The preparation of our unaudited condensed consolidated financial statements requires significant management judgments, assumptions, and estimates about matters that are inherently uncertain. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our condensed consolidated financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses. For a detailed description of our critical accounting estimates, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2016 Form 10-K. As of September 30, 2017, our critical accounting estimates have not changed from those described in our 2016 Form 10-K.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Interest Rate Risk**

We are exposed to the impact of interest rate changes. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows, and optimize overall borrowing costs. To achieve these objectives, we plan to borrow on a fixed interest rate basis for longer-term debt and utilize interest rate swap agreements on certain variable interest rate debt in order to limit the effects of changes in interest rates on our results of operations. As of September 30, 2017, our debt instruments consisted of borrowings under our line of credit, term loans, and mortgage notes.

**Fixed Interest Rate Debt.** As of September 30, 2017, our consolidated fixed interest rate debt consisted of \$150.0 million of borrowings under our line of credit, \$350.0 million of borrowings under one of our term loans, and \$722.9 million under our mortgage notes, which, in the aggregate, represented approximately 83.8% of our total consolidated debt. The interest rates on certain of these borrowings are fixed through the use of interest rate swap agreements. Interest rate fluctuations will generally not affect our future earnings or cash flows on our fixed interest rate debt unless such instruments mature or are otherwise terminated. However, interest rate changes could affect the fair value of our fixed interest rate debt. As of September 30, 2017, the fair value and the carrying value of our consolidated fixed interest rate debt were both approximately \$1.2 billion. The fair value estimate of our fixed interest rate debt was estimated using a discounted cash flow analysis utilizing rates we would expect to pay for debt of a similar type and remaining maturity if the loans were originated on September 30, 2017. As we expect to hold our fixed interest rate debt instruments to maturity, based on the underlying structure of the debt instrument, and the amounts due under such instruments are limited to the outstanding principal balance and any accrued and unpaid interest, we do not expect that market fluctuations in interest rates, and the resulting change in fair value of our fixed interest rate debt instruments, would have a significant impact on our operating cash flows.

**Variable Interest Rate Debt.** As of September 30, 2017, our consolidated variable interest rate debt consisted of \$86.0 million of borrowings under our line of credit and our \$150.0 million term loan, which represented approximately 16.2% of our total consolidated debt. Interest rate changes on our variable rate debt could impact our future earnings and cash flows, but would not significantly affect the fair value of such debt. As of September 30, 2017, we were exposed to market risks related to fluctuations in interest rates on \$236.0 million of consolidated borrowings. A hypothetical 10% change in the average interest rate on the outstanding balance of our variable interest rate debt as of September 30, 2017, would change our annual interest expense by approximately \$0.3 million.

**Derivative Instruments.** As of September 30, 2017, we had 11 outstanding interest rate swaps that were designated as cash flow hedges of interest rate risk, with a total notional amount of \$597.0 million. See “Note 7 to the Condensed Consolidated Financial Statements” for further detail on our interest rate swaps. We are exposed to credit risk of the counterparty to our interest rate swap agreements in the event of non-performance under the terms of the agreements. If we were not able to replace these swaps in the event of non-performance by the counterparty, we would be subject to variability of the interest rate on the amount outstanding under our debt that is fixed through the use of the swaps.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2017. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2017, our disclosure controls and procedures were effective.

**Internal Control Over Financial Reporting**

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A, “Risk Factors” of our 2016 Form 10-K, which could materially affect our business, financial condition, and/or future results. The risks described in our 2016 Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results.

With the exception of the updated risk factor set forth below, there have been no material changes to the risk factors disclosed in our 2016 Form 10-K.

#### **RISKS RELATED TO INVESTMENT IN OUR COMMON STOCK**

*The current price for our common stock offered pursuant to our distribution reinvestment plan is the most recently disclosed estimated NAV per share for such shares. The estimated NAV per share may not be an accurate reflection of the fair market value of our assets and liabilities and likely will not represent the amount of net proceeds that would result if we liquidated or dissolved or the amount you would receive upon the sale of your shares.*

The current price for our common stock offered pursuant to our distribution reinvestment plan is equal to the most recently disclosed estimated NAV per share. The estimated NAV per share may not be an accurate reflection of the fair value of our assets and liabilities in accordance with GAAP, may not reflect the price at which we would be able to sell all or substantially all of our assets or the outstanding shares of our common stock in an arm's length transaction, may not represent the value that our stockholders could realize upon a sale of the company or upon the liquidation of our assets and settlement of our liabilities, and may not be indicative of the price at which shares of our common stock would trade if they were listed on a national securities exchange. In addition, such value may not be the equivalent of the disclosure of a market price by an open-ended real estate fund. Any methodologies used to determine an estimated NAV per share of our common stock may be based upon assumptions, estimates and judgments that may not be accurate or complete, such that, if different property-specific and general real estate and capital market assumptions, estimates and judgments were used, it could result in an estimated NAV per share that is significantly different.

#### **RISKS RELATED TO THE ADVISOR AND ITS AFFILIATES**

*We will compete with entities sponsored or advised by affiliates of the Sponsor, for whom affiliates of the Sponsor provide certain advisory or management services, for opportunities to acquire or sell investments, and for customers, which may have an adverse impact on our operations.*

We will compete with entities sponsored or advised by affiliates of the Sponsor, whether existing or created in the future, as well as entities for whom affiliates of the Sponsor provide certain advisory or management services, for opportunities to acquire, finance or sell certain types of properties. We may also buy, finance or sell properties at the same time as these entities are buying, financing or selling properties. In this regard, there is a risk that we will purchase a property that provides lower returns to us than a property purchased by entities sponsored or advised by affiliates of the Sponsor and entities for whom affiliates of the Sponsor provide certain advisory or management services. Certain entities sponsored or advised by affiliates of the Sponsor own and/or manage properties in geographical areas in which we expect to own properties. Therefore, our properties may compete for customers with other properties owned and/or managed by these entities. The Advisor may face conflicts of interest when evaluating customer leasing opportunities for our properties and other properties owned and/or managed by these entities and these conflicts of interest may have a negative impact on our ability to attract and retain customers.

The Sponsor and the Advisor have implemented lease allocation guidelines to assist with the process of the allocation of leases when we and certain other entities to which affiliates of the Advisor are providing certain advisory services have potentially competing properties with respect to a particular customer. Pursuant to the lease allocation guidelines, if we have an opportunity to bid on a lease with a prospective customer and one or more of these other entities has a potentially competing property, then, under certain circumstances, we may not be permitted to bid on the opportunity and in other circumstances, we and the other entities will be permitted to participate in the bidding process. The lease allocation guidelines are overseen by a joint management committee consisting of our management committee and certain other management representatives associated with other entities to which affiliates of the Advisor are providing similar services.

## [Table of Contents](#)

Because affiliates of the Sponsor and the Advisor currently sponsor and in the future may advise other investment vehicles (each, an “Investment Vehicle”) with overlapping investment objectives, strategies and criteria, potential conflicts of interest may arise with respect to industrial real estate investment opportunities (“Industrial Investments”). In order to manage this potential conflict of interest, in allocating Industrial Investments among the Investment Vehicles, the Sponsor follows an allocation policy (the “Allocation Policy”) which currently provides that if the Sponsor or one of its affiliates is awarded and controls an Industrial Investment that is suitable for more than one Investment Vehicle, based upon various Allocation Factors (defined below), including without limitation availability of capital, portfolio objectives, diversification goals, target investment markets, return requirements, investment timing and the Investment Vehicle’s applicable approval discretion and timing, then the Industrial Investment will be allocated to Investment Vehicles on a rotational basis and will be allocated to the Investment Vehicle at the top of the rotation list (that is, the Investment Vehicle that has gone the longest without being allocated an Industrial Investment). If an Investment Vehicle on the list declines the Industrial Investment, it will be rotated to the bottom of the rotation list. Exceptions may be made to the Allocation Policy for (x) transactions necessary to accommodate an exchange pursuant to Section 1031 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), (y) characteristics of a particular Industrial Investment or Investment Vehicle, such as adjacency to an existing asset, legal, regulatory or tax concerns or benefits, portfolio balancing or other Allocation Factors listed below, which make the Industrial Investment more advantageous to one of the Investment Vehicles. In addition, the Sponsor may from time to time specify that it will not seek new allocations for more than one Investment Vehicle at a time until certain minimum allocation levels are reached.

The Sponsor may from time to time grant to certain Investment Vehicles certain exclusivity, rotation or other priority (each, a “Special Priority”) with respect to Industrial Investments. The only currently existing Special Priority has been granted to our second build-to-core fund (“BTC II”), pursuant to which BTC II will be presented with the following Industrial Investment (subject to the terms and conditions of the BTC II partnership agreement):

- two out of every three potential development investments; provided that BTC II will have the first option to pursue all potential development investments prior to March 31, 2018, and four out of every five potential development investments thereafter and prior to March 31, 2019;
- one out of every three potential value-add investments; and
- one out of every four potential core investments.

The Special Priority granted to BTC II will terminate on the earlier to occur of certain events described in the BTC II partnership agreement, such that it will terminate by or before May 2021. The Sponsor or its affiliates may grant additional Special Priorities in the future and from time to time.

“Allocation Factors” are those factors that the Sponsor maintains and updates from time to time based on review by the Sponsor’s Head of Real Estate. Current examples of Allocation Factors include:

- Overall investment objectives, strategy and criteria, including product type and style of investing (for example, core, core plus, value-add and opportunistic);
- The general real property sector or debt investment allocation targets of each program and any targeted geographic concentration;
- The cash requirements of each program;
- The strategic proximity of the Industrial Investment to other assets;
- The effect of the acquisition on diversification of investments, including by type of property, geographic area, customers, size and risk;
- The policy of each program relating to leverage of investments;
- The effect of the acquisition on loan maturity profile;
- The effect on lease expiration profile;
- Customer concentration;
- The effect of the acquisition on ability to comply with any restrictions on investments and indebtedness contained in applicable governing documents, SEC filings, contracts or applicable law or regulation;
- The effect of the acquisition on the applicable entity’s intention not to be subject to regulation under the Investment Company Act;
- Legal considerations, such as Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and Foreign Investment in Real Property Tax Act (“FIRPTA”), that may be applicable to specific investment platforms;
- The financial attributes of the Industrial Investment;
- Availability of financing;
- Cost of capital;

## [Table of Contents](#)

- Ability to service any debt associated with the Industrial Investment;
- Risk return profiles;
- Targeted distribution rates;
- Anticipated future pipeline of suitable investments;
- Expected holding period of the Industrial Investment and the applicable entity's remaining term;
- Whether the applicable entity still is in its fundraising and acquisition stage, or has substantially invested the proceeds from its fundraising stage;
- Whether the applicable entity was formed for the purpose of making a particular type of investment;
- Affiliate and/or related party considerations;
- The anticipated cash flow of the applicable entity and the asset;
- Tax effects of the acquisition, including on REIT or partnership qualifications;
- The size of the Industrial Investment; and
- The amount of funds available to each program and the length of time such funds have been available for investment.

The Sponsor may modify its overall allocation policies from time to time. Any changes to the Sponsor's allocation policies will be timely reported to our Conflicts Resolution Committee. The Advisor will be required to provide information to our board of directors on a quarterly basis to enable our board of directors, including the independent directors, to determine whether such policies are being fairly applied.

On November 4, 2015, Industrial Income Trust Inc. ("IIT") completed its merger with and into Western Logistics LLC and Western Logistics II LLC. Concurrently with the closing of the merger, IIT transferred 11 properties that were in the lease up stage or under development to the DC Industrial Liquidating Trust (the "Liquidating Trust"), the beneficial interests in which were distributed to then-current IIT stockholders. The Liquidating Trust intends to sell such excluded properties. An affiliate of the Advisor entered into a management services agreement with the Liquidating Trust to provide asset management, development and construction, and operating oversight services for each excluded property, to assist in the sale of the excluded properties and to provide administrative services to the Liquidating Trust and its subsidiaries. The management services agreement will continue in force throughout the duration of the existence of the Liquidating Trust and will terminate as of the date of termination of the Liquidating Trust. The affiliate of the Advisor will not provide advisory services with respect to acquisitions under the management services agreement, but because lease management services will be provided under the management services agreement, the Advisor may face a conflict of interest when evaluating customer leasing opportunities for our properties and properties owned by the Liquidating Trust, which could negatively impact our ability to attract and retain customers.

