LEXINGTON REALTY TRUST
Form 10-K
March 13, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
or
o 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 1-12386
LEXINGTON REALTY TRUST
(Exact name of registrant as specified in its charter)

Maryland	13-3717318
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

One Penn Plaza, Suite 4015, New York, NY 10119-4015
(Address of principal executive offices) (zip code)
(212) 692-7200
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Shares of beneficial interest, par value $0.0001 per share, classified as Common Stock	New York Stock Exchange
6.50% Series C Cumulative Convertible Preferred Stock, par value $0.0001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
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 x No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨
		(Do not check if a smaller reporting company)	Emerging growth company ¨

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

The aggregate market value of the shares of beneficial interest, par value $0.0001 per share, classified as common stock (“common shares”) of Lexington Realty Trust held by non-affiliates as of June 29, 2018, which was the last business day of the registrant's most recently completed second fiscal quarter, was $2,044,256,426 based on the closing price of the common shares on the New York Stock Exchange as of that date, which was $8.73 per share.

Number of common shares outstanding as of March 8, 2019 was 235,282,784.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Definitive Proxy Statement for Lexington Realty Trust's Annual Meeting of Shareholders, to be held on May 21, 2019, is incorporated by reference in this Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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Introduction

Unless stated otherwise or the context otherwise requires, the “Company,” the “Trust,” “Lexington,” “we,” “our,” and “us” refe collectively to Lexington Realty Trust and its consolidated subsidiaries. All of the Company's interests in properties are held, and all property operating activities are conducted, through special purpose entities, which we refer to as property owner subsidiaries or lender subsidiaries, which are separate and distinct legal entities, but in some instances are consolidated for financial statement purposes and/or disregarded for income tax purposes.

When we use the term “REIT,” we mean real estate investment trust. All references to 2018, 2017 and 2016 refer to our fiscal years ended, or the dates, as the context requires, December 31, 2018, December 31, 2017 and December 31, 2016, respectively.

When we use the term “GAAP,” we mean United States generally accepted accounting principles in effect from time to time.

Cautionary Statements Concerning Forward-Looking Statements

This Annual Report, together with other statements and information publicly disseminated by us, contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “estimates,” “projects,” “may,” “plans,” “predicts,” “will,” “will likely result” or similar expressions. Readers sh rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. In particular, among the factors that could cause actual results, performances or achievements to differ materially from current expectations, strategies or plans include, among others, those risks discussed below under “Risk Factors” in Part I, Item 1A of this Annual Report and under “Management's Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Annual Report. Except as required by law, we undertake no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Accordingly, there is no assurance that our expectations will be realized.

PART I.

Item 1. Business

General

We are a Maryland real estate investment trust, qualified as a REIT for federal income tax purposes, that owns a portfolio of equity investments in single-tenant commercial properties, with a focus on industrial properties. A majority of these properties are subject to net or similar leases, where the tenant bears all or substantially all of the costs, including cost increases, for real estate taxes, utilities, insurance and ordinary repairs. However, certain leases provide that the landlord is responsible for certain operating expenses.

As of December 31, 2018, we had equity ownership interests in approximately 135 consolidated real estate properties, located in 34 states and containing an aggregate of approximately 47.6 million square feet of space, approximately 95.1% of which was leased. In 2018, 2017 and 2016, no tenant/guarantor represented greater than 10% of our annual base rental revenue.

In addition to our shares of beneficial interest, par value $0.0001 per share, classified as common stock, which we refer to as common shares, as of December 31, 2018, we had one outstanding class of beneficial interest classified as preferred stock, or preferred shares, our 6.50% Series C Cumulative Convertible Preferred Stock, par value $0.0001 per share, or our Series C Preferred Shares. Our common shares and Series C Preferred Shares are traded on the New York Stock Exchange, or NYSE, under the symbols “LXP” and “LXPPRC”, respectively.

We elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, commencing with our taxable year ended December 31, 1993. We intend to continue to qualify as a REIT. If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on our net taxable income that is currently distributed to our common shareholders. We conduct certain taxable activities through our taxable REIT subsidiary, Lexington Realty Advisors, Inc.

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History

Lexington is structured as an umbrella partnership REIT, or UPREIT, as a portion of its business is conducted through its operating partnership subsidiary, Lepercq Corporate Income Fund L.P., which we refer to as LCIF. Lexington is party to a funding agreement with LCIF under which Lexington may be required to fund distributions made on account of partner interests in LCIF, which we refer to as OP units. The UPREIT structure enables us to acquire properties through an operating partnership by issuing OP units to a seller of property, as a form of consideration in exchange for the property. However, our credit agreement requires that we own at least 95.5% of LCIF. The outstanding OP units not held by Lexington are generally redeemable for our common shares on a one OP unit for approximately 1.13 common shares basis, or, at our election in certain instances, cash. As of December 31, 2018, there were approximately 3.2 million OP units outstanding, other than OP units held by Lexington, which were convertible into approximately 3.6 million common shares, assuming redemptions are satisfied entirely with common shares.

Investment and Strategy

General. Our current business strategy is focused on enhancing our cash flow stability, growing our portfolio with attractive leased industrial investments, reducing lease rollover risk and maintaining a strong and flexible balance sheet to allow us to act on opportunities as they arise. To that end, during 2018, we continued to be an active seller of non-core assets such as office properties, retail properties and vacant properties. In addition, we continued and will continue our efforts to increase the percentage of rents from industrial assets. Our disposition of 21 office assets to a newly-formed joint venture, NNN Office JV L.P. (“NNN JV”), and other disposition and acquisition activities during 2018, have resulted in an increase in our percentage of GAAP rent from industrial assets to 65.4% as of December 31, 2018 from 44.3% as of December 31, 2017.

Regardless of capital market and economic conditions, we intend to stay focused on (1) enhancing operating results, (2) improving portfolio quality through acquisitions of industrial assets and reducing risks associated with lease rollover, especially with respect to non-core assets, (3) mitigating risks relating to interest rates and real estate cycles and (4) implementing strategies where our management skills and real estate expertise can add value.

Investments. When opportunities arise, we intend to continue to acquire single-tenant net-leased industrial assets that we believe will generate favorable returns. We focus on general purpose, well located, industrial assets that, we believe, will provide us with greater long-term overall risk-adjusted returns then we would realize from making new acquisitions of office or other properties. We believe industrial assets, as compared with office assets, provide for greater rental growth potential and less retenanting costs, We seek to grow our portfolio primarily by (1) engaging in, or providing funds to, or partnering with, developers who are engaged in, build-to-suit projects for single-tenant corporate users, (2) providing capital to corporations by buying properties and leasing them back to the sellers under net or similar leases and (3) acquiring properties already subject to net or similar leases, including through strategic transactions such as portfolio acquisitions and mergers with other real estate companies.

Our management has established a broad network of contacts to source investments, including brokers, developers and major corporate tenants. We believe that our geographical diversification, acquisition experience and balance sheet strength will allow us to continue to compete effectively for such investments. In addition, we seek to partner with developers on land parcels suitable for development of industrial assets.

Prior to effecting any investment, our underwriting includes analyzing the (1) property's design, construction quality, efficiency, functionality and location with respect to the immediate sub-market, city and region, (2) lease integrity with respect to term, rental rate increases, tenant credit, corporate guarantees and property maintenance provisions, (3) present and anticipated conditions in the local real estate market and (4) prospects for selling or re-leasing the property on favorable terms in the event of a vacancy. To the extent of information publicly available or made available to us, we also evaluate each potential tenant's financial strength, growth prospects and competitive position within its respective industry and each property's strategic location and function within a tenant's operations or distribution systems. We believe that our comprehensive underwriting process is critical to the assessment of long-term profitability of any investment by us.

Competition

There are numerous commercial developers, real estate companies, financial institutions, such as banks and insurance companies, and other investors with greater financial or other resources that compete with us in seeking properties for acquisition and tenants who will lease space in these properties. Furthermore, competition for industrial assets has increased in recent years. Our competitors include other REITs, pension funds, banks, private companies and individuals.