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

### **Use of Proceeds**

On July 24, 2013, our Registration Statement on Form S-11 (File No. 333-184126), pursuant to which we made our initial public offering of up to \$2.0 billion in shares of common stock, was declared effective under the Securities Act, and the Offering commenced the same day. On June 30, 2017, we terminated the offering of primary shares pursuant to the Offering. We are continuing to offer shares pursuant to our distribution reinvestment plan.

[Table of Contents](#)

The table below summarizes the gross offering proceeds raised; the direct selling costs paid from offering proceeds that were incurred by certain of our affiliates on our behalf in connection with the issuance and distribution of our registered securities; and the offering proceeds net of those direct selling costs:

<u>(in thousands)</u>	<u>For the Period from Inception (August 28, 2012) to September 30, 2017</u>
Gross offering proceeds	\$ 1,764,425
Sales commissions (1)	82,248
Dealer manager fees (1)	38,685
Offering costs	33,572
Total direct selling costs paid from offering proceeds (2)	<u>\$ 154,505</u>
Offering proceeds, net of direct selling costs	<u>\$ 1,609,920</u>

- (1) The sales commissions and dealer manager fees were payable to the Dealer Manager. A substantial portion of the commissions and fees were reallocated by the Dealer Manager to participating broker dealers as commissions and marketing fees and expenses.
- (2) This amount excludes the distribution fees paid to the Dealer Manager, all or a portion of which are reallocated by the Dealer Manager to participating broker dealers or broker dealers servicing accounts of investors who own Class T shares, referred to as servicing broker dealers. The distribution fees are not paid from and do not reduce offering proceeds, but rather they reduce the distributions payable to stockholders with respect to Class T shares.

From January 15, 2014, through September 30, 2017, we had acquired, either directly or through our joint ventures, 281 buildings comprised of approximately 46.4 million square feet for an aggregate total purchase price of approximately \$3.4 billion, exclusive of transfer taxes, due diligence expenses, acquisition costs (including the acquisition fees paid to the Advisor and its affiliates) and other closing costs.

As of September 30, 2017, we had paid \$27.1 million in acquisition-related costs to non-related parties. Refer to “Note 11 to the Condensed Consolidated Financial Statements” for a description of the fees paid to the Advisor and its affiliates. We used \$36,000 of net proceeds from primary shares sold in the Offering to fund distributions for the initial quarter for which we declared distributions and for the fourth quarter of 2013. The initial quarter commenced on September 6, 2013, which was the date that we met the minimum offering requirements in connection with the Offering, and ended on September 30, 2013.

As of September 30, 2017, all proceeds from the primary portion of the Offering had been deployed.

**Share Redemption Program**

Subject to certain restrictions and limitations, a stockholder may redeem shares of our common stock for cash at a price that may reflect a discount from the purchase price paid for the shares of common stock being redeemed. Shares of common stock must be held for a minimum of one year, subject to certain exceptions. We are not obligated to redeem shares of our common stock under the share redemption program. We presently intend to limit the number of shares to be redeemed during any consecutive 12-month period to no more than five percent of the number of shares of common stock outstanding at the beginning of such 12-month period. We also intend to limit redemptions in accordance with a quarterly cap.

After a stockholder has held shares of our common stock for a minimum of one year, our share redemption program may provide a limited opportunity for a stockholder to have its shares of common stock redeemed, subject to certain restrictions and limitations, at a price equal to or at a discount from the purchase price of the shares of our common stock being redeemed and the amount of the discount (the “Holding Period Discount”) will vary based upon the length of time that our stockholders have held their shares of our common stock subject to redemption, as described in the following table:

<u>Share Purchase Anniversary</u>	<u>Redemption Price as a Percentage of the Purchase Price</u>
Less than one year	No redemption allowed
One year	92.5%
Two years	95.0%
Three years	97.5%
Four years and longer	100.0%

## [Table of Contents](#)

Since we are no longer engaged in a public offering of primary shares, the redemption price will continue to be calculated in accordance with the above table (subject to the limitations and exceptions described herein); provided, that, if the redemption price calculated in accordance with the above table would result in a price that is higher than the estimated NAV per share of our common stock most recently disclosed by us in a public filing with the SEC, then the redemption price will be equal to the estimated NAV per share most recently disclosed by us in a public filing with the SEC, which presently is \$9.74 per share.

Our board of directors may, in its sole discretion, amend, suspend, or terminate the share redemption program at any time if it determines that the funds available to fund the share redemption program are needed for other business or operational purposes or that amendment, suspension or termination of the share redemption program is in the best interest of our stockholders. Any amendment, suspension or termination of the share redemption program will not affect the rights of holders of OP Units to cause us to redeem their OP Units for, at our sole discretion, shares of our common stock, cash, or a combination of both pursuant to the Operating Partnership Agreement. In addition, our board of directors, in its sole discretion, may determine at any time to modify the share redemption program to redeem shares at a price that is higher or lower than the price paid for the shares by the redeeming stockholder. Any such price modification may be arbitrarily determined by our board of directors, or may be determined on a different basis, including but not limited to a price equal to the then-current estimated NAV per share. If our board of directors decides to materially amend, suspend or terminate the share redemption program, we will provide stockholders with no less than 30 days' prior written notice, which we will provide by filing a Current Report on Form 8-K with the SEC. During a public offering, we will also include this information in a prospectus supplement or post-effective amendment to the registration statement, as then required under the federal securities laws. Therefore, our stockholders may not have the opportunity to make a redemption request prior to any potential suspension, amendment or termination of the share redemption program.

As described below, our board of directors, in its sole discretion, may determine at any time to modify the share redemption program to redeem shares at a price that is higher or lower than the price paid for the shares by the redeeming stockholder. In the event that a stockholder seeks to redeem all of its shares of our common stock, shares of our common stock purchased pursuant to our distribution reinvestment plan may be excluded from the foregoing one-year holding period requirement, in the discretion of our board of directors. If a stockholder has made more than one purchase of our common stock (other than through our distribution reinvestment plan), the one-year holding period will be calculated separately with respect to each such purchase. In addition, for purposes of the one-year holding period, holders of OP Units who exchange their OP Units for shares of our common stock shall be deemed to have owned their shares as of the date they were issued their OP Units. Neither the one-year holding period nor the Redemption Caps (as defined in below) will apply in the event of the death of a stockholder and such shares will be redeemed at a price equal to 100% of the price paid by the deceased stockholder for the shares without regard to the date of purchase of the shares to be redeemed; provided, however, that any such redemption request with respect to the death of a stockholder must be submitted to us within 18 months after the date of death, as further described in the share redemption plan. Our board of directors reserves the right in its sole discretion at any time and from time to time to (a) waive the one-year holding period and either of the Redemption Caps (defined in the share redemption plan) in the event of the disability (as such term is defined in Section 72(m)(7) of the Internal Revenue Code) of a stockholder, (b) reject any request for redemption for any reason, or (c) reduce the number of shares of our common stock allowed to be redeemed under the share redemption program. A stockholder's request for redemption in reliance on any of the waivers that may be granted in the event of the disability of the stockholder must be submitted within 18 months of the initial determination of the stockholder's disability, as further described in the share redemption plan. If our board of directors waives the one-year holding period in the event of the disability of a stockholder, such stockholder will have its shares redeemed at the discounted amount listed in the above table for a stockholder who has held its shares for one year. In all other cases in the event of the disability of a stockholder, such stockholder will have its shares redeemed as described in the above table. Furthermore, any shares redeemed in excess of the Quarterly Redemption Cap (as defined below) as a result of the death or disability of a stockholder will be included in calculating the following quarter's redemption limitations. At any time we are engaged in an offering of shares of our common stock, the per share price for shares of our common stock redeemed under our redemption program will never be greater than the then-current offering price of our shares of our common stock sold in the primary offering. If we are engaged in a public offering and the redemption price calculated in accordance with the share redemption program would result in a price that is higher than the then-current public offering price of such class of common stock, then the redemption price will be reduced and will be equal to the then-current public offering price of such class of common stock.

We are not obligated to redeem shares of our common stock under the share redemption program. We presently intend to limit the number of shares to be redeemed during any calendar quarter to the "Quarterly Redemption Cap" which will equal the lesser of: (i) one-quarter of five percent of the number of shares of common stock outstanding as of the date that is 12 months prior to the end of the current quarter, and (ii) the aggregate number of shares sold pursuant to our distribution reinvestment plan in the immediately preceding quarter, less the number of shares redeemed in the most recently completed quarter in excess of such quarter's applicable redemption cap due to qualifying death or disability requests of a stockholder or stockholders during such quarter, which amount may be less than the Aggregate Redemption Cap described below. In addition, our board of

[Table of Contents](#)

directors retains the right, but is not obligated to, redeem additional shares if, in its sole discretion, it determines that it is in our best interest to do so, provided that we will not redeem during any consecutive 12-month period more than five percent of the number of shares of common stock outstanding at the beginning of such 12-month period (referred to herein as the “Aggregate Redemption Cap” and together with the Quarterly Redemption Cap, the “Redemption Caps”) unless permitted to do so by applicable regulatory authorities. Although we presently intend to redeem shares pursuant to the above-referenced methodology, to the extent that the aggregate proceeds received from the sale of shares pursuant to our distribution reinvestment plan in any quarter are not sufficient to fund redemption requests, our board of directors may, in its sole discretion, choose to use other sources of funds to redeem shares of our common stock, up to the Aggregate Redemption Cap. Such sources of funds could include cash on hand, cash available from borrowings, cash from the sale of our shares pursuant to our distribution reinvestment plan in other quarters, and cash from liquidations of securities investments, to the extent that such funds are not otherwise dedicated to a particular use, such as working capital, distributions to stockholders, debt repayment, purchases of real property, debt related or other investments, or redemptions of OP Units. Our board of directors has no obligation to use other sources to redeem shares of our common stock under any circumstances. Our board of directors may, but is not obligated to, increase the Aggregate Redemption Cap but may only do so in reliance on an applicable no-action letter issued or other guidance provided by the SEC staff that would not object to such an increase. There can be no assurance that our board of directors will increase either of the Redemption Caps at any time, nor can there be assurance that our board of directors will be able to obtain, if necessary, a no-action letter from the SEC staff. In any event, the number of shares of our common stock that we may redeem will be limited by the funds available from purchases pursuant to our distribution reinvestment plan, cash on hand, cash available from borrowings and cash from liquidations of securities or debt related investments as of the end of the applicable quarter.

Our board of directors reserves the right, in its sole discretion, to limit the number of shares to be redeemed for each class of shares by applying the Quarterly Redemption Cap on a per class basis; provided that any such change in the application of the Quarterly Redemption Cap from a general basis to a per class basis would not jeopardize our ability to qualify as a REIT for federal income tax purposes. In order for our board of directors to change the application of the Quarterly Redemption Cap from a general basis to a per class basis, we will notify stockholders through a prospectus supplement and/or a current or periodic report filed with the SEC, as well as in a press release or on our website, at least 10 days before the first business day of the quarter for which the new application will apply.

Based on the estimated NAV per share of our common stock determined by our board of directors on December 22, 2016, we have repurchased shares of our common stock at prices that are higher than the estimated NAV per share and, accordingly, these repurchases have been dilutive to our remaining stockholders. The above description of the Amended SRP is a summary of certain of the terms of the Amended SRP. Please see the full text of the Amended SRP, incorporated by reference as Exhibit 4.3 to this Quarterly Report on Form 10-Q, for all terms and conditions of the share redemption program in effect during the period covered by this report.

For the nine months ended September 30, 2017 and 2016, we received eligible redemption requests related to approximately 1.4 million and 0.4 million shares of our common stock, respectively, all of which we redeemed using cash flows from financing activities, for an aggregate amount of approximately \$13.6 million, or an average price of \$9.60 per share, and approximately \$3.4 million or an average price of \$9.62 per share, respectively.

The table below summarizes the redemption activity for the three months ended September 30, 2017:

<b>For the Month Ended</b>	<b>Total Number of Shares Redeemed</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Redeemed as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares That May Yet Be Redeemed Under the Plans or Programs (1)</b>
July 31, 2017	—	\$ —	—	—
August 31, 2017	—	—	—	—
September 30, 2017	649,289	9.58	649,289	—
Total	649,289	\$ 9.58	649,289	—

(1) We limit the number of shares that may be redeemed quarterly under the program as described above.