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Internal Growth and Effectively Managing Assets

Tenant Relations and Lease Compliance. We endeavor to maintain close contact with the tenants in the properties in which we have an interest in order to understand their financial strength, operations and future real estate needs. We monitor the financial, property maintenance and other lease obligations of the tenants in properties in which we have an interest, through a variety of means, including periodic reviews of financial statements that we have access to and physical inspections of the properties.

Extending Lease Maturities. Our property owner subsidiaries seek to extend tenant leases in advance of the lease expiration in order for us to maintain a balanced lease rollover schedule and high occupancy levels.

Revenue Enhancing Property Expansions. Our property owner subsidiaries undertake expansions of properties based on lease requirements, tenant requirements or marketing opportunities. We believe that selective property expansions can provide attractive rates of return.

Capital Recycling. Subject to regulatory and contractual requirements, we generally sell our interests in properties when we believe that the return realized from selling a property will exceed the expected return from continuing to hold such property and/or there is a better use of the capital to be received upon sale. We also focus our disposition efforts primarily on non-core assets such as office, vacant, multi-tenant, retail and short-term leased assets and assets that are the only asset we own in a geographic location.

Occasionally, we provide seller financing as a means of efficiently disposing of an asset. As a result, if a buyer defaults under the seller financing, we will once again be the owner of the underlying asset.

Conversion to Multi-Tenant. If one of our property owner subsidiaries is unable to renew a single-tenant lease or if it is unable to find a replacement single tenant, we either attempt to sell our interest in the property or the property owner subsidiary may seek to market the property for multi-tenant use. When appropriate, we seek to sell our interests in multi-tenant properties.

Property Management. From time to time, our property owner subsidiaries use property managers to manage certain properties. Our property management joint venture with an unaffiliated third party manages the majority of these properties. We believe this joint venture provides us with (1) better management of our assets, (2) better tenant relationships, (3) revenue-enhancing opportunities and (4) cost efficiencies.

Financing Strategy

General. Since becoming a public company, our principal sources of financing have been the public and private equity and debt markets, including property-specific debt, revolving loans, corporate level term loans, corporate bonds, issuance of common and preferred equity, issuance of OP units and undistributed cash flows.

Property-Specific Debt. Our property owner subsidiaries seek non-recourse secured debt on a limited basis to mitigate tenant credit risk and when credit tenant lease financing is available. Credit tenant lease financing allows us to significantly or fully leverage the rental stream from an investment at, what we believe are, attractive rates.

Corporate Level Borrowings. We also use corporate level borrowings, such as revolving loans, term loans, and debt offerings. We expect to continue to finance more of our operations with such corporate level borrowings as (1) non-recourse secured debt matures and (2) such corporate level borrowings are available on favorable terms.

Balance Sheet Management. In recent years, we have retired non-recourse mortgage debt with proceeds from recourse corporate level borrowings and sales. Our objective is to maintain a strong balance sheet to provide financial flexibility.

Common Share Issuances

From time to time, we raise capital by issuing common shares through (1) at-the-market offering programs, (2) underwritten public offerings, (3) block trades and (4) our direct share purchase plan. The proceeds from our common share offerings are generally used for working capital, including to fund investments and to retire indebtedness.

Share Repurchases

We have made, and may continue to make, repurchases of our common and preferred shares in individual transactions when we believe it is advantageous to do so, including when the discount to our net asset value or the liquidation preference, as the case may be, is attractive. Our share repurchase program authorized in 2015 had approximately 10.7 million common shares available for repurchase as of December 31, 2018. We repurchased and retired 5.9 million common shares in 2018.

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Advisory Contracts
We provide, and have provided, advisory services to various net-lease investors, including institutional investors and high net-worth individuals.

Environmental Matters

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances.

Summary of 2018 Transactions and Recent Developments
The following summarizes certain of our transactions during 2018, including transactions disclosed elsewhere and in our other periodic reports.
Investments/Capital Recycling. With respect to acquisitions/investments, we:
- purchased eight industrial assets for an aggregate cost of $315.6 million.
- disposed of 21 office assets to NNN JV for an aggregate price of $725.8 million and acquired a 20% equity interest in NNN JV for an aggregate cost of $53.7 million.
- disposed of our interests in 25 additional consolidated properties to unaffiliated third parties for an aggregate gross disposition price of $335.3 million.
- received $4.3 million in connection with the sale of a non-consolidated investment.

Leasing. We entered into 29 new leases and lease extensions encompassing an aggregate 1.9 million square feet. Our portfolio was 95.1% leased as of December 31, 2018.
Financing/Equity. With respect to financing activities, we:
- repaid $160.0 million, net under the unsecured revolving credit facility.
- repaid the $300.0 million term loan that was scheduled to mature in 2020.
- retired an aggregate of $118.0 million in property non-recourse mortgage debt, including debt encumbering assets sold to NNN JV.
- obtained $25.9 million of non-recourse mortgage financing with a fixed interest rate of 5.4%, which matures in November 2032 and is secured by an industrial property in Warren, MI.
- repurchased and retired approximately 5.9 million common shares at an average price of $8.05 per common share.
- amended our unsecured credit facility to remove LCIF as a borrower, which resulted in their automatic release as a guarantor of our outstanding debt securities,

See “Management's Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 7 of this Annual Report for more detail regarding the Company's 2018 transaction activity.
Subsequent to December 31, 2018, we:
- sold a consolidated industrial property for $79.3 million.
- acquired two industrial assets for an aggregate purchase price of approximately $58.0 million.
- repurchased and retired 441,581 common shares at an average price of $8.13 per common share.
- replaced our revolving credit facility and 2021 term loan with a new revolving credit facility and the continuation of the 2021 term loan, which extended the maturity of the revolving credit facility to February 2023 and reduced the applicable margin rates on the revolving credit facility and 2021 term loan.
- entered into an agreement to purchase upon completion the expansion of our property in Richland, Washington for $67.0 million.
- declared a quarterly common share dividend of $0.1025 per common share.

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Other

Employees. As of December 31, 2018, we had 60 full-time employees. Lexington Realty Trust is a master employer and employee costs are allocated to subsidiaries as applicable.

Industry Segments. We operate in one industry segment, primarily single-tenant real estate assets.

Web Site. Our Internet address is www.lxp.com. We make available, free of charge, on or through the Investors section of our web site or by contacting our Investor Relations Department, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or SEC. Also posted on our web site, and available in print upon request of any shareholder to our Investor Relations Department, are our declaration of trust and by-laws, charters for the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee of our Board of Trustees, our Corporate Governance Guidelines, and our Code of Business Conduct and Ethics governing our trustees, officers and employees (which contains our whistle blower procedures). Within the time period required by the SEC and the NYSE, we will post on our web site any amendment to the Code of Business Conduct and Ethics and any waiver applicable to any of our trustees or executive officers. In addition, our web site includes information concerning purchases and sales of our equity securities by our executive officers and trustees as well as disclosure relating to certain non-GAAP financial measures (as defined in the SEC's Regulation G) that we may make public orally, telephonically, by webcast, by broadcast or by similar means from time to time. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding LXP at http://www.sec.gov. Information contained on our web site or the web site of any other person is not incorporated by reference into this Annual Report or any of our other filings with or documents furnished to the SEC.

Our Investor Relations Department can be contacted at Lexington Realty Trust, One Penn Plaza, Suite 4015, New York, New York 10119-4015, Attn: Investor Relations, by telephone: (212) 692-7200, or by e-mail: ir@lxp.com.

Principal Executive Offices. Our principal executive offices are located at One Penn Plaza, Suite 4015, New York, New York 10119-4015; our telephone number is (212) 692-7200.

NYSE CEO Certification. Our Chief Executive Officer made an unqualified certification to the NYSE with respect to our compliance with the NYSE corporate governance listing standards in 2018.

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Item 1A. Risk Factors

Set forth below are material factors that may adversely affect our business and operations.