**ITEM 6. EXHIBITS**

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

**EXHIBIT INDEX**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
3.1	<a href="#">Articles of Amendment and Restatement of Industrial Property Trust Inc., dated July 16, 2013. Incorporated by reference to Exhibit 3.1 to Pre-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on July 17, 2013.</a>
3.2	<a href="#">Articles Supplementary of Industrial Property Trust Inc., dated August 8, 2013. Incorporated by reference to Exhibit 3.3 to Post-Effective Amendment No. 1 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on August 14, 2013.</a>
3.3	<a href="#">Articles of Amendment of Industrial Property Trust Inc., dated August 27, 2013. Incorporated by reference to Exhibit 3.4 to the Annual Report on Form 10-K filed with the SEC on March 7, 2014.</a>
3.4	<a href="#">Certificate of Correction to Articles of Amendment and Restatement of Industrial Property Trust Inc., dated March 20, 2014. Incorporated by reference to Exhibit 3.4 to Post-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on April 16, 2014.</a>
3.5	<a href="#">Articles Supplementary of Industrial Property Trust Inc., dated August 13, 2015. Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on August 14, 2015.</a>
3.6	<a href="#">Articles of Amendment of Industrial Property Trust Inc., dated August 13, 2015. Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on August 14, 2015.</a>
3.7	<a href="#">Third Amended and Restated Bylaws of Industrial Property Trust Inc. Incorporated by reference to Exhibit 3.5 to Post-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on April 16, 2014.</a>
4.1	<a href="#">Third Amended and Restated Distribution Reinvestment Plan, effective as of October 31, 2016. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on September 20, 2016.</a>
4.2	<a href="#">Second Amended and Restated Share Redemption Program, effective as of October 31, 2016. Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on September 20, 2016.</a>
10.1	<a href="#">Management Agreement, dated as of July 16, 2013, by and between Industrial Property Operating Partnership LP and Black Creek Property Management Company LLC (formerly known as Dividend Capital Property Management LLC). Incorporated by reference to Exhibit 10.2 to Pre-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on July 17, 2013.</a>
10.2	<a href="#">Industrial Property Trust Inc. Equity Incentive Plan, dated as of July 16, 2013. Incorporated by reference to Exhibit 10.4 to Pre-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on July 17, 2013.</a>
10.3	<a href="#">Form of Indemnification Agreement entered into between Industrial Property Trust Inc. and each of the following persons as of July 16, 2013: Evan H. Zucker, Dwight L. Merriman III, Thomas G. McGonagle, Joshua J. Widoff, Marshall M. Burton, Charles B. Duke and Stanley A. Moore. Incorporated by reference to Exhibit 10.6 to Pre-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on July 17, 2013.</a>
10.4	<a href="#">Purchase and Sale Agreement dated August 5, 2013, by and between West Valley Distribution Associates-I, LP and IIT Acquisitions LLC. Incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K filed with the SEC on March 7, 2014.</a>
10.5	<a href="#">First Amendment to Purchase and Sale Agreement dated September 4, 2013, by and between West Valley Distribution Associates-I, LP and IIT Acquisitions LLC. Incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K filed with the SEC on March 7, 2014.</a>
10.6	<a href="#">Reinstatement and Second Amendment to Purchase and Sale Agreement dated September 19, 2013, by and between West Valley Distribution Associates-I, LP and IIT Acquisitions LLC. Incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K filed with the SEC on March 7, 2014.</a>

[Table of Contents](#)

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.7	<a href="#">Third Amendment to Purchase and Sale Agreement dated November 22, 2013, by and among IIT Acquisitions LLC and IPT West Valley DC LLC. Incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K filed with the SEC on March 7, 2014.</a>
10.8	<a href="#">Assignment and Assumption Agreement dated December 18, 2013, by and between West Valley Distribution Associates-I, LP and IIT Acquisitions LLC. Incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K filed with the SEC on March 7, 2014.</a>
10.9	<a href="#">Selected Dealer Agreement, dated as of January 21, 2014, by and among Industrial Property Trust Inc., Industrial Property Advisors LLC, Black Creek Capital Markets, LLC (formerly known as Dividend Capital Securities LLC), Industrial Property Advisors Group LLC, and Ameriprise Financial Services, Inc. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 23, 2014.</a>
10.10	<a href="#">Amendment to Selected Dealer Agreement, dated as of January 21, 2014, by and among Industrial Property Trust Inc., Industrial Property Advisors LLC, Dividend Capital Securities LLC, Industrial Property Advisors Group LLC, and Ameriprise Financial Services, Inc. Incorporated by reference to Exhibit 10.17 to Post-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on April 16, 2014.</a>
10.11	<a href="#">Purchase and Sale Agreement, dated February 10, 2014, by and between Paula Begoun Investments, LLC, and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.17 to Post-Effective Amendment No. 2 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on March 13, 2014.</a>
10.12	<a href="#">Purchase and Sale Agreement, dated as of February 18, 2014, by and between CPDC III, LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.19 to Post-Effective Amendment No. 2 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on March 13, 2014.</a>
10.13	<a href="#">Purchase and Sale Agreement and Joint Escrow Instructions, dated as of April 8, 2014, by and between IPT Acquisitions LLC and ProLogis-A4 FL I LLC. Incorporated by reference to Exhibit 10.21 to Post-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on April 16, 2014.</a>
10.14	<a href="#">Purchase and Sale Agreement, dated May 13, 2014, between TPRF III/Rialto Industrial LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.21 to Post-Effective Amendment No. 4 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on July 16, 2014.</a>
10.15	<a href="#">Purchase and Sale Agreement and Joint Escrow Instructions, dated May 19, 2014, by and between IPT Acquisitions LLC and Palmtree Acquisition Corporation. Incorporated by reference to Exhibit 10.22 to Post-Effective Amendment No. 4 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on July 16, 2014.</a>
10.16	<a href="#">Purchase and Sale Agreement, dated June 6, 2014, by and between Kylie Capital LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.23 to Post-Effective Amendment No. 4 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on July 16, 2014.</a>
10.17	<a href="#">Purchase and Sale Agreement, dated July 29, 2014, by and between Baird Investment Company, Frederick C. Mansfield, Trustee of the Sylvia Baldwin Mansfield Trust dated November 21, 1975, as amended and restated, and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.24 to Post-Effective Amendment No. 5 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on October 16, 2014.</a>
10.18	<a href="#">Purchase and Sale Agreement, dated August 5, 2014, by and between IPT Acquisitions LLC and Avera Development, LLC. Incorporated by reference to Exhibit 10.25 to Post-Effective Amendment No. 5 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on October 16, 2014.</a>
10.19	<a href="#">Agreement of Sale, dated September 5, 2014, by and between IPT O'Hare DC LLC and IAC 1000 County Line L.L.C. Incorporated by reference to Exhibit 10.26 to Post-Effective Amendment No. 5 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on October 16, 2014.</a>
10.20	<a href="#">Purchase and Sale Agreement, dated September 5, 2014, by and among CRP-3 BWIC I, LLC, CRP-3 BWIC II, LLC, and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.27 to Post-Effective Amendment No. 5 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on October 16, 2014.</a>
10.21	<a href="#">Purchase and Sale Agreement, dated September 16, 2014, by and between Elgin Realty Company, LLP and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.28 to Post-Effective Amendment No. 5 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on October 16, 2014.</a>

[Table of Contents](#)

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.22	<a href="#">Contract for Sale and Purchase, dated October 15, 2014, by and between CostCo Way 8, LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 16, 2014.</a>
10.23	<a href="#">Agreement of Purchase and Sale, dated October 31, 2014, by and among CRP Oakmont Flower Mound, L.L.C., CRP Oakmont Grand Prairie, L.L.C., and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.30 to Post-Effective Amendment No. 6 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on January 16, 2015.</a>
10.24	<a href="#">Purchase and Sale Agreement, dated November 19, 2014, by and between Totowa Property Associates, LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.31 to Post-Effective Amendment No. 6 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on January 16, 2015.</a>
10.25	<a href="#">Real Estate Contract, dated December 4, 2014, by and between Carson Bayport I LP and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.33 to Post-Effective Amendment No. 6 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on January 16, 2015.</a>
10.26	<a href="#">Purchase and Sale Agreement, dated December 8, 2014, by and among Holman Distribution Center of Oregon, Inc., Hawthorne Investment Company, Clark Family LLC, Clark Properties North Wing LLC and Clark Properties South Wing LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.34 to Post-Effective Amendment No. 6 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on January 16, 2015.</a>
10.27	<a href="#">Sale, Purchase and Escrow Agreement, dated December 9, 2014, among Peachtree North Business Park, LLC, IPT Acquisitions LLC and Calloway Title and Escrow, LLC. Incorporated by reference to Exhibit 10.35 to Post-Effective Amendment No. 6 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on January 16, 2015.</a>
10.28	<a href="#">Private Placement Equity Incentive Plan, dated February 26, 2015. Incorporated by reference to Exhibit 10.39 to Post-Effective Amendment No. 7 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on April 17, 2015.</a>
10.29	<a href="#">Form of Restricted Stock Agreement for Private Placement Equity Incentive Plan. Incorporated by reference to Exhibit 10.40 to Post-Effective Amendment No. 7 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on April 17, 2015.</a>
10.30	<a href="#">Form of Director Stock Grant Agreement for Equity Incentive Plan. Incorporated by reference to Exhibit 10.41 to Post-Effective Amendment No. 7 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on April 17, 2015.</a>
10.31	<a href="#">Form of Restricted Stock Grant Agreement for Consultants for Equity Incentive Plan. Incorporated by reference to Exhibit 10.42 to Post-Effective Amendment No. 7 to the Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on April 17, 2015.</a>
10.32	<a href="#">Credit Agreement, dated as of June 5, 2015, by and among BTC Intermediate Holdco LP, Build-To-Core Industrial Partnership I LP, each of the subsidiary guarantors party thereto from time to time, Regions Bank, the other lenders party thereto and other lenders that may become parties thereto, U.S. Bank National Association and Regions Capital Markets and U.S. Bank National Association. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 9, 2015.</a>
10.33	<a href="#">Third Amended and Restated Waiver and Expense Support Agreement, effective as of August 14, 2015, by and among Industrial Property Trust Inc., Industrial Property Operating Partnership LP and Industrial Property Advisors LLC. Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on August 14, 2015.</a>
10.34	<a href="#">Amendment No. 2 to the Selected Dealer Agreement, dated as of August 28, 2015, by and among Industrial Property Trust Inc., Industrial Property Advisors LLC, Dividend Capital Securities LLC and Ameriprise Financial Services. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 2, 2015.</a>
10.35	<a href="#">Form of Indemnification Agreement entered into between Industrial Property Trust Inc. and John S. Hagestad as of September 2, 2015. Incorporated by reference to Exhibit 10.6 to Pre-Effective Amendment No. 3 to the Company's Registration Statement on Form S-11 (File No. 333-184126) filed with the SEC on July 17, 2013.</a>

[Table of Contents](#)

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.36	<a href="#">Loan Agreement, dated as of September 25, 2015, by and among IPT Bayport DC LP, IPT Centreport DC LP, IPT Century DC LP, IPT Livermore DC LP, IPT Rialto DC LP, IPT O'Hare DC LLC and IPT Windham IC LLC, as Borrower, and Teachers Insurance and Annuity Association of America, as Lender. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 29, 2015.</a>
10.37	<a href="#">Purchase and Sale Agreement dated November 24, 2015, by and between LBA/MET Partners I-Company II, LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.48 to the Annual Report on Form 10-K filed with the SEC on March 10, 2016.</a>
10.38	<a href="#">Purchase and Sale Agreement dated November 24, 2015, by and between LBA/MET Partners I-Company III, LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.49 to the Annual Report on Form 10-K filed with the SEC on March 10, 2016.</a>
10.39	<a href="#">Purchase and Sale Agreement dated November 24, 2015, by and between LBA/MET Partners I-Company V, LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.50 to the Annual Report on Form 10-K filed with the SEC on March 10, 2016.</a>
10.40	<a href="#">Purchase and Sale Agreement dated November 24, 2015, by and between LBA/MET Partners I-Company IX, LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.51 to the Annual Report on Form 10-K filed with the SEC on March 10, 2016.</a>
10.41	<a href="#">Purchase and Sale Agreement, dated November 27, 2015, by and between AP Zephyr Street LLC, AP Commerce Parkway LLC, AP Polk Lane LLC, AP Quality Drive LLC, AP Quest Way LLC, AP MIAC Cove LLC, AP Pleasant Hill LLC and IPT Acquisitions LLC. Incorporated by reference to Exhibit 10.53 to the Annual Report on Form 10-K filed with the SEC on March 10, 2016.</a>
10.42	<a href="#">Third Amended and Restated Credit Agreement, dated as of December 8, 2015, among Industrial Property Operating Partnership LP, a Delaware limited partnership, as the Borrower; the lenders from time to time who are parties thereto; JPMorgan Chase Bank, N.A., as Administrative Agent; Wells Fargo Bank, National Association, as Syndication Agent; J.P. Morgan Securities LLC, as Joint Lead Arranger and Joint Bookrunner; Wells Fargo Securities, LLC, as Joint Lead Arranger and Joint Bookrunner; Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, as Joint Lead Arranger; Bank of America, N.A., as Co-Documentation Agent; U.S. Bank National Association, as Joint Lead Arranger and Co-Documentation Agent; and Regions Bank, as Co-Documentation Agent. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 9, 2015.</a>
10.43	<a href="#">Interest Purchase Agreement, dated December 28, 2015, by and between bcIMC (USA) Realty Div 2A LLC and IPT BTC I LP LLC. Incorporated by reference to Exhibit 10.55 to the Annual Report on Form 10-K filed with the SEC on March 10, 2016.</a>
10.44	<a href="#">Amendment No. 3 to the Selected Dealer Agreement, dated as of April 11, 2016, by and among Industrial Property Trust Inc., Industrial Property Advisors LLC, Dividend Capital Securities LLC and Ameriprise Financial Services. Incorporated by reference to Exhibit 10.59 to the Quarterly Report on Form 10-Q filed with the SEC on May 11, 2016.</a>
10.45	<a href="#">Purchase and Sale Agreement, dated April 21, 2016, by and among IPT Acquisitions LLC, AP Redlands LLC, AP Barrett Lakes 2700 LLC, AP Barrett Lakes 2750 LLC, AP Barrett Lakes 2850 LLC, AP Taylor Road LLC, AP Omega Parkway LLC, and AP Jamesburg Drive LLC. Incorporated by reference to Exhibit 10.60 to the Quarterly Report on Form 10-Q filed with the SEC on May 11, 2016.</a>
10.46*	<a href="#">Fifth Amended and Restated Advisory Agreement, dated as of August 12, 2017, by and among Industrial Property Trust Inc., Industrial Property Operating Partnership LP and Industrial Property Advisors LLC.</a>
10.47	<a href="#">Third Amended and Restated Agreement of Limited Partnership of Build-To-Core Industrial Partnership I LP, dated as of September 15, 2016, by and among IPT BTC I GP LLC, IPT BTC I LP LLC, Industrial Property Advisors Sub I LLC, bcIMC International Real Estate (2004) Investment Corporation, bcIMC (WCBFAF) Realpool Global Investment Corporation and bcIMC (USA) Realty Div A2 LLC. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 20, 2016.</a>
10.48	<a href="#">Second Amended and Restated Agreement by and among IPT BTC I GP LLC, Industrial Property Advisors Sub I LLC, and Industrial Property Advisors LLC, dated as of September 15, 2016. Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on September 20, 2016.</a>
10.49	<a href="#">Letter Agreement Regarding Drag-Along Rights, dated as of September 15, 2016, by and among IPT BTC I GP LLC, IPT BTC I LP LLC and Industrial Property Advisors Sub I LLC. Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on September 20, 2016.</a>

[Table of Contents](#)

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.50	<a href="#">Agreement of Limited Partnership of Build-To-Core Industrial Partnership II LP, dated as of May 19, 2017, by and among IPT BTC II GP LLC, IPT BTC II LP LLC, Industrial Property Advisors Sub IV LLC, BCG BTC II Investors LLC, bcIMC (WCBAF) Realpool Global Investment Corporation, bcIMC (College) US Realty Inc., bcIMC (Municipal) US Realty Inc., bcIMC (Public Service) US Realty Inc., bcIMC (Teachers) US Realty Inc., bcIMC (WCB) US Realty Inc., bcIMC (Hydro) US Realty Inc., and QuadReal US Holdings Inc. Incorporated by reference to Exhibit 10.50 to the Quarterly Report on Form 10-Q filed with the SEC on August 9, 2017.</a>
10.51	<a href="#">Agreement, dated as of May 19, 2017, by and among IPT BTC II GP LLC and Industrial Property Advisors Sub III LLC. Incorporated by reference to Exhibit 10.51 to the Quarterly Report on Form 10-Q filed with the SEC on August 9, 2017.</a>
31.1*	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101	The following materials from Industrial Property Trust Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed on November 9, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Loss, (iv) Condensed Consolidated Statements of Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements

\* 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.

INDUSTRIAL PROPERTY TRUST INC.

November 9, 2017

By:

\_\_\_\_\_  
/s/ DWIGHT L. MERRIMAN III

**Dwight L. Merriman III**  
**Managing Director,**  
**Chief Executive Officer**  
*(Principal Executive Officer)*

November 9, 2017

By:

\_\_\_\_\_  
/s/ THOMAS G. MCGONAGLE

**Thomas G. McGonagle**  
**Managing Director,**  
**Chief Financial Officer**  
*(Principal Financial Officer and*  
*Principal Accounting Officer)*

**FIFTH AMENDED AND RESTATED  
ADVISORY AGREEMENT**  
**among**  
**INDUSTRIAL PROPERTY TRUST INC.,  
INDUSTRIAL PROPERTY OPERATING PARTNERSHIP LP**  
**and**  
**INDUSTRIAL PROPERTY ADVISORS LLC**

---

## Table of Contents

1. DEFINITIONS	3
2. APPOINTMENT	8
3. DUTIES OF THE ADVISOR	8
4. AUTHORITY OF ADVISOR	9
5. BANK ACCOUNTS	10
6. RECORDS; ACCESS	10
7. LIMITATIONS ON ACTIVITIES	10
8. RELATIONSHIP WITH DIRECTORS	10
9. FEES	10
10. EXPENSES	12
11. OTHER SERVICES	13
12. REIMBURSEMENT TO THE ADVISOR	13
13. OTHER ACTIVITIES OF THE ADVISOR	13
14. TERM; TERMINATION OF AGREEMENT	13
15. TERMINATION BY THE PARTIES	14
16. ASSIGNMENT TO AN AFFILIATE	14
17. PAYMENTS TO AND DUTIES OF ADVISOR UPON TERMINATION	14
18. INDEMNIFICATION BY THE CORPORATION AND THE OPERATING PARTNERSHIP	14
19. INDEMNIFICATION BY ADVISOR	14
20. NOTICES	14
21. THIRD PARTY BENEFICIARY	15
22. MODIFICATION	15
23. SEVERABILITY	15
24. CONSTRUCTION	15
25. ENTIRE AGREEMENT	15
26. INDULGENCES, NOT WAIVERS	15
27. GENDER	15
28. TITLES NOT TO AFFECT INTERPRETATION	15
29. EXECUTION IN COUNTERPARTS	15
30. INITIAL INVESTMENT	16

---

THIS FIFTH AMENDED AND RESTATED ADVISORY AGREEMENT, dated as of August 12, 2017 is among Industrial Property Trust Inc., a Maryland corporation (the “Corporation”), Industrial Property Operating Partnership LP, a Delaware limited partnership (the “Operating Partnership”), and Industrial Property Advisors LLC, a Delaware limited liability company.

**WITNESSETH**

WHEREAS, the Corporation intends to qualify as a REIT (as defined below), and to invest its funds in investments permitted by the terms of Sections 856 through 860 of the Code (as defined below);

WHEREAS, the Corporation is the general partner of the Operating Partnership and intends to conduct its business and make investments in Assets primarily through the Operating Partnership;

WHEREAS, the Corporation and the Operating Partnership desire to avail themselves of the experience, sources of information, advice, assistance and certain facilities of the Advisor and to have the Advisor undertake the duties and responsibilities hereinafter set forth, on behalf of, and subject to the supervision of, the Board of Directors of the Corporation, all as provided herein;

WHEREAS, the Corporation, the Operating Partnership and the Advisor are parties to that certain Fourth Amended and Restated Advisory Agreement dated August 12, 2016, which is amended and restated in its entirety hereby.

WHEREAS, the Advisor is willing to undertake to render such services, subject to the supervision of the Board of Directors, on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. DEFINITIONS. As used in this Fifth Amended and Restated Advisory Agreement (the “Agreement”), the following terms have the definitions hereinafter indicated:

Acquisition Expenses. Any and all expenses, exclusive of Acquisition Fees, incurred by the Corporation, the Operating Partnership, the Advisor, or any of their Affiliates in connection with the selection, acquisition, development or origination of any Asset, whether or not acquired, including, without limitation, legal fees and expenses, travel and communications expenses, costs of appraisals, nonrefundable option payments on property not acquired, accounting fees and expenses, title insurance, and the costs of performing due diligence.

Acquisition Fees. Any and all fees and commissions, exclusive of Acquisition Expenses, paid by any Person to any other Person (including any fees or commissions paid by or to any Affiliate of the Corporation, the Operating Partnership or the Advisor) in connection with (i) the acquisition, development or construction of a Property, (ii) the acquisition of interests in a real estate related entity or (iii) making or investing in Mortgages or the origination or acquisition of other debt or other investments, including real estate commissions, selection fees, Development Fees, Construction Fees, if any, nonrecurring management fees, loan fees, points or any other fees of a similar nature. Excluded shall be development fees and construction fees paid to any Person not affiliated with the Sponsor in connection with the actual development and construction of a project.

Advisor. Industrial Property Advisors LLC, a Delaware limited liability company, any successor advisor to the Corporation, the Operating Partnership or any person or entity to which Industrial Property Advisors LLC or any successor advisor subcontracts substantially all of its functions. Notwithstanding the forgoing, a Person hired or retained by Industrial Property Advisors LLC to perform property and securities management and related services for the Corporation or the Operating Partnership that is not hired or retained to perform substantially all of the functions of Industrial Property Advisors LLC with respect to the Corporation or the Operating Partnership as a whole shall not be deemed to be an Advisor.

Affiliate or Affiliated. With respect to any Person, (i) any Person directly or indirectly owning, controlling or holding, with the power to vote, ten percent (10%) or more of the outstanding voting securities of such other Person; (ii) any Person ten percent (10%) or more of whose outstanding voting securities are directly or indirectly owned, controlled or held, with the power to vote, by such other Person; (iii) any Person directly or indirectly controlling, controlled by or under common control with such other Person; (iv) any executive officer, director, trustee or general partner of such other Person; and (v) any legal entity for which such Person acts as an executive officer, director, trustee or general partner.

Asset. Any Property, Mortgage, other debt or other investment (other than investments in bank accounts, money market funds or other current assets) owned by the Corporation, directly or indirectly through one or more of its Affiliates.

Asset Management Fee. A fee paid to the Advisor as compensation for services rendered in connection with the management and Disposition of the Corporation’s Assets.

Average Invested Assets. For a specified period, the average of the aggregate book value of the Assets invested, directly or indirectly, in equity interests in and loans secured by or related to real estate (including, without limitation, equity interests in REITs, mortgage pools, commercial mortgage-backed securities, mezzanine loans and residential mortgage-backed securities), before deducting depreciation, bad debts or other non-cash reserves, computed by taking the average of such values at the end of each month during such period.

Board of Directors or Board. The persons holding such office, as of any particular time, under the Charter of the Corporation, whether they be the Directors named therein or additional or successor Directors.

Bylaws. The bylaws of the Corporation, as the same are in effect from time to time.

Cause. With respect to the termination of this Agreement, fraud, criminal conduct or willful misconduct by the Advisor, or a material breach of this Agreement by the Advisor, which has not been cured within 30 days of such breach.

Charter. The amended and restated articles of incorporation of the Corporation, as amended from time to time.