Risks Related to Our Business

We are subject to risks involving our leases and tenants.

We focus our acquisition activities on real estate properties that are net leased to single tenants, and certain of our tenants and/or their guarantors constitute a significant percentage of our base rental revenues. Therefore, the financial failure of, or other default by, a single tenant under its lease is likely to cause a significant or complete reduction in the operating cash flow generated by the property leased to that tenant and might decrease the value of that property and result in a non-cash impairment charge. If the tenant represents a significant portion of our base rental revenues, the impact on our financial position may be material. Further, in any such event, our property owner subsidiary will be responsible for 100% of the operating costs following a vacancy at a single-tenant building. Upon the expiration or other termination of leases that are currently in place, the property owner subsidiary may not be able to re-lease the vacant property at all or at a comparable lease rate without incurring additional expenditures in connection with the re-leasing, which may be material in amount.

Under current bankruptcy law, a tenant can generally assume or reject a lease within a certain number of days of filing its bankruptcy petition. If a tenant rejects the lease, a landlord's damages, subject to availability of funds from the bankruptcy estate, are generally limited to the greater of (1) one year's rent and (2) the rent for 15% of the remaining term of the lease, not to exceed three years.

Certain of our leases may permit tenants to terminate the leases to which they are a party.

Certain of our leases contain tenant termination options, including economic discontinuance options, that permit the tenants to terminate their leases. While these termination options generally require a termination payment by the tenants, in most cases, the termination payments are less than the total remaining expected rental revenue. The termination of a lease by a tenant may impair the value of the property. In addition, we will be responsible for 100% of the operating costs following the termination by any such tenant and subsequent vacating of the property, and we will incur re-leasing costs.

Our ability to fully control the maintenance of our net-leased properties may be limited.

The tenants of our net-leased properties are responsible for maintenance and other day-to-day management of the properties. If a property is not adequately maintained in accordance with the terms of the applicable lease, we may incur expenses for deferred maintenance or other liabilities once the property is no longer leased. We generally visit our properties on an annual basis, but these visits are not comprehensive inspections and deferred maintenance items may go unnoticed. While our leases generally provide for recourse against the tenant in these instances, a bankrupt or financially-troubled tenant may be more likely to defer maintenance, and it may be more difficult to enforce remedies against such a tenant.

Our tenants' ability to successfully operate their businesses may affect their ability to pay rent and maintain their leased property.

To the extent that tenants are unable to operate the property on a financially successful basis, their ability to pay rent to us may be adversely affected. Although we endeavor to monitor, on an ongoing basis, compliance by tenants with their lease obligations and other factors which could affect the financial performance of our properties, such monitoring may not always ascertain or forestall deterioration, either in the condition or value of a property or in the financial circumstances of a tenant.

You should not rely on the credit ratings of our tenants.

Some of our tenants, guarantors and/or their parent or sponsor entities are rated by certain rating agencies. In certain instances, we may disclose the credit ratings of our tenants or their parent or sponsor entities even though those parent or sponsor entities are not liable for the obligations of the tenant or guarantor under the lease. Any such credit ratings are subject to ongoing evaluation by these credit rating agencies and we cannot assure you that any such ratings will not be changed or withdrawn by these rating agencies in the future if, in their judgment, circumstances warrant. If these rating agencies assign a lower-than-expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, the credit rating of a tenant, guarantor or its parent entity, the value of our investment in any properties leased by such tenant could significantly decline.

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Our assets may be subject to impairment charges.

We periodically evaluate our real estate investments and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based on GAAP, which include a variety of factors such as market conditions, the status of significant leases, the financial condition of major tenants and other factors that could affect the cash flow or value of an investment. Based on this evaluation, we may from time to time take non-cash impairment charges, which could affect the implementation of our current business strategy. These impairments could have a material adverse effect on our financial condition and results of operations.

Furthermore, we may take an impairment charge on a property subject to a non-recourse secured mortgage which reduces the book value of such property to its fair value, which may be below the balance of the mortgage on our balance sheet. Upon foreclosure or other disposition, we may be required to recognize a gain on debt satisfaction equal to the difference between the fair value of the property and the balance of the mortgage.

Our real estate development activities are subject to additional risks.

In 2017, we entered into a joint venture that acquired a developable parcel of land. Development activities generally require various government and other approvals, which the joint venture may not receive. In addition, the joint venture is subject to the following risks associated with development activities:

- Unsuccessful development opportunities could cause us to incur direct expenses;
- Construction costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated or unprofitable;
- Time required to complete the construction of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;
- Occupancy rates and rents of a completed project may not be sufficient to make the project profitable; and
- Favorable financing sources to fund the joint venture's development activities may not be available.

A tenant’s bankruptcy proceeding may result in the re-characterization of related sale-leaseback transactions or in the restructuring of the tenant's payment obligations to us, either of which could adversely affect our financial condition.

We have entered and may continue to enter into sale-leaseback transactions, whereby we purchase a property and then lease the same property back to the person from whom we purchased it. In the event of the bankruptcy of a tenant, a transaction structured as a sale-leaseback may be re-characterized as either a financing or a joint venture. As a result of the foregoing, the re-characterization of a sale-leaseback transaction could adversely affect our financial condition, cash flow and the amount available for distributions to our shareholders.

If the sale-leaseback were re-characterized as a financing, we might not be considered the owner of the property, and as a result would have the status of a creditor in relation to the tenant. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the tenant for the amounts owed under the lease, with the claim arguably secured by the property. The tenant/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If confirmed by the bankruptcy court, we could be bound by the new terms and prevented from foreclosing our lien on the property. If the sale-leaseback were re-characterized as a joint venture, our tenant and we could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the tenant relating to the property.

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A significant portion of our leases are long-term and do not have fair market rental rate adjustments, which could negatively impact our income and reduce the amount of funds available to make distributions to shareholders.

A significant portion of our rental income comes from long-term net leases, which generally provide the tenant greater discretion in using the leased property than ordinary property leases, such as the right to freely sublease the property, to make alterations in the leased premises and to terminate the lease prior to its expiration under specified circumstances. Furthermore, net leases typically have longer lease terms and, thus, there is an increased risk that contractual rental increases in future years will fail to result in fair market rental rates during those years. If we do not accurately judge the potential for increases in market rental rates when negotiating these long-term leases or if we are unable to obtain any increases in rental rates over the terms of our leases, significant increases in future property operating costs, to the extent not covered under the net leases could result in us receiving less than fair value from these leases. As a result, our income and distributions to our shareholders could be lower than they would otherwise be if we did not engage in long-term net leases.

In addition, increases in interest rates may also negatively impact the value of our properties that are subject to long-term leases. While a significant number of our net leases provide for annual escalations in the rental rate, the increase in interest rates may outpace the annual escalations.

Our interests in loans receivable, if any, are subject to delinquency, foreclosure and loss.

Our interests in loans receivable, if any, are generally non-recourse and secured by real estate properties owned by borrowers that were unable to obtain similar financing from a commercial bank. These loans are subject to many risks including delinquency. The ability of a borrower to repay a loan secured by a real estate property is typically and primarily dependent upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If a borrower were to default on a loan, it is possible that we would not recover the full value of the loan as the collateral may be non-performing.

We face uncertainties relating to lease renewals and re-letting of space.

Upon the expiration of current leases for space located in properties in which we have an interest, our property owner subsidiaries may not be able to re-let all or a portion of such space, or the terms of re-letting (including the cost of concessions to tenants and leasing commissions) may be less favorable than current lease terms or market rates. If our property owner subsidiaries are unable to promptly re-let all or a substantial portion of the space located in their respective properties, or if the rental rates a property owner subsidiary receives upon re-letting are significantly lower than current rates, our earnings and ability to satisfy our debt service obligations and to make expected distributions to our shareholders may be adversely affected due to the resulting reduction in rent receipts and increase in property operating costs. There can be no assurance that our property owner subsidiaries will be able to retain tenants in any of our properties upon the expiration of leases.