Code. Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto. Reference to any provision of the Code shall mean such provision as in effect from time to time, as the same may be amended, and any successor provision thereto, as interpreted by any applicable regulations as in effect from time to time.

Construction Fees. The term "Construction Fees" shall have the meaning given such term in the Charter.

Contract Purchase Price. The term "Contract Purchase Price" shall mean (i) the amount actually paid or allocated in respect of the acquisition of a Property, (ii) the Corporation's proportionate share of the amount actually paid or allocated in respect of the Real Property owned by any real estate related entity in which the Corporation acquires a majority economic interest or which the Corporation consolidates for financial reporting purposes in accordance with generally accepted accounting principals, (iii) the amount actually paid or allocated in respect of an investment in any other real estate related entity or (iv) the amount actually paid or allocated in respect of the origination or acquisition of Mortgages, other debt investments or other investments; in each case including any third party expenses, debt, whether borrowed or assumed, and exclusive of Acquisition Fees and Acquisition Expenses.

Contract Sales Price. The total consideration paid in connection with a Disposition, other than a Listing, including without limitation, any debt or other liabilities assumed or taken subject to by an acquirer. Without limiting the generality of the foregoing, in any transaction involving the acquisition of the equity of the Corporation, the Operating Partnership or other selling entity, the Contract Sales Price will be deemed to include (whether or not expressed in the net per share price), the value assigned by the applicable buyer to all assets (or the value of such assets implied by such buyer's offer) before subtracting liabilities to derive the net per share purchase price.

Corporation. Corporation shall have the meaning set forth in the preamble of this Agreement.

Dealer Manager Black Creek Capital Management, LLC, an Affiliate of the Advisor, or such other Person or entity selected by the Board of Directors to act as the dealer manager for the Offering. Black Creek Capital Management, LLC is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

Dealer Manager Fee. The dealer manager fee payable to the Dealer Manager for serving as the dealer manager for the Offering and reallowable to Soliciting Dealers with respect to Shares sold by them, as described in the Corporation's Prospectus.

Director. A member of the Board of Directors of the Corporation.

Disposition. The term "Disposition" shall include (i) a sale of one or more Assets, (ii) a sale of one or more Assets effectuated either directly or indirectly through the sale of any entity owning such Assets, including, without limitation, the Corporation or the Operating Partnership, (iii) a sale, merger or other transaction in which the Stockholders either receive, or have the option to receive, cash, securities redeemable for cash, and/or securities of a publicly traded company, or (iv) a Listing.

Distribution Fee. The distribution fee payable to the Dealer Manager as additional compensation for serving as the dealer manager for the Offering and reallowable to Soliciting Dealers with respect to Shares sold by them, as described in the Corporation's Prospectus.

Distributions. Any distributions of money or other property by the Corporation to owners of Shares, including distributions that may constitute a return of capital for federal income tax purposes.

Equity Shares. Transferable shares of beneficial interest of the Corporation of any class or series, including common shares or preferred shares.

FINRA. Financial Industry Regulatory Authority, Inc.

GAAP. Generally accepted accounting principles as in effect in the United States of America from time to time.

General Partner. General Partner shall have the meaning set forth in the recitals at the beginning of this Agreement.

Good Reason. With respect to the termination of this Agreement, (i) any failure to obtain a satisfactory agreement from any successor to the Corporation and/or the Operating Partnership to assume and agree to perform the Corporation's and/or the Operating Partnership's obligations under this Agreement; or (ii) any uncured material breach of this Agreement of any nature whatsoever by the Corporation and/or the Operating Partnership that remains uncured for 30 days after written notice of such material breach has been provided to the Corporation and the Operating Partnership by the Advisor.

Gross Market Capitalization. The sum of (i) the total outstanding principal balance of all indebtedness of the Corporation, the Operating Partnership, and its subsidiaries, and (ii) the Gross Share Value.

Gross Proceeds. The aggregate purchase price of all Shares sold for the account of the Corporation through all Offerings, without deduction for Sales Commissions, Dealer Manager Fees, Distribution Fees, volume discounts, any marketing support and due diligence expense reimbursement or Organization and Offering Expenses. For the purpose of computing Gross Proceeds, the purchase price of any Share for which reduced Sales Commissions or Dealer Manager Fees are paid to the Dealer Manager or a Soliciting Dealer (where net proceeds to the Corporation are not reduced) shall be deemed to be the full amount of the offering price per Share pursuant to the Prospectus for such Offering without reduction.

Gross Share Value. The product of (i) the total number of shares of the Corporation outstanding plus all OP Units outstanding that are held by parties other than the Corporation, and (ii) the Value Per Share.

Independent Director. Independent Director shall have the meaning set forth in the Charter.

Independent Expert. A person or entity with no material current or prior business or personal relationship with the Advisor or the Directors and who is engaged to a substantial extent in the business of rendering opinions regarding the value of assets of the type held by the Corporation.

Joint Ventures. The joint venture, co-investment, co-ownership or partnership arrangements in which the Corporation or any of its subsidiaries is a co-venturer, co-owner or general partner which are established to acquire or hold Assets.

Liquidity Event. The term "Liquidity Event" shall include, but shall not be limited to, (i) a Listing, (ii) a sale, merger or other transaction in which the Stockholders either receive, or have the option to receive, cash, securities redeemable for cash, and/or securities of a publicly traded company, and (iii) the sale of all or substantially all of the Corporation's Assets where Stockholders either receive, or have the option to receive, cash or other consideration.

Listing. The listing of the Shares on a national securities exchange or the receipt by the Corporation's stockholders of securities that are listed on a national securities exchange in exchange for the Corporation's common stock. Upon such Listing, the Shares shall be deemed Listed.

Mortgages. In connection with mortgage financing provided, invested in, participated in or purchased by the Corporation, all of the notes, deeds of trust, security interests or other evidences of indebtedness or obligations, which are secured or collateralized by Real Property owned by the borrowers under such notes, deeds of trust, security interests or other evidences of indebtedness or obligations.

NASAA REIT Guidelines. The Statement of Policy Regarding Real Estate Investment Trusts as adopted by the members of the North American Securities Administrators Association, Inc. on May 7, 2007.

Net Income. For any period, the Corporation's total revenues applicable to such period, less the total expenses applicable to such period other than additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of the Corporation's Assets.

Offering. The public offering of Shares pursuant to a Prospectus.

Operating Partnership. Operating Partnership shall have the meaning set forth in the preamble of this Agreement.

Operating Partnership Agreement. The Operating Partnership Agreement between the Corporation and Industrial Property Advisors Group LLC.

OP Unit. Units of limited partnership interest in the Operating Partnership.

Organization and Offering Expenses. Any and all costs and expenses, other than Sales Commissions, Dealer Manager Fees, and Distribution Fees, incurred in connection with the formation of the Corporation and the qualification and registration of all its Offerings, and the marketing and distribution of Shares, including, without limitation, total underwriting and brokerage discounts and commissions (including fees of the underwriters' attorneys) payable to the Dealer Manager and Soliciting Dealers, expenses for printing and amending registration statements or supplementing prospectuses, mailing and distributing costs, salaries of employees while engaged in sales activity, telephone and other telecommunications costs, all advertising and marketing expenses (including the costs related to investor and broker-dealer sales meetings), charges of transfer agents, registrars, trustees, escrow holders, depositories and experts and fees, expenses and taxes related to the filing, registration and qualification of the sale of the Shares under federal and state laws, including accountants' and attorneys' fees. The cumulative Organization and Offering Expense reimbursements paid by the Corporation in connection with all Offerings will not exceed 2.0% of Gross Proceeds from the sale of Shares of all Offerings.

Person. An individual, corporation, partnership, trust, joint venture, limited liability company or other entity.

Property or Properties. All or a portion of the Real Property or Real Properties acquired by the Corporation, directly or indirectly through joint venture or co-ownership arrangements or other partnership or investment entities.

Prospectus. Prospectus shall have the meaning set forth in Section 2(10) of the Securities Act of 1933, as amended (the "Securities Act"), including a preliminary Prospectus, an offering circular as described in Rule 256 of the General Rules and Regulations under the Securities Act or, in the case of an intrastate offering, any document by whatever name known, utilized for the purpose of offering and selling securities to the public.

Real Estate Asset Value. The amount actually paid or allocated to the purchase, development, construction or improvement of a Real Property, exclusive of Acquisition Fees and Acquisition Expenses.

Real Property. Land, rights in land (including leasehold interests), and any buildings, structures, improvements, furnishings, fixtures and equipment located on or used in connection with land and rights or interests in land. Properties sold by the Corporation or any Affiliate to investors in tenancy-in-common interests (or pursuant to a Delaware statutory trust), beneficial interests in Delaware statutory trusts, and or similar interests shall be deemed Real Property for the purposes of this definition so long as (i) such properties are being leased by the Corporation or any Affiliate from the tenancy-in-common (or Delaware statutory trust) investors, and (ii) such properties are reflected as Assets of the Corporation in accordance with GAAP.

REIT. A "real estate investment trust" under Sections 856 through 860 of the Code or as may be amended.

Sale or Sales. Any transaction or series of transactions whereby: (A) the Corporation or the Operating Partnership directly or indirectly (except as described in other subsections of this definition) sells, grants, transfers, conveys, or relinquishes its ownership of any Property or portion thereof, including the lease of any Property consisting of a building only, and including any event with respect to any Property which gives rise to a significant amount of insurance proceeds or condemnation awards; (B) the Corporation or the Operating Partnership directly or indirectly (except as described in other subsections of this definition) sells, grants, transfers, conveys, or relinquishes its ownership of all or substantially all of the interest of the Corporation or the Operating Partnership in any Joint Venture in which it is a co-venturer or partner; (C) any Joint Venture directly or indirectly (except as described in other subsections of this definition) in which the Corporation or the Operating Partnership as a co-venturer or partner sells, grants, transfers, conveys, or relinquishes its ownership of any Property or portion thereof, including any event with respect to any Property which gives rise to insurance claims or condemnation awards; (D) the Corporation or the Operating Partnership directly or indirectly (except as described in other subsections of this definition) sells, grants, conveys or relinquishes its interest in any Mortgage or portion thereof (including with respect to any Mortgage, all payments thereunder or in satisfaction thereof other than regularly scheduled interest payments) of amounts owed pursuant to such Mortgage and any event which gives rise to a significant amount of insurance proceeds or similar awards; or (E) the Corporation or the Operating Partnership directly or indirectly (except as described in other subsections of this definition) sells, grants, transfers, conveys, or relinquishes its ownership of any other Asset not previously described in this definition or any portion thereof, but (ii) not including any transaction or series of transactions specified in clause (i) (A) through (E) above in which the proceeds of such transaction or series of transactions are reinvested by the Corporation in one or more Assets within 180 days thereafter.

Sales Commission. A percentage of Gross Proceeds from the sale of primary Shares in the Offering (not including Shares sold pursuant to the Corporation's distribution reinvestment plan) payable to the Dealer Manager and allowable to Soliciting Dealers with respect to Shares sold by them.

**Securities.** The term “Securities” shall mean any of the following issued by the Corporation, as the text requires: Equity Shares, any other stock, shares or other evidences of equity or beneficial or other interests, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as “securities” or any certificates of interest, shares or participations in, temporary or interim certificates for, receipts for, guarantees of, or warrants, options or rights to subscribe to, purchase or acquire, any of the foregoing.

**Shares.** The shares of the common stock of the Corporation sold in the Offering.

**Soliciting Dealers.** Broker-dealers who are members of FINRA, or that are exempt from broker-dealer registration, and who, in either case, have executed selected dealer or other agreements with the Dealer Manager to sell Shares.

**Special OP Units.** The separate series of limited partnership interests to be issued in accordance with Paragraph 9(c).

**Sponsor.** Any Person which (i) is directly or indirectly instrumental in organizing, wholly or in part, the Corporation, (ii) will control, manage or participate in the management of the Corporation, and any Affiliate of any such Person, (iii) takes the initiative, directly or indirectly, in founding or organizing the Corporation, either alone or in conjunction with one or more other Persons, (iv) receives a material participation in the Corporation in connection with the founding or organizing of the business of the Corporation, in consideration of services or property, or both services and property, (v) has a substantial number of relationships and contacts with the Corporation, (vi) possesses significant rights to control Properties, (vii) receives fees for providing services to the Corporation which are paid on a basis that is not customary in the industry, or (viii) provides goods or services to the Corporation on a basis which was not negotiated at arm’s-length with the Corporation. “Sponsor” does not include any Person whose only relationship with the Corporation is that of an independent property manager and whose only compensation is as such, or wholly independent third parties such as attorneys, accountants and underwriters whose only compensation is for professional services.