We may not be able to generate sufficient cash flow to meet our debt service obligations and to pay distributions on our common and preferred shares.

Our ability to make payments on and to refinance our indebtedness, to make distributions on our common and preferred shares and to fund our operations, working capital and capital expenditures, depends on our ability to generate cash in the future. To a certain extent, our cash flow is subject to general economic, industry, financial, competitive, operating, legislative, regulatory and other factors, many of which are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future sources of cash will be available to us in an amount sufficient to enable us to pay amounts due on our indebtedness or to make distributions on our common and preferred shares and fund our other liquidity needs. Additionally, if we incur additional indebtedness in connection with future acquisitions or development projects or for any other purpose, our debt service obligations could increase.

We may need to refinance all or a portion of our indebtedness on or before maturity. Our ability to refinance our indebtedness or obtain additional financing will depend on, among other things, our financial condition and market conditions at the time and restrictions in the agreements governing our indebtedness.

As a result, we may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all. If we do not generate sufficient cash flow from operations, and additional borrowings or refinancings or proceeds of asset sales or other sources of cash are not available to us, we may not have sufficient cash to enable us to meet all of our obligations. Accordingly, if we cannot service our indebtedness, we may have to take actions such as seeking additional equity, or delaying strategic acquisitions and alliances or capital expenditures, any of which could have a material adverse effect on our operations. We cannot assure you that we will be able to effect any of these actions on commercially reasonable terms, or at all.

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Our inability to carry out our growth strategy could adversely affect our financial condition and results of operations.
Our growth strategy is based on the acquisition and development of additional properties and related assets. In the context of our business plan, “development” generally means an expansion or renovation of an existing property or the financing and/or acquisition of a newly constructed build-to-suit property. For newly constructed build-to-suit properties, we may (1) provide a developer with either a combination of financing for construction of a build-to-suit property or a commitment to acquire a property upon completion of construction of a build-to-suit property and commencement of rent from the tenant, (2) acquire a property subject to a lease and engage a developer to complete construction of a build-to-suit property as required by the lease, or (3) partner with a developer to acquire an undeveloped parcel of land and pursue build-to-suit opportunities.
Our plan to grow through the acquisition and development of new properties could be adversely affected by trends in the real estate and financing businesses. The consummation of any future acquisitions will be subject to satisfactory completion of an extensive valuation analysis and due diligence review and to the negotiation of definitive documentation. Our ability to implement our strategy may be impeded because we may have difficulty finding new properties and investments at attractive prices that meet our investment criteria, negotiating with new or existing tenants or securing acceptable financing. If we are unable to carry out our strategy, our financial condition and results of operations could be adversely affected. Acquisitions of additional properties entail the risk that investments will fail to perform in accordance with expectations, including operating and leasing expectations.
Some of our acquisitions and developments may be financed using the proceeds of periodic equity or debt offerings, lines of credit or other forms of secured or unsecured financing that may result in a risk that permanent financing for newly acquired projects might not be available or would be available only on disadvantageous terms. If permanent debt or equity financing is not available on acceptable terms to refinance acquisitions undertaken without permanent financing, further acquisitions may be curtailed, or cash available to satisfy our debt service obligations and distributions to shareholders may be adversely affected.

Our acquisition and disposition activity may lead to dilution.
Our asset strategy is to increase our investment in general purpose, well located industrial assets and reduce our exposure to all other asset types. We believe this strategy will lessen capital expenditures over time and mitigate revenue reductions on renewals and re-tenanting. To implement this strategy, we have been selling certain office assets, which generally have higher capitalization rates, and buying industrial properties, which, in the current competitive market, generally have lower capitalization rates. This strategy impacts growth in the short-term period. There can be no assurance that the implementation of our strategy will lead to improved results or that we will be able to execute our strategy as contemplated or on terms acceptable to us.
From time to time, we announce potential lease, financing, disposition or investment commitments or transactions, which may not be consummated on the terms we announce or at all.
We publicly communicate potential lease, financing, disposition and investment commitments or transactions in our public documents filed with or furnished to the SEC and press releases and on conference calls with analysts and investors. We can give no assurances that any of these commitments or transactions will be consummated to our expectations or at all.
Acquisition activities may not produce expected results and may be affected by outside factors.
Acquisitions of commercial properties entail certain risks, such as (1) underwriting assumptions, including occupancy, rental rates and expenses, may differ from estimates, (2) the properties may become subject to environmental liabilities that we were unaware of at the time we acquired the property despite any environmental testing, (3) we may have difficulty obtaining financing on acceptable terms or paying the operating expenses and debt service associated with acquired properties prior to sufficient occupancy and (4) projected exit strategies may not come to fruition due to a variety of factors such as market conditions and/or tenant credit conditions at the time of dispositions.
We may not be successful in identifying suitable real estate properties or other assets that meet our acquisition criteria. We may also fail to complete acquisitions or investments on satisfactory terms. Failure to identify or complete acquisitions could slow our growth, which could, in turn, have a material adverse effect on our financial condition and

results of operations.

We face certain risks associated with our build-to-suit activities.

From time to time, we engage in, or provide capital to developers who are engaged in, build-to-suit activities. We face uncertainties associated with a developer's performance and timely completion of a project, including the performance or timely completion by contractors and subcontractors. A developer's performance may be affected or delayed by their own actions or conditions beyond the developer's control. If a developer, contractor or subcontractor fails to perform, we may resort to legal action to compel performance, remove the developer or rescind the purchase or construction contract. Legal action may cause further delays and our costs may not be reimbursed.

We may incur additional risks when we make periodic progress payments or other advances to developers before completion of construction. These and other factors can result in increased costs of a project or loss of our investment. We also rely on third-party construction managers and/or engineers to monitor the construction activities.

Upon completion of construction, we are generally responsible to the tenant for any warranty claims. While we generally have a warranty from the developer or general contractor that was responsible for construction backstopping our warranty obligations to the tenant, we are subject to the risk of enforcement of such developer or general contractor warranty.

We rely on rental income and expense projections and estimates of the fair market value of a property upon completion of construction when agreeing upon a purchase price at the time we acquire the property. If our projections are inaccurate or markets change, we may pay more than the fair value of a property.

In addition, the rental rates for a new build-to-suit project are generally derived from the cost to construct the project and may not equal a fair market lease rate for older existing properties in the same market.

Our multi-tenant properties expose us to additional risks.

Our multi-tenant properties involve risks not typically encountered in real estate properties which are operated by or for a single tenant. The ownership of multi-tenant properties could expose us to the risk that a sufficient number of suitable tenants may not be found to enable the property to operate profitably and provide a return to us. This risk may be compounded by the failure of existing tenants to satisfy their obligations due to various factors. These risks, in turn, could cause a material adverse impact to our results of operations and business.

Multi-tenant properties are also subject to tenant turnover and fluctuation in occupancy rates, which could affect our operating results. Furthermore, multi-tenant properties expose us to the risk of potential "CAM slippage," which may occur when the actual cost of taxes, insurance and maintenance at the property exceeds the operating expenses paid by tenants and/or the amounts budgeted.

We face possible liability relating to environmental matters.

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, as an owner of real property, our property owner subsidiaries may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under the properties in which we have an interest as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. These laws may impose liability without regard to whether we knew of, or were responsible for, the presence or disposal of those substances. This liability may be imposed on our property owner subsidiaries in connection with the activities of an operator of, or tenant at, the property. The cost of any required remediation, removal, fines or personal or property damages, and our liability therefore, could be significant and could exceed the value of the property and/or our aggregate assets. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect a property owner subsidiary's ability to sell or rent that property or to borrow using that property as collateral, which, in turn, would reduce our revenues and ability to satisfy our debt service obligations and to make distributions.