**Stockholders.** The registered holders of the Corporation’s Shares.

**Termination Date.** The date of termination of this Agreement.

**Termination Event.** The termination or nonrenewal of this Agreement (i) in connection with a merger, sale of Assets or transaction involving the Corporation pursuant to which a majority of the Directors then in office are replaced or removed, (ii) by the Advisor for Good Reason or (iii) by the Corporation and the Operating Partnership other than for Cause.

**Total Operating Expenses.** All costs and expenses paid or incurred by the Corporation, as determined under generally accepted accounting principles, that are in any way related to the operation of the Corporation or to corporate business, including Asset Management Fees and other operating fees paid to the Advisor, but excluding (i) the expenses of raising capital such as Organization and Offering Expenses, (ii) interest payments, (iii) taxes, (iv) non-cash expenditures such as depreciation, amortization and bad debt reserves, (v) incentive fees, (vi) Acquisition Fees and Acquisition Expenses, (vii) real estate commissions on the Sale of Property, (viii) distributions made with respect to interests in the Operating Partnership, and (ix) other fees and expenses connected with the acquisition, Disposition, management and ownership of real estate interests, mortgage loans or other property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair, and improvement of property). Notwithstanding the definition set forth above, any expense of the Corporation which is not part of Total Operating Expenses under the NASAA REIT Guidelines shall not be treated as part of Total Operating Expenses for purposes hereof.

**Total Project Cost.** With regard to any Real Property acquired prior to or during the development, construction or improvement stages, all hard and soft costs and expenses paid or incurred by or on behalf of the Corporation that are in any way related to the development, construction, improvement or stabilization (including tenant improvements) of such Real Property, including, but not limited to, any debt, whether borrowed or assumed, land and construction costs.

**Value Per Share.** The term “Value Per Share” shall mean (i) in the event of a Listing pursuant to which incremental equity capital is expected to be raised through the issuance of shares of the Corporation, the final price at which such shares are actually issued, or an estimate thereof reasonably determined by mutual agreement of the Corporation and the Advisor, and (ii) in the event of a Listing pursuant to which no incremental equity capital is expected to be raised through the issuance of shares of the Corporation, the closing price at the end of the first day of trading of the Corporation’s shares upon Listing, or an estimate thereof reasonably determined by mutual agreement of the Corporation and the Advisor.

**2%/25% Guidelines.** For any year in which the Corporation qualifies as a REIT, the requirement pursuant to the NASAA REIT Guidelines that, in any 12 month period, Total Operating Expenses not exceed the greater of 2% of the Corporation’s Average Invested Assets during such 12 month period or 25% of the Corporation’s Net Income over the same 12 month period.

2. APPOINTMENT. The Corporation and the Operating Partnership hereby appoint the Advisor to serve as their advisor on the terms and conditions set forth in this Agreement, and the Advisor hereby accepts such appointment.

3. DUTIES OF THE ADVISOR. The Advisor undertakes to use its reasonable efforts to present to the Corporation and the Operating Partnership potential investment opportunities and to provide a continuing and suitable investment program consistent with the investment objectives and policies of the Corporation as determined and adopted from time to time by the Board of Directors. In performance of this undertaking, subject to the supervision of the Board of Directors and consistent with the provisions of the Charter, the Bylaws and the Operating Partnership Agreement, and subject to the condition that any investment advisory services provided with respect to securities shall be provided by a registered investment adviser, the Advisor shall, either directly or by engaging an Affiliated or non-Affiliated Person:

(a) serve as the Corporation's and the Operating Partnership's investment and financial advisor and provide research and economic and statistical data in connection with the Corporation's assets and investment policies;

(b) manage and supervise the Offering process, including, without limitation: (i) develop the product offering, including the determination of the specific terms of the Securities to be offered by the Corporation, prepare all offering and related documents, and obtain all required regulatory approvals; (ii) along with the Dealer Manager, approve the participating broker dealers and negotiate the related selling agreements; (iii) coordinate the due diligence process for participating broker dealers and their review of any Prospectus and other Offering and Corporation documents; (iv) assist in the preparation and approval of all marketing materials contemplated to be used by the Dealer Manager or others in the Offering of the Corporation's Securities; (v) along with the Dealer Manager, negotiate and coordinate with the transfer agent for the receipt, collection, processing and acceptance of subscription agreements and other administrative support functions; and (vi) manage and supervise all other services related to the organization of the Corporation, the Operating Partnership or the Offering;

(c) provide the daily management for the Corporation and the Operating Partnership and perform and supervise the various administrative functions reasonably necessary for the management of the Corporation and the Operating Partnership, including, without limitation: (i) provide or arrange for administrative services and items, legal and other services, office space, office furnishings, personnel and other items necessary and incidental to the Corporation's business and operations; (ii) maintain accounting data and any other information requested concerning the activities of the Corporation and the Operating Partnership as shall be required to prepare and to file all periodic financial reports with the Securities and Exchange Commission and any other regulatory agency, including annual financial statements; (iii) oversee tax and compliance services and risk management services and coordinate with appropriate third parties, including independent accountants and other consultants, on related tax matters; (iv) manage and coordinate with the transfer agent the quarterly dividend process and payments to Stockholders; (v) consult with and assist the Board of Directors in evaluating and obtaining adequate insurance coverage based upon risk management determinations; (vi) provide the Board of Directors with updates related to the overall regulatory environment affecting the Corporation and the Operating Partnership, as well as managing compliance with such matters; (vii) consult with the Board of Directors with respect to the corporate governance structure and appropriate policies and procedures related thereto; (viii) oversee all reporting, record keeping, internal controls and similar matters in a manner to allow the Corporation and the Operating Partnership to comply with applicable law, including the Sarbanes-Oxley Act; (ix) manage communications with Stockholders, including answering phone calls, preparing and sending written and electronic reports and other communications; and (x) establish technology infrastructure to assist in providing Stockholder support and service;

(d) investigate, select, and, on behalf of the Corporation and the Operating Partnership, engage and conduct business with such Persons as the Advisor deems necessary to the proper performance of its obligations hereunder, including but not limited to consultants, accountants, correspondents, lenders, technical advisors, attorneys, brokers, underwriters, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents, banks, builders, developers, property owners, real estate management companies, real estate operating companies, securities investment advisors, mortgagors, and any and all agents for any of the foregoing, including Affiliates of the Advisor, and Persons acting in any other capacity deemed by the Advisor necessary or desirable for the performance of any of the foregoing services, including but not limited to entering into contracts in the name of the Corporation and the Operating Partnership with any of the foregoing;

(e) consult with the officers and Board of Directors of the Corporation and assist the Board of Directors in the formulation and implementation of the Corporation's financial policies, and, as necessary, furnish the Board of Directors with advice and recommendations with respect to the making of investments consistent with the investment objectives and policies of the Corporation and in connection with any borrowings proposed to be undertaken by the Corporation and/or the Operating Partnership;

(f) subject to the provisions of Paragraphs 3(h) and 4 hereof, (i) locate, analyze and select potential investments, (ii) structure and negotiate the terms and conditions of transactions pursuant to which investments will be made; (iii) make

investments on behalf of the Corporation and the Operating Partnership in compliance with the investment objectives and policies of the Corporation; (iv) oversee the due diligence process; (v) arrange for financing and refinancing and make other changes in the asset or capital structure of, and dispose of, reinvest the proceeds from the sale of, or otherwise deal with, investments; and (vi) enter into leases and service contracts for Properties and, to the extent necessary, perform all other operational functions for the maintenance and administration of such Properties;

(g) upon request, provide the Board of Directors with periodic reports regarding prospective investments;

(h) make investments in and Dispositions of Assets within the discretionary limits and authority as granted by the Board;

(i) negotiate on behalf of the Corporation and the Operating Partnership with banks or lenders for loans to be made to the Corporation and the Operating Partnership, and negotiate on behalf of the Corporation and the Operating Partnership with investment banking firms and broker-dealers or negotiate private sales of Shares and Securities or obtain loans for the Corporation and the Operating Partnership, but in no event in such a way so that the Advisor shall be acting as broker-dealer or underwriter; and provided, further, that any fees and costs payable to third parties incurred by the Advisor in connection with the foregoing shall be the responsibility of the Corporation or the Operating Partnership;

(j) obtain reports (which may but are not required to be prepared by the Advisor or its Affiliates), where appropriate, concerning the value of investments or contemplated investments of the Corporation and/or the Operating Partnership in Assets;

(k) from time to time, or at any time reasonably requested by the Board of Directors, make reports to the Board of Directors of its performance of services to the Corporation and the Operating Partnership under this Agreement, including reports with respect to potential conflicts of interest involving the Advisor or any of its affiliates;

(l) provide the Corporation and the Operating Partnership with all necessary cash management services;

(m) do all things necessary to assure its ability to render the services described in this Agreement;

(n) deliver to or maintain on behalf of the Corporation copies of all appraisals obtained in connection with the investments in Real Properties and all valuations of other Assets as may be required to be obtained by the Board;

(o) notify and obtain the approval of the Corporation's investment committee for all non-affiliated transactions that have a Contract Purchase Price, Total Project Cost or Contract Sales Price of \$30 million or less before such transactions are completed;

(p) notify and obtain the approval of the Board for all proposed transactions that have a Contract Purchase Price, Total Project Cost or Contract Sales Price of more than \$30 million before such transactions are completed;

(q) notify and obtain the approval of a majority of the Board of Directors (including a majority of the Independent Directors) for all affiliated transactions before such transactions are completed; and

(r) effect any private placement of OP Units, tenancy-in-common, Delaware statutory trust, or other interests in Real Properties as may be approved by the Board.

Notwithstanding the foregoing, the Advisor may delegate any or all of the foregoing duties to any Person so long as the Advisor or any Affiliate remains responsible for the performance of the duties set forth in this Paragraph 3, subject to the prior consent of the Corporation if all or substantially all of such duties are delegated to a Person that is not an Affiliate.

#### 4. AUTHORITY OF ADVISOR.

(a) Pursuant to the terms of this Agreement (including the restrictions included in this Paragraph 4 and in Paragraph 7), and subject to the continuing and exclusive authority of the Board of Directors over the management of the Corporation, the Board of Directors hereby delegates to the Advisor the authority to (1) locate, analyze and select investment opportunities, (2) manage and supervise the offering process, (3) structure the terms and conditions of transactions pursuant to which investments will be made, acquired or disposed of for the Corporation and the Operating Partnership, (4) acquire and dispose of investments in compliance with the investment objectives and policies of the Corporation, (5) arrange for financing or refinancing for Assets, (6) enter into leases and service contracts for Properties, (7) oversee Affiliated and non-Affiliated property managers who perform services for the Corporation or the Operating Partnership, (8) oversee Affiliated and non-Affiliated Persons with whom the Advisor contracts to perform certain of the services required to be performed under this Agreement, (9) manage communications with Stockholders, and (10) manage public reporting, internal controls, accounting and other record-keeping functions and general corporate services for the Corporation and the Operating Partnership.

(b) Notwithstanding the foregoing, any investment in Real Properties, including any acquisition of Real Property by the Corporation or the Operating Partnership (including any financing of such acquisition), will require the prior approval of the Board, any particular Directors specified by the Board or any committee of the Board, as the case may be.

(c) In connection with a proposed transaction that requires the approval of the Independent Directors, the Advisor will deliver to the Independent Directors all documents and other information required by them to properly evaluate the proposed transaction.

The prior approval of a majority of the Board of Directors (including a majority of the Independent Directors) will be required for each transaction to which the Advisor or its Affiliates is a party. The Board of Directors may, at any time upon the giving of written notice to the Advisor, modify or revoke the authority set forth in this Paragraph 4. If and to the extent the Board so modifies or revokes the authority contained herein, the Advisor shall henceforth submit to the Board for prior approval such proposed transactions involving investments in Assets as thereafter require prior approval, provided however, that such modification or revocation shall be effective upon receipt by the Advisor and shall not be applicable to investment transactions to which the Advisor has committed the Corporation prior to the date of receipt by the Advisor of such notification.