A property can also be adversely affected either through physical contamination or by virtue of an adverse effect upon value attributable to the migration of hazardous or toxic substances, or other contaminants that have or may have emanated from other properties. Although the tenants of the properties in which we have an interest are primarily responsible for any environmental damages and claims related to the leased premises, in the event of the bankruptcy or inability of any of the tenants of the properties in which we have an interest to satisfy any obligations with respect to the property leased to that tenant, our property owner subsidiary may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

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From time to time, in connection with the conduct of our business, our property owner subsidiaries authorize the preparation of Phase I environmental reports and, when recommended, Phase II environmental reports, with respect to their properties. There can be no assurance that these environmental reports will reveal all environmental conditions at the properties in which we have an interest or that the following will not expose us to material liability in the future:
•the discovery of previously unknown environmental conditions;
•changes in law;
•activities of tenants; or
•activities relating to properties in the vicinity of the properties in which we have an interest.
Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of the tenants of the properties in which we have an interest, which could adversely affect our financial condition or results of operations.
From time to time we are involved in legal proceedings arising in the ordinary course of our business.
Legal proceedings arising in the ordinary course of our business require time and effort. The outcomes of legal proceedings are subject to significant uncertainty. In the event that we are unsuccessful defending or prosecuting these proceedings, as applicable, we may incur a judgment or fail to realize an award of damages that could have an adverse effect on our financial condition.
Uninsured losses or a loss in excess of insured limits could adversely affect our financial condition.
We carry comprehensive liability, fire, extended coverage and rent loss insurance on certain of the properties in which we have an interest, with policy specifications and insured limits that we believe are customary for similar properties. However, with respect to those properties where the leases do not provide for abatement of rent under any circumstances, we generally do not maintain rent loss insurance. In addition, certain of our leases require the tenant to maintain all insurance on the property, and the failure of the tenant to maintain the proper insurance could adversely impact our investment in a property in the event of a loss. Furthermore, there are certain types of losses, such as losses resulting from wars, terrorism or certain acts of God, that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in a property as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types could adversely affect our financial condition and results of operations.
Future terrorist attacks, military conflicts and unrest in various parts of the world could have a material adverse effect on general economic conditions, consumer confidence and market liquidity.
Terrorist attacks, ongoing and future military conflicts and the continued unrest in various parts of the world may affect commodity prices and interest rates, among other things. An increase in interest rates may increase our costs of borrowing, leading to a reduction in our earnings. Instability in the price of oil will also cause fluctuations in our operating costs, which may not be reimbursed by our tenants. Also, terrorist acts could result in significant damages to, or loss of, our properties or the value thereof.
We and the tenants of the properties in which we have an interest may be unable to obtain adequate insurance coverage on acceptable economic terms for losses resulting from acts of terrorism. Our lenders may require that we carry terrorism insurance even if we do not believe this insurance is necessary or cost effective. We may also be prohibited under the applicable lease from passing all or a portion of the cost of such insurance through to the tenant. Should an act of terrorism result in an uninsured loss or a loss in excess of insured limits, we could lose capital invested in a property as well as the anticipated future revenues from a property, while our property owner subsidiary remains obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types could adversely affect our financial condition.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, misappropriation of assets and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our tenant, investor and/or vendor relationships. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those we have outsourced. Any processes, procedures and internal controls that we implement, as well as our increased awareness of the nature and extent of a risk of a cyber incident, do not guarantee that our financial results, operations, business relationships or confidential information will not be negatively impacted by such an incident.

Networks and information technology throughout the world and in companies of all sizes are threatened by cybersecurity risks on a regular basis. We must continuously monitor and develop our networks and information technology to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. Insider or employee cyber and security threats are increasingly a concern for all companies, including ours. In addition, social engineering and phishing are a particular concern for companies with employees. We are continuously working to install new, and to upgrade our existing, network and information technology systems and to provide employee awareness training around phishing, malware and other cyber risks to ensure that we are protected, to the greatest extent possible, against cyber risks and security breaches. However, such upgrades, new technology and training may not be sufficient to protect us from all risks.

As a smaller company, we use third-party vendors to assist us with our network and information technology requirements. While we carefully select these third-party vendors, we cannot control their actions. Any problems caused by these third parties, including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber attacks and security breaches at a vendor could adversely affect our operations.

Competition may adversely affect our ability to purchase properties.

There are numerous commercial developers, real estate companies, such as other REITs, financial institutions, such as banks and insurance companies, and other investors, such as pension funds, private companies and individuals, with greater financial and other resources than we have that compete with us in seeking investments and tenants. Due to our focus on single-tenant properties located throughout the United States, and because some competitors are often locally and/or regionally focused, we do not always encounter the same competitors in each market. This competition may result in a higher cost for properties and lower returns and impact our ability to grow.

Our failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results and share price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires annual management assessments of the effectiveness of our internal control over financial reporting. Our management previously identified and disclosed a material weakness in the effectiveness of our internal control over financial reporting as of December 31, 2016. We have determined that our remediation plan eliminated this weakness, but we cannot assure you that our controls will prevent this or other weaknesses from arising in the future. If we fail to maintain the adequacy of our internal control over financial reporting in the future, as such standards may be modified, supplemented or amended from time to time, we will be required to disclose such failure, and our financial reporting may not be relied on by investors. Moreover, effective internal control is necessary for us to produce reliable financial reports and to maintain our qualification as a REIT and is important in helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, our REIT qualification could be jeopardized, investors could lose confidence in our reported financial information, and the trading price of our debt and equity securities could drop significantly.

We may have limited control over our joint venture investments.

Our joint venture investments involve risks not otherwise present for investments made solely by us, including the possibility that our partner might, at any time, become bankrupt, have different interests or goals than we do, or take action contrary to our expectations, its previous instructions or our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT. Other risks of joint venture investments include impasses on decisions, such as a sale, because neither we nor our partner has full control over the joint venture. Also, there is no limitation under our organizational documents as to the amount of funds that may be invested in joint ventures.

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Our ability to change our portfolio is limited because real estate investments are illiquid.
Investments in real estate are relatively illiquid and, therefore, our ability to change our portfolio promptly in response to changed conditions is limited. Our Board of Trustees may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number or type of properties in which we may seek to invest or on the concentration of investments in any one geographic region.
Our reported financial results may be adversely affected by changes in accounting principles applicable to us and the tenants of properties in which we have an interest.
GAAP is subject to interpretation by various bodies formed to promulgate and interpret appropriate accounting principles such as the Financial Accounting Standards Board. A change in these principles or interpretations could have a significant effect on our reported financial results, could affect the reporting of transactions completed before the announcement of a change and could affect the business practices and decisions of the tenants of properties in which we have an interest.
We have engaged and may engage in hedging transactions that may limit gains or result in losses.
We have used derivatives to hedge certain of our variable-rate liabilities. As of December 31, 2018, we had aggregate interest rate swap agreements on $255.0 million of borrowings. The counterparties of these arrangements are major financial institutions; however, we are exposed to credit risk in the event of non-performance or default by the counterparties. Further, additional risks, including losses on a hedge position, may reduce the return on our investments. Such losses may exceed the amount invested in such instruments. We may also have to pay certain costs, such as transaction fees or breakage costs, related to hedging transactions.
Our Board of Trustees may change our investment policy without shareholders' approval.
Subject to our fundamental investment policy to maintain our qualification as a REIT and invest in core assets, our Board of Trustees will determine our investment and financing policies, growth strategy and our debt, capitalization, distribution, acquisition, disposition and operating policies.
Our Board of Trustees may revise or amend these strategies and policies at any time without a vote by shareholders. Changes made by our Board of Trustees may not serve the interests of debt or equity security holders and could adversely affect our financial condition or results of operations, including our ability to satisfy our debt service obligations, distribute cash to shareholders and qualify as a REIT. Accordingly, shareholders' control over changes in our strategies and policies is limited to the election of trustees.
We are dependent upon our key personnel.
We are dependent upon key personnel whose continued service is not guaranteed. We are dependent on certain of our executive officers for business direction. The employment agreements with each of T. Wilson Eglin, our Chief Executive Officer and President, E. Robert Roskind, our Chairman, and Patrick Carroll, our Executive Vice President, Chief Financial Officer and Treasurer, expired in January 2018.
As part of our succession planning, we entered into a retirement agreement with Mr. Roskind which provided for his retirement as an executive officer and employee on January 15, 2019. Messrs. Eglin and Carroll will continue in their current positions with us subject to certain severance payout rights upon certain termination events.
Our inability to retain the services of any of our key personnel, an unplanned loss of any of their services or our inability to replace them upon termination as needed, could adversely impact our operations. We do not have key man life insurance coverage on our executive officers.