5. **BANK ACCOUNTS.** The Advisor may establish and maintain one or more bank accounts in the name of the Corporation, the Operating Partnership or the Operating Partnership's subsidiaries and may collect and deposit into any such account or accounts, and disburse from any such account or accounts, any money on behalf of the Corporation, the Operating Partnership or the Operating Partnership's subsidiaries, under such terms and conditions as the Board of Directors may approve, provided that no funds shall be commingled with the funds of the Advisor; and the Advisor shall from time to time render appropriate accountings of such collections and payments to the Board of Directors and to the auditors of the Corporation.

6. **RECORDS; ACCESS.** The Advisor shall maintain appropriate records of all its activities hereunder and make such records available for inspection by the Board of Directors and by counsel, auditors and authorized agents of the Corporation, at any time or from time to time during normal business hours. The Advisor shall at all reasonable times have access to the books and records of the Corporation and the Operating Partnership.

7. **LIMITATIONS ON ACTIVITIES.** Anything else in this Agreement to the contrary notwithstanding, the Advisor shall refrain from taking any action which, in its sole judgment made in good faith, would (a) adversely affect the status of the Corporation as a REIT, (b) subject the Corporation to regulation under the Investment Corporation Act of 1940, as amended, or (c) violate any law, rule, regulation or statement of policy of any governmental body or agency having jurisdiction over the Corporation, its Shares or its Securities, or otherwise not be permitted by the Charter or Bylaws of the Corporation, except if such action shall be ordered by the Board of Directors, in which case the Advisor shall notify promptly the Board of Directors of the Advisor's judgment of the potential impact of such action and shall refrain from taking such action until it receives further clarification or instructions from the Board of Directors. In such event the Advisor shall have no liability for acting in accordance with the specific instructions of the Board of Directors so given. Notwithstanding the foregoing, the Advisor, its members, managers, directors, officers, employees and stockholders, and members, managers, stockholders, directors and officers of the Advisor's Affiliates, shall not be liable to the Corporation or to the Board of Directors or stockholders for any act or omission by the Advisor, its members, managers, directors, officers or employees, or stockholders, members, managers, directors or officers of the Advisor's Affiliates taken or omitted to be taken in the performance of their duties under this Agreement except as provided in Paragraph 19 of this Agreement.

8. **RELATIONSHIP WITH DIRECTORS.** Subject to Paragraph 7 of this Agreement and to restrictions advisable with respect to the qualification of the Corporation as a REIT, members, managers, directors, officers and employees of the Advisor or an Affiliate of the Advisor or any corporate parents of an Affiliate, may serve as a Director and as officers of the Corporation, except that no member, manager, director, officer or employee of the Advisor or its Affiliates who also is a Director or officer of the Corporation shall receive any compensation from the Corporation for serving as a Director or officer of the Corporation other than reasonable reimbursement for travel and related expenses incurred in attending meetings of the Board of Directors and no such Director shall be deemed an Independent Director for purposes of satisfying the Director independence requirement set forth in the Charter.

#### 9. FEES.

(a) Acquisition Fees. The Advisor shall receive Acquisition Fees in connection with each Asset acquired on the Corporation's behalf. For investments in Real Property, the Acquisition Fee will vary depending on whether with respect to the Real Property acquired, the Advisor provides either Development Services (defined below) or Development Oversight Services (defined below) either in connection with the acquisition of such Real Property (including, without limitation, forward commitment acquisitions), the stabilization of such Real Property (including, without limitation, development and value add transactions), or both (any of the foregoing being "Development Real Properties). For each Real Property acquired, for which

the Advisor does not provide either Development or Development Oversight Services either in connection with the acquisition of such Real Property, the stabilization of such Real Property, or both (the “Non-Development Real Properties”), the Acquisition Fee is an amount equal to 2.0% of the Contract Purchase Price of the Non-Development Real Property (or the Corporation’s proportional interest therein), including Real Property held in Joint Ventures or other entities that are co-owned. In connection with providing services related to the development, construction, improvement or stabilization, including tenant improvements, of Development Real Properties (collectively, “Development Services”) or overseeing the provision of these services by third parties on behalf of the Corporation (“Development Oversight Services”), the Acquisition Fee (the “Development Acquisition Fee”) will be an amount that will equal up to 4.0% of Total Project Cost of such Development Real Property (or the Corporation’s proportional interest therein with respect to Real Property held in Joint Ventures or other entities that are co-owned). If the Advisor engages a third party to provide Development Services directly to the Corporation, the third party will be compensated directly by the Corporation, and the Advisor will receive the Development Acquisition Fee if it provides the Development Oversight Services. With respect to Non-Development Real Properties, the Advisor is also entitled to receive Acquisition Fees of (i) 2.0% of the Corporation’s proportionate share of the Contract Purchase Price of the Real Property owned by any real estate related entity in which the Corporation acquires a majority economic interest or that the Corporation consolidates for financial reporting purposes in accordance with GAAP and (ii) 2.0% of the Contract Purchase Price in connection with the acquisition of an interest in any other real estate related entity. Additionally, in connection with the acquisition or origination of any Mortgage, any other type of debt investment or other investment, the Advisor is entitled to receive an Acquisition Fee of 1.0% of the Contract Purchase Price and any third-party expenses related to such investment. Acquisition Fees associated with a given Asset shall be calculated in the currency used to acquire such Asset and payable in U.S. dollars. Acquisition Fees shall be paid at or after the closing of an investment. The amount of Acquisition Fees payable pursuant to this Section 9(a) shall be given retroactive effect for each Real Property acquired prior to the date of this Agreement. The total of all Acquisition Fees and Acquisition Expenses payable with respect to any Asset, including any Development Acquisition Fees, shall not exceed 6% of the Contract Purchase Price or the Total Project Cost (as applicable) of such Asset unless fees in excess of such amount are approved by a majority of the Board of Directors, including a majority of the Independent Directors.

(b) Asset Management Fee. The Advisor shall receive the Asset Management Fee as partial compensation for services rendered in connection with the management and Disposition of the Corporation’s Assets. The Asset Management Fee shall be payable by the Corporation in cash or in Shares at the option of the Advisor, and may be deferred, in whole or in part, from time to time, by the Advisor (without interest). The Asset Management Fee shall consist of (i) a monthly fee equal to one-twelfth of 0.80% of the aggregate cost (before non-cash reserves and depreciation) of each Real Property (or the Corporation’s proportional interest therein with respect to Real Property held in Joint Ventures or real estate entities where the Corporation owns a majority economic interest or that the Corporation consolidates for financial reporting purposes in accordance with GAAP); provided, that the Asset Management Fee with respect to each Real Property located outside of the United States that the Corporation owns, directly or indirectly, will equal a monthly fee of one-twelfth of 1.20% of the aggregate cost (before non-cash reserves and depreciation) of each Real Property, (ii) a monthly fee equal to one-twelfth of 0.80% of the aggregate cost or investment with respect to an acquisition of an interest in any other real estate related entity or an origination or acquisition of any Mortgage, any other type of debt investment or other investment, and (iii) in connection with a Disposition, a fee equal to (x) 2.5% of the Gross Market Capitalization of the Corporation upon the occurrence of a Listing or (y) 2.5% of the Contract Sales Price upon the occurrence of any other Disposition. With the exception of any portion of the Asset Management Fee related to a Disposition, which shall be payable at the time of such Disposition, the Asset Management Fee shall be payable on the 1st day of each month.

(c) Operating Partnership Interests. The Sponsor has made a capital contribution of \$1,000 to the Operating Partnership in exchange for OP Units constituting a separate series of limited partnership interests (the “Special OP Units”). Upon the earliest to occur of the termination or nonrenewal of this Agreement for Cause, a Termination Event, or a Liquidity Event, all of the Special OP Units shall be redeemed by the Operating Partnership in accordance with the terms of the Operating Partnership Agreement.

(d) Loans from Affiliates. The Advisor or any Affiliate thereof may not make any loan to the Corporation or the Operating Partnership unless a majority of the Board of Directors (including a majority of the Independent Directors) approve the loan as being fair, competitive, and commercially reasonable and no less favorable to the Corporation or the Operating Partnership than loans between unaffiliated parties under the same circumstances.

(e) Exclusion of Certain Transactions. In the event the Corporation or the Operating Partnership shall propose to enter into any transaction with the Sponsor, the Advisor, a Director or any Affiliate thereof, then such transaction shall be approved by a majority of the Board of Directors (including a majority of the Independent Directors) as fair and reasonable to the Corporation.

## 10. EXPENSES.

(a) In addition to the compensation paid to the Advisor pursuant to Paragraph 9 hereof and subject to the limitations below, the Corporation or the Operating Partnership shall pay directly or reimburse the Advisor for all of the expenses paid or incurred by the Advisor in connection with the services it provides to the Corporation and the Operating Partnership pursuant to this Agreement, including, but not limited to:

(i) Up to 2.0% of Gross Proceeds from all Offerings as Organization and Offering Expense reimbursements. The Advisor will use all or a portion of this reimbursement to pay for the Corporation's Organization and Offering Expenses, including certain distribution-related expenses of the Dealer Manager and Soliciting Dealers. The Advisor or an Affiliate of the Advisor will be responsible for the cumulative Organization and Offering Expenses of all Offerings to the extent that such expenses exceed the amount remaining from the 2.0% Organization and Offering Expense reimbursements from all Offerings, without recourse against or reimbursement by the Corporation;

(ii) Acquisition Expenses;

(iii) the actual cost of goods and services used by the Corporation and obtained from Persons not affiliated with the Advisor, other than Acquisition Expenses, including brokerage fees paid in connection with the purchase and sale of any securities;

(iv) interest and other costs for borrowed money, including discounts, points and other similar fees;

(v) taxes and assessments on income of the Corporation or Assets and any other taxes otherwise imposed on the Corporation;

(vi) costs associated with insurance required in connection with the business of the Corporation or by the officers and Directors;

(vii) expenses of managing and operating Assets owned by the Corporation, whether payable to an Affiliate of the Corporation or a non-affiliated Person;

(viii) all expenses in connection with payments to the Directors and meetings of the Directors and Stockholders;

(ix) expenses associated with a Listing, if applicable;

(x) expenses connected with payments of Distributions in cash or otherwise made or caused to be made by the Corporation to the Stockholders;

(xi) expenses of organizing, revising, amending, converting, modifying, or terminating the Corporation or the Charter;

(xii) expenses of maintaining communications with Stockholders, including the cost of preparation, printing, and mailing annual reports and other Stockholder reports, proxy statements and other reports required by governmental entities;

(xiii) personnel (and related employment) costs and overhead (including, but not limited to, allocated rent paid to both third parties and an affiliate of the Advisor, equipment, utilities, insurance, travel and entertainment, and other costs) incurred by the Advisor or its Affiliates in performing the services described in Section 3 hereof, including, but not limited to, total compensation, benefits and other overhead of all employees involved in the performance of such services; provided, however, that no reimbursement shall be made for costs of personnel to the extent that such personnel perform services in transactions for which the Advisor receives a separate fee;

(xiv) audit, accounting and legal fees and other fees for professional services relating to the operations of the Corporation and all such fees incurred at the request, or on behalf of, the Independent Directors or any committee of the Board of Directors;

(xv) out-of-pocket costs for the Corporation to comply with all applicable laws, regulations and ordinances; and

(xvi) all other costs incurred by the Advisor in performing its duties hereunder.

(b) Expenses incurred by the Advisor on behalf of the Corporation and the Operating Partnership and payable pursuant to this Paragraph 10 shall be reimbursed no less than monthly to the Advisor. The Advisor shall prepare a statement documenting the expenses of the Corporation and the Operating Partnership and the calculation of the Asset Management Fee

during each quarter, and shall deliver such statement to the Corporation and the Operating Partnership within 45 days after the end of each quarter.

11. OTHER SERVICES. Should the Board of Directors request that the Advisor or any director, officer or employee thereof render services for the Corporation and the Operating Partnership other than set forth in Paragraph 3, such services shall be separately compensated at such rates and in such amounts as are agreed by the Advisor and the Independent Directors of the Corporation, subject to the limitations contained in the Charter, and shall not be deemed to be services pursuant to the terms of this Agreement.

12. REIMBURSEMENT TO THE ADVISOR. For any year in which the Corporation qualifies as a REIT, the Corporation shall not reimburse the Advisor at the end of any fiscal quarter Total Operating Expenses that, in the four consecutive fiscal quarters then ended (the "Expense Year") exceed (the "Excess Amount") the greater of 2% of Average Invested Assets or 25% of Net Income (the "2%/25% Guidelines") for such year. Any Excess Amount paid to the Advisor during a fiscal quarter shall be repaid to the Corporation or, at the option of the Corporation, subtracted from the Total Operating Expenses reimbursed during the subsequent fiscal quarter unless a majority of the Independent Directors determine that such excess was justified based on unusual and nonrecurring factors which they deem sufficient, then the Excess Amount may be paid and within 60 days after the end of such Expense Year there shall be sent to the stockholders a written disclosure of such fact, together with an explanation of the factors the Independent Directors considered in determining that such excess expenses were justified. Such determination shall be reflected in the minutes of the meetings of the Board of Directors. The Corporation will not reimburse the Advisor or its Affiliates for services for which the Advisor or its Affiliates are entitled to compensation in the form of a separate fee. All figures used in the foregoing computation shall be determined in accordance with generally accepted accounting principles applied on a consistent basis.

13. OTHER ACTIVITIES OF THE ADVISOR. Nothing herein contained shall prevent the Advisor or any of its Affiliates from engaging in or earning fees from other activities, including, without limitation, the rendering of advice to other Persons (including other REITs) and the management of other programs advised, sponsored or organized by the Advisor or its Affiliates; nor shall this Agreement limit or restrict the right of any member, manager, director, officer, employee, or stockholder of the Advisor or its Affiliates to engage in or earn fees from any other business or to render services of any kind to any other partnership, corporation, firm, individual, trust or association and earn fees for rendering such services. The Advisor may, with respect to any investment in which the Corporation is a participant, also render advice and service to each and every other participant therein, and earn fees for rendering such advice and service. It is contemplated that the Corporation may enter into joint ventures or other similar co-investment arrangements with certain Persons, and pursuant to the agreements governing such joint ventures or arrangements, the Advisor may be engaged (directly or indirectly) to provide advice and service to such Persons, in which case the Advisor will earn fees for rendering such advice and service. The parties to this Agreement hereby acknowledge that the Advisor may provide advice and render services to Persons that will compete with the Corporation for investments.

The Advisor shall report to the Board the existence of any condition or circumstance, existing or anticipated, of which it has knowledge, which creates or could create a conflict of interest between the Advisor's obligations to the Corporation and its obligations to or its interest in any other partnership, corporation, limited liability company, firm, individual, trust or association. The Advisor or its Affiliates shall promptly disclose to the Board knowledge of such condition or circumstance. If the Advisor, its members, managers, directors, employees or Affiliates thereof have sponsored other investment programs with similar investment objectives which have investment funds available at the same time as the Corporation, it shall be the duty of the Independent Directors to ensure that the Advisor and its Affiliates follow the method approved by the Independent Directors, by which investments are to be allocated to the competing investment entities and to use their reasonable efforts to ensure that such method is applied fairly to the Corporation.

The Advisor shall be required to use commercially reasonable efforts to present a continuing and suitable investment program to the Corporation which is consistent with the investment policies and objectives of the Corporation, but neither the Advisor nor any Affiliate of the Advisor shall be obligated generally to present any particular investment opportunity to the Corporation even if the opportunity is of character which, if presented to the Corporation, could be taken by the Corporation. In the event an investment opportunity is located, the allocation procedure set forth under the caption "Conflicts of Interest-Conflict Resolution Procedures" in any Prospectus (as such procedures may be amended from time to time by a majority of the Board, including the Independent Directors) shall govern the allocation of the opportunity among the Corporation and Affiliates of the Advisor.

14. TERM; TERMINATION OF AGREEMENT. This Agreement shall continue in force for a period of one year from the date hereof, subject to an unlimited number of successive one-year renewals upon mutual consent of the parties. It is the duty of the Independent Directors to evaluate the performance of the Advisor annually before renewing the Agreement, and each such renewal shall be for a term of no more than one year.

15. **TERMINATION BY THE PARTIES.** This Agreement may be terminated (i) immediately by the Corporation and/or the Operating Partnership for Cause (subject to any applicable cure period), (ii) upon 60 days written notice without Cause and without penalty by a majority of the Independent Directors of the Corporation or by the Advisor, (iii) upon 60 days written notice with Good Reason by the Advisor or (iv) immediately by the Corporation and/or the Operating Partnership in connection with a merger, sale of Assets or transaction involving the Corporation pursuant to which a majority of the Directors then in office are replaced or removed.

16. **ASSIGNMENT TO AN AFFILIATE.** This Agreement may be assigned by the Advisor to an Affiliate or Affiliates with the approval of a majority of the Board of Directors (including a majority of the Independent Directors). The Advisor may assign any rights to receive fees or other payments under this Agreement to any Person without obtaining the approval of the Board of Directors. This Agreement shall not be assigned by the Corporation or the Operating Partnership without the consent of the Advisor, except in the case of an assignment by the Corporation or the Operating Partnership to a corporation, limited partnership or other organization which is a successor to all of the assets, rights and obligations of the Corporation or the Operating Partnership, in which case such successor organization shall be bound hereunder and by the terms of said assignment in the same manner as the Corporation and the Operating Partnership are bound by this Agreement.

17. **PAYMENTS TO AND DUTIES OF ADVISOR UPON TERMINATION.**

(a) After the Termination Date, the Advisor shall not be entitled to compensation for further services hereunder except it shall be entitled to receive from the Corporation or the Operating Partnership within 30 days after the effective date of such termination all unpaid reimbursements of expenses and all earned but unpaid fees payable to the Advisor prior to termination of this Agreement. In addition, in accordance with the provisions of Paragraph 12, the Advisor shall be entitled to receive any Excess Amount (as defined in Paragraph 12) for which the Independent Directors determined (before or after the Termination Date) that there was justification based on unusual and nonrecurring factors.

(b) The Advisor shall promptly upon termination:

(i) pay over to the Corporation and the Operating Partnership all money collected and held for the account of the Corporation and the Operating Partnership pursuant to this Agreement, after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled;

(ii) deliver to the Board of Directors a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board of Directors;

(iii) deliver to the Board of Directors all Assets and documents of the Corporation and the Operating Partnership then in the custody of the Advisor; and

(iv) cooperate with the Corporation and the Operating Partnership to provide an orderly management transition.

18. **INDEMNIFICATION BY THE CORPORATION AND THE OPERATING PARTNERSHIP.** The Corporation and the Operating Partnership shall indemnify and hold harmless the Advisor and its Affiliates, including their respective members, managers, officers, directors, partners and employees, from all liability, claims, damages or losses arising in the performance of their duties hereunder, and related expenses, including reasonable attorneys' fees, subject to any limitations imposed by the laws of the State of Maryland or the Charter. Notwithstanding the foregoing, the Corporation and the Operating Partnership may not indemnify or hold harmless the Advisor, its Affiliates, or any of their respective members, managers, officers, directors, partners or employees in any manner that would be inconsistent with the provisions of Section II.G of the REIT Guidelines adopted by the North American Securities Administrators Association.

19. **INDEMNIFICATION BY ADVISOR.** The Advisor shall indemnify and hold harmless the Corporation and the Operating Partnership from contract or other liability, claims, damages, taxes or losses and related expenses including attorneys' fees, to the extent that such liability, claims, damages, taxes or losses and related expenses are incurred by reason of the Advisor's bad faith, fraud, willful misfeasance, gross misconduct, gross negligence or reckless disregard of its duties, but the Advisor shall not be held responsible for any action of the Board of Directors in following or declining to follow any advice or recommendation given by the Advisor.

20. **NOTICES.** Any notice, report or other communication required or permitted to be given hereunder shall be in writing unless some other method of giving such notice, report or other communication is required by the Charter, the Bylaws, or accepted by the party to whom it is given, and shall be given by being delivered by hand or by overnight mail or other overnight delivery service to the addresses set forth herein:

To the Directors and to the Corporation: Industrial Property Trust Inc.  
518 17<sup>th</sup> Street  
17<sup>th</sup> Floor  
Denver, CO 80202

To the Operating Partnership: Industrial Property Operating Partnership  
LP  
518 17<sup>th</sup> Street  
17<sup>th</sup> Floor  
Denver, CO 80202

To the Advisor: Industrial Property Advisors LLC  
518 17<sup>th</sup> Street  
17<sup>th</sup> Floor  
Denver, CO 80202

Any party may at any time give notice in writing to the other parties of a change in its address for the purposes of this Paragraph 20.

21. **THIRD PARTY BENEFICIARY.** The terms and provisions of this Agreement are intended solely for the benefit of each party hereto, their Affiliates and their respective successors and permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other Person.

22. **MODIFICATION.** This Agreement shall not be changed, modified, terminated, or discharged, in whole or in part, except by an instrument in writing signed by the parties hereto, or their respective successors or assignees.

23. **SEVERABILITY.** The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

24. **CONSTRUCTION.** The provisions of this Agreement shall be construed and interpreted in accordance with the laws of the State of Colorado.

25. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing.

26. **INDULGENCES, NOT WAIVERS.** Neither the failure nor any delay on the part of a party or any third party beneficiary to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

27. **GENDER.** Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

28. **TITLES NOT TO AFFECT INTERPRETATION.** The titles of paragraphs and subparagraphs contained in this Agreement are for convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation hereof.

29. **EXECUTION IN COUNTERPARTS.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

30. INITIAL INVESTMENT. The Advisor has made a capital contribution of \$200,000 to the Corporation in exchange for 20,000 Shares. The Advisor may not sell any of such Shares while the Advisor acts in such advisory capacity to the Corporation, provided, that such Shares may be transferred to Affiliates of the Advisor. The restrictions included above shall not apply to any other Securities acquired by the Advisor or its Affiliates. The Advisor shall not vote any Shares it now owns, or hereafter acquires, in any vote for the election of Directors, the removal of the Advisor, or any vote regarding the approval or termination of any contract with the Advisor or any of its Affiliates.

IN WITNESS WHEREOF, the parties hereto have executed this Fifth Amended and Restated Advisory Agreement as of the date and year first above written.

INDUSTRIAL PROPERTY TRUST INC.

By: /s/ DWIGHT L. MERRIMAN III  
Name: Dwight L. Merriman III  
Title: Chief Executive Officer

INDUSTRIAL PROPERTY OPERATING  
PARTNERSHIP LP

By: Industrial Property Trust Inc., its Sole General Partner

By: /s/ DWIGHT L. MERRIMAN III  
Name: Dwight L. Merriman III  
Title: Chief Executive Officer

INDUSTRIAL PROPERTY ADVISORS LLC

By: Industrial Property Advisors Group LLC, its Sole  
Member

By: /s/ EVAN H. ZUCKER  
Name: Evan H. Zucker  
Title: Manager

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Dwight L. Merriman III, certify that:

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

November 9, 2017

/s/ DWIGHT L. MERRIMAN III

---

**Dwight L. Merriman III**  
**Managing Director,**  
**Chief Executive Officer**  
*(Principal Executive Officer)*

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Thomas G. McGonagle, certify that:

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

November 9, 2017

/s/ THOMAS G. MCGONAGLE

---

**Thomas G. McGonagle**  
**Managing Director,**  
**Chief Financial Officer**  
*(Principal Financial Officer and Principal Accounting Officer)*

**CERTIFICATIONS PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
Certification of Principal Executive Officer**

In connection with the Quarterly Report on Form 10-Q of Industrial Property Trust Inc. (the "Company") for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dwight L. Merriman III, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

November 9, 2017

/s/ DWIGHT L. MERRIMAN III

---

**Dwight L. Merriman III**  
Managing Director,  
Chief Executive Officer  
*(Principal Executive Officer)*

**Certification of Principal Financial Officer**

In connection with the Quarterly Report on Form 10-Q of Industrial Property Trust Inc. (the "Company") for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas G. McGonagle, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

November 9, 2017

/s/ THOMAS G. MCGONAGLE

---

**Thomas G. McGonagle**  
Managing Director,  
Chief Financial Officer  
*(Principal Financial Officer and Principal Accounting Officer)*