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There may be conflicts of interest between E. Robert Roskind and us.

E. Robert Roskind, our Chairman, beneficially owns a significant number of OP units, and as a result, may face different and more adverse tax consequences than our other shareholders will if we sell our interests in certain properties or reduce mortgage indebtedness on certain properties. Our Chairman may, therefore, have different objectives than us and our debt and equity security holders regarding the appropriate pricing and timing of any sale of such properties or reduction of mortgage debt. In addition, an affiliate of Mr. Roskind arranges real estate asset financings using funds raised from immigrant investors in accordance with the fifth preference employment-based immigration program administered by the U.S. Citizenship and Immigration Services. During 2017, we obtained a mezzanine loan from Mr. Roskind's affiliate and during 2018, one of our non-consolidated joint ventures obtained a mezzanine loan from Mr. Roskind's affiliate. In the event of an appearance of a conflict of interest and in accordance with our policy regarding related party transactions, Mr. Roskind is required to recuse himself from any decision making or seek a waiver of our Code of Business Conduct and Ethics, which will be reviewed by the non-conflicted members of our Board of Trustees or the Audit Committee of the Board of Trustees.

Costs of complying with changes in governmental laws and regulations may adversely affect our results of operations.

We cannot predict what laws or regulations may be enacted, repealed or modified in the future, how future laws or regulations will be administered or interpreted, or how future laws or regulations will affect our properties. Compliance with new or modified laws or regulations, or stricter interpretation of existing laws, may require us or our tenants to incur significant expenditures, impose significant liability, restrict or prohibit business activities and could cause a material adverse effect on our results of operations.

We disclose Funds From Operations available to common shareholders and unitholders (“FFO”), Adjusted Company Funds from Operations available to all equityholders and unitholders (“Adjusted Company FFO”), Net Operating Income (“NOI”) and other non-GAAP financial measures in documents filed and/or furnished with the SEC; however, neither FFO, Adjusted Company FFO, NOI nor the other non-GAAP financial measures we disclose are equivalent to our net income or loss as determined under GAAP or other applicable comparable GAAP measures, and you should consider GAAP measures to be more relevant to our operating performance.

We use and disclose to investors FFO, Adjusted Company FFO, NOI and other non-GAAP financial measures. FFO, Adjusted Company FFO, NOI and the other non-GAAP financial measures are not equivalent to our net income or loss as determined in accordance with GAAP, and investors should consider GAAP measures to be more relevant to evaluating our operating performance. FFO, Adjusted Company FFO and NOI, and GAAP net income (loss) differ because FFO, Adjusted Company FFO and NOI exclude many items that are factored into GAAP net income or loss. Because of the differences between FFO, Adjusted Company FFO, NOI and GAAP net income or loss, FFO, Adjusted Company FFO and NOI may not be accurate indicators of our operating performance, especially during periods in which we are acquiring and selling properties. In addition, FFO, Adjusted Company FFO and NOI are not necessarily indicative of cash flow available to fund cash needs and investors should not consider FFO, Adjusted Company FFO or NOI as alternatives to cash flows from operations, as an indication of our liquidity or as indicative of funds available to fund our cash needs, including our ability to make distributions to our shareholders.

Neither the SEC nor any other regulatory body has passed judgment on the acceptability of the adjustments that we use to calculate FFO, Adjusted Company FFO and NOI. Also, because not all companies calculate FFO, Adjusted Company FFO and NOI the same way, comparisons with other companies measures with similar titles may not be meaningful.

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Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our financial condition and our ability to fulfill our obligations under the documents governing our unsecured indebtedness and otherwise adversely impact our business and growth prospects.

We have a substantial amount of debt. We are more leveraged than certain of our competitors. We have incurred, and may continue to incur, direct and indirect indebtedness in furtherance of our activities. Neither our declaration of trust nor any policy statement formerly adopted by our Board of Trustees limits the total amount of indebtedness that we may incur, and accordingly, we could become even more highly leveraged. As of December 31, 2018, our total consolidated indebtedness was approximately $1.5 billion and we had approximately $505.0 million available for borrowing under our principal credit agreement, subject to covenant compliance.

Our substantial indebtedness could adversely affect our financial condition and results of operations and have important consequences to us and our debt and equity security holders. For example, it could:

- make it more difficult for us to satisfy our indebtedness and debt service obligations and adversely affect our ability to pay distributions;
- increase our vulnerability to adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to the payment of interest on and principal of our indebtedness, thereby reducing the availability of cash to fund working capital, capital expenditures and other general corporate purposes;
- limit our ability to borrow money or sell stock to fund our development projects, working capital, capital expenditures, general corporate purposes or acquisitions;
- restrict us from making strategic acquisitions or exploiting business opportunities;
- place us at a disadvantage compared to competitors that have less debt; and
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

In addition, the agreements that govern our current indebtedness contain, and the agreements that may govern any future indebtedness that we may incur may contain, financial and other restrictive covenants, which may limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default that, if not cured or waived, could result in the acceleration of our debt.

Market interest rates could have an adverse effect on our borrowing costs, profitability and the value of our fixed-rate debt securities.

We have exposure to market risks relating to increases in interest rates due to our variable-rate debt. An increase in interest rates may increase our costs of borrowing on existing variable-rate indebtedness, leading to a reduction in our earnings. As of December 31, 2018, we have a $300.0 million unsecured term loan which matures January 2021 that is LIBOR indexed. In addition, we have $129.1 million of debt that matures in April 2037 which is LIBOR indexed. The level of our variable-rate indebtedness, along with the interest rate associated with such variable-rate indebtedness, may change in the future and materially affect our interest costs and earnings. In addition, our interest costs on our fixed-rate indebtedness may increase if we are required to refinance our fixed-rate indebtedness upon maturity at higher interest rates. Also, fixed rate debt securities generally decline in value as market rates rise because the premium, if any, over market interest rates will decline.

The LIBOR index rate may not be available in the future.

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

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Potential disruptions in the financial markets could affect our ability to obtain debt financing on reasonable terms and have other adverse effects on us.

The United States credit markets have periodically experienced significant dislocations and liquidity disruptions which have caused the spreads on prospective debt financings to widen considerably. These circumstances may materially impact liquidity in the debt markets, making financing terms for borrowers less attractive, and in certain cases may result in the unavailability of certain types of debt financing. Uncertainty in the credit markets may negatively impact our ability to access additional debt financing on reasonable terms, which may negatively affect our ability to make acquisitions. A prolonged downturn in the credit markets may cause us to seek alternative sources of potentially less attractive financing and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of capital or difficulties in obtaining capital. These events in the credit markets may have an adverse effect on other financial markets in the United States, which may make it more difficult or costly for us to raise capital through the issuance of our common shares or preferred shares. These disruptions in the financial markets may have other adverse effects on us, our tenants or the economy in general.

Covenants in certain of the agreements governing our debt could adversely affect our financial condition, investment activities and/or operating activities.

Our unsecured revolving credit facility, unsecured term loan and indentures governing our 4.40% and 4.25% Senior Notes contain certain cross-default and cross-acceleration provisions as well as customary restrictions, requirements and other limitations on our ability to incur indebtedness and consummate mergers, consolidations or sales of all or substantially all of our assets. Our ability to borrow under our unsecured revolving credit facility is also subject to compliance with certain other covenants. In addition, failure to comply with our covenants could cause a default under the applicable debt instrument and we may then be required to repay such debt with capital from other sources. Under those circumstances other sources of capital may not be available to us or be available only on unattractive terms. Additionally, our ability to satisfy current or prospective lenders' insurance requirements may be adversely affected if lenders generally insist upon greater insurance coverage than is available to us in the marketplace or on commercially reasonable terms.

We rely on debt financing, including borrowings under our unsecured revolving credit facility, unsecured term loan, debt securities, and debt secured by individual properties, for working capital, including to finance our investment activities. If we are unable to obtain financing from these or other sources, or to refinance existing indebtedness upon maturity, our financial condition and results of operations could be adversely affected.

The documents governing our non-recourse indebtedness contain restrictions on the operations of our property owner subsidiaries and their properties. Certain activities, like leasing, may be subject to the consent of the applicable lender. In addition, certain lenders engage third-party loan servicers that may not be as responsive as we would be or as the leasing market requires.

A downgrade in our credit ratings could have a material adverse effect on our business and financial condition.

The credit ratings assigned to us and our debt could change based upon, among other things, our results of operations and financial condition or the real estate industry generally. These ratings are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any rating will not be changed or withdrawn by a rating agency in the future if, in the applicable rating agency's judgment, circumstances warrant. Moreover, these credit ratings do not apply to our common and preferred shares and are not recommendations to buy, sell or hold any other securities. Any downgrade of us or our debt could have a material adverse effect on the market price of our debt securities and our common and preferred shares. If any credit rating agency that has rated us or our debt downgrades or lowers its credit rating, or if any credit rating agency indicates that it has placed any such rating on a so-called “watch list” for a possible downgrading or lowering or otherwise indicates that its outlook for that rating is negative, it could also have a material adverse effect on our costs and availability of capital, which could in turn have a material adverse effect on our financial condition, results of operations, cash flows and our ability to satisfy our debt service obligations and to make dividends and distributions on our common shares and preferred shares.

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We face risks associated with refinancings.
A significant number of the properties in which we have an interest are subject to mortgage or other secured notes with balloon payments due at maturity. In addition, our corporate level borrowings require interest only payments with all principal due at maturity.
As of December 31, 2018, the consolidated scheduled balloon payments for the next five calendar years are as follows ($ in millions):

Year	Property-Specific Balloon Payments	Corporate Recourse Balloon Payments
2019	$ 76.1	$ —
2020	$ 32.0	$ —
2021	$ 17.0	$ 300.0
2022	$ —	$ —
2023	$ —	$ 250.0

Our ability to make the scheduled balloon payments on any corporate recourse note will depend on our access to the capital markets, including our ability to refinance the maturing note. Our ability to make the scheduled balloon payment on any non-recourse mortgage note will depend upon (1) in the event we determine to contribute capital, our cash balances and the amount available under our unsecured credit facility, and (2) the property owner subsidiary's ability either to refinance the related mortgage debt or to sell the related property. If the property owner subsidiary is unable to refinance or sell the related property, the property may be conveyed to the lender through foreclosure or other means or the property owner subsidiary may declare bankruptcy.
We face risks associated with returning properties to lenders.
A number of the properties in which we have an interest are subject to non-recourse mortgages, which generally provide that a lender's only recourse upon an event of default is to foreclose on the property. In the event these properties are conveyed via foreclosure to the lenders thereof, we would lose all of our interest in these properties. The loss of a significant number of properties to foreclosure or through bankruptcy of a property owner subsidiary could adversely affect our financial condition and results of operations, relationships with lenders and ability to obtain additional financing in the future.
In addition, a lender may attempt to trigger a carve out to the non-recourse nature of a mortgage loan. To the extent a lender is successful, the ability of our property owner subsidiary to return the property to the lender may be inhibited and/or we may be liable for all or a portion of such loan.
Certain of our indebtedness is subject to cross-default and cross-acceleration provisions.
Substantially all of our corporate level borrowings and, in the future, certain of our secured indebtedness may, contain cross-default and/or cross-acceleration provisions, which may be triggered if we default on certain indebtedness in excess of certain thresholds. In the event of such a default, the resulting cross defaults and/or cross-accelerations may adversely impact our financial condition.

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Risks Related to Our Outstanding Debt Securities

The effective subordination of our unsecured indebtedness and any related guaranty may reduce amounts available for payment on our unsecured indebtedness and any related guaranty.

The holders of our secured debt may foreclose on the assets securing such debt, reducing the cash flow from the foreclosed property available for payment of unsecured debt and any related guaranty. The holders of any of our secured debt also would have priority over unsecured creditors in the event of a bankruptcy, liquidation or similar proceeding.

None of our subsidiaries are guarantors of our unsecured debt; therefore assets of our subsidiaries may not be available to make payments on our unsecured indebtedness.

As of December 31, 2018, we were the sole borrower of our unsecured indebtedness and none of our subsidiaries were guarantors of our unsecured indebtedness. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of subsidiary debt, including trade creditors, will generally be entitled to payment of their claims from the assets of our subsidiaries before any assets are made available for distribution to us.

All of our assets are held through our operating partnership and our other subsidiaries. Consequently, our cash flow and our ability to meet our debt service obligations depends in large part upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of distributions or otherwise.

Risks Related to Lexington's REIT Status

There can be no assurance that Lexington will remain qualified as a REIT for federal income tax purposes.

We believe that Lexington has met the requirements for qualification as a REIT for federal income tax purposes beginning with its taxable year ended December 31, 1993, and we intend for Lexington to continue to meet these requirements in the future. However, qualification as a REIT involves the application of highly technical and complex provisions of the Code, for which there are only limited judicial or administrative interpretations. The Code provisions and income tax regulations applicable to REITs are more complex than those applicable to corporations. The determination of various factual matters and circumstances not entirely within our control may affect Lexington's ability to continue to qualify as a REIT. No assurance can be given that Lexington has qualified or will remain qualified as a REIT. In addition, no assurance can be given that legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or the federal income tax consequences of such qualification. If Lexington does not qualify as a REIT, Lexington would not be allowed a deduction for distributions to shareholders in computing its net taxable income. In addition, Lexington's income would be subject to tax at the regular corporate rates. Lexington also could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. Cash available to satisfy Lexington's debt service obligations and distributions to its shareholders would be significantly reduced or suspended for each year in which Lexington does not qualify as a REIT. In that event, Lexington would not be required to continue to make distributions. Although we currently intend for Lexington to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause Lexington, without the consent of the shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

We may be subject to the REIT prohibited transactions tax, which could result in significant U.S. federal income tax liability to us.

A REIT will incur a 100% tax on the net income from a prohibited transaction. Generally, a prohibited transaction includes a sale or disposition of property held primarily for sale to customers in the ordinary course of a trade or business. While we believe that the dispositions of our assets pursuant to our investment strategy should not be treated as prohibited transactions, whether a particular sale will be treated as a prohibited transaction depends on the underlying facts and circumstances. We have not sought and do not intend to seek a ruling from the Internal Revenue Service regarding any dispositions. Accordingly, there can be no assurance that our dispositions of such assets will not be subject to the prohibited transactions tax. If all or a significant portion of those dispositions were treated as prohibited transactions, we would incur a significant U.S. federal income tax liability, which could have a material adverse effect on our financial position, results of operations and cash flows.

Distribution requirements imposed by law limit our flexibility.

To maintain Lexington's status as a REIT for federal income tax purposes, Lexington is generally required to distribute to its shareholders at least 90% of its taxable income for that calendar year. Lexington's taxable income is determined without regard to any deduction for dividends paid and by excluding net capital gains. To the extent that Lexington satisfies the distribution requirement but distributes less than 100% of its taxable income, Lexington will be subject to federal corporate income tax on its undistributed income. In addition, Lexington will incur a 4% nondeductible excise tax on the amount, if any, by which its distributions in any year are less than the sum of (i) 85% of its ordinary income for that year, (ii) 95% of its capital gain net income for that year and (iii) 100% of its undistributed taxable income from prior years. We intend for Lexington to continue to make distributions to its shareholders to comply with the distribution requirements of the Code and to reduce exposure to federal income and nondeductible excise taxes. Differences in timing between the receipt of income and the payment of expenses in determining its taxable income and the effect of required debt amortization payments could require Lexington to borrow funds on a short-term basis in order to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

Legislative or regulatory tax changes could have an adverse effect on us.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or you as a debt and/or equity security holder. REIT dividends generally are not eligible for the reduced rates currently applicable to certain corporate dividends (unless attributable to dividends from taxable REIT subsidiaries and otherwise eligible for such rates). As a result, investment in non-REIT corporations may be relatively more attractive than investment in REITs. This could adversely affect the market price of our shares.

Tax legislation signed into law on December 22, 2017, makes numerous changes to the tax rules that do not affect the REIT qualification rules directly, but may otherwise affect us or our shareholders. For example, the top federal income tax rate for individuals was reduced to 37%, there is a new deduction available for certain Qualified Business Income that reduces the top effective tax rate applicable to ordinary dividends from REITs to 29.6% (through a 20% deduction for ordinary REIT dividends received) and various deductions are eliminated or limited. Most of the changes applicable to individuals are temporary. There are only minor changes to the REIT rules (other than the 20% deduction applicable to individuals for ordinary REIT dividends received). To date, the Internal Revenue Service has issued only limited guidance on the changes made by the new legislation. It is unclear at this time whether Congress will address these issues or when the Internal Revenue Service will issue additional administrative guidance on the changes made by the 2017 legislation.

Risks Related to Our Shares

We may change the dividend policy for our common shares in the future.

The decision to declare and pay dividends on our common shares in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our Board of Trustees in light of conditions then existing, including our earnings, financial condition, capital requirements, debt maturities, the availability of debt and equity capital, applicable REIT and legal restrictions and the general overall economic conditions and other factors. The actual dividend payable will be determined by our Board of Trustees based upon the circumstances at the time of declaration and the actual dividend payable may vary from such expected amount. In 2018, we announced that we expect a change in our dividend policy for our common shares to reduce the quarterly dividend amount as a result of our strategy of investing primarily in industrial assets. Any change in our dividend policy could have a material adverse effect on the market price of our common shares.

We may in the future choose to pay dividends in shares, in which case you may be required to pay income taxes in excess of the cash dividends you receive.

We may in the future distribute taxable dividends that are payable in shares. Taxable shareholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. shareholder may be required to pay income taxes with respect to such dividends even though no cash dividends were received. If a

U.S. shareholder sells the shares it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of the shares at the time of the sale. Furthermore, with respect to non-U.S. shareholders, we may be required to withhold U.S. tax with respect to such dividends. In addition, if a significant number of our shareholders determine to sell such shares received in a dividend in order to pay taxes owed on such dividend, it may put downward pressure on the trading price of our common shares.

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Securities eligible for future sale may have adverse effects on our share price.

We have an unallocated universal shelf registration statement and we also maintain a direct share purchase plan, pursuant to which we may issue additional common shares. There is no restriction on our issuing additional common or preferred shares, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common or preferred shares or any substantially similar securities. As of December 31, 2018, an aggregate of approximately 3.7 million of our common shares were issuable upon the exercise of employee share options and upon the exchange of OP units. Depending upon the number of such securities issued, exercised or exchanged at one time, an issuance, exercise or exchange of such securities could be dilutive to or otherwise adversely affect the interests of holders or the market price of our common shares.

There are certain limitations on a third party's ability to acquire us or effectuate a change in our control.

Limitations imposed to protect our REIT status. In order to protect against the loss of our REIT status, among other purposes, our declaration of trust limits any shareholder from owning more than 9.8% in value of our outstanding equity shares, defined as common shares or preferred shares, subject to certain exceptions. These ownership limits may have the effect of precluding acquisition of control of us. Our Board of Trustees has granted a limited waiver of the ownership limits to BlackRock, Inc. with respect to BlackRock, Inc.'s mutual funds.

Severance payments under our executive severance policy. Substantial termination payments may be required to be paid under our executive severance policy applicable to and related agreements with our executives upon the termination of an executive. If those executive officers are terminated without cause, as defined, or resign for good reason, as defined, those executive officers may be entitled to severance benefits based on their current annual base salaries and trailing average of recent annual cash bonuses as defined in our executive severance policy and related agreements and the acceleration of certain non-vested equity awards. Accordingly, these payments may discourage a third party from acquiring us.

Our ability to issue additional shares. Our declaration of trust authorizes 1,000,000,000 shares of beneficial interest (par value $0.0001 per share) consisting of 400,000,000 common shares, 100,000,000 preferred shares and 500,000,000 shares of beneficial interest classified as excess stock, or excess shares. Our Board of Trustees is authorized to cause us to issue these shares without shareholder approval. Our Board of Trustees may establish the preferences and rights of any such class or series of additional shares, which could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in shareholders' best interests. At December 31, 2018, in addition to common shares, we had outstanding 1,935,400 Series C Preferred Shares. Our Series C Preferred Shares include provisions, such as increases in dividend rates or adjustments to conversion rates, that may deter a change of control. The establishment and issuance of shares of our existing series of preferred shares or a future class or series of shares could make a change of control of us more difficult.

Maryland Business Combination Act. The Maryland General Corporation Law, as applicable to Maryland REITs, establishes special restrictions against “business combinations” between a Maryland REIT and “interested shareholders” or their affiliates unless an exemption is applicable. An interested shareholder includes a person who beneficially owns, and an affiliate or associate of the trust who, at any time within the two-year period prior to the date in question was the beneficial owner of, 10% or more of the voting power of our then-outstanding voting shares, but a person is not an interested shareholder if the Board of Trustees approved in advance the transaction by which such person otherwise would have become an interested shareholder, which approval may be conditioned by the Board of Trustees. Among other things, Maryland law prohibits (for a period of five years) a merger and certain other transactions between a Maryland REIT and an interested shareholder, or an affiliate of an interested shareholder. The five-year period runs from the most recent date on which the interested shareholder became an interested shareholder. Thereafter, any such business combination must be recommended by the Board of Trustees and approved by two super-majority shareholder votes unless, among other conditions, the common shareholders receive a minimum price (as defined in the Maryland General Corporation Law) for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its shares. The statute permits various exemptions from its provisions, including business combinations that are exempted by the Board of Trustees prior to the time that the interested shareholder becomes an interested shareholder. The business combination statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if such acquisition would be in shareholders' best interests. In connection with the Newkirk Merger, Vornado Realty Trust, which we refer to as Vornado, was granted a limited exemption from the definition of "interested shareholder."

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Maryland Control Share Acquisition Act. Maryland law provides that a holder of “control shares” of a Maryland REIT acquired in a “control share acquisition” has no voting rights with respect to such shares except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter under the Maryland Control Share Acquisition Act. Shares owned by the acquirer, by our officers or by employees who are our trustees are excluded from shares entitled to vote on the matter. “Control Shares” are voting shares that, if aggregated with all other shares previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing trustees within one of the following ranges of voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A “control share acquisition” means the acquisition of issued and outstanding control shares, subject to certain exceptions. If voting rights of control shares acquired in a control share acquisition are not approved at a shareholders meeting or if the acquiring person does not deliver an acquiring person statement as required under the statute, then, subject to certain conditions and limitations, the issuer may redeem any or all of the control shares for fair value, except those for which voting rights have been previously approved. If voting rights of such control shares are approved at a shareholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. Any control shares acquired in a control share acquisition which are not exempt under our by-laws will be subject to the Maryland Control Share Acquisition Act. The Maryland Control Share Acquisition Act does not apply to shares acquired in a merger, consolidation or statutory share exchange if the Maryland REIT is a party to the transaction, or to acquisitions approved or exempted by the declaration of trust or by-laws of the Maryland REIT. Our by-laws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of our shares. We cannot assure you that this provision will not be amended or eliminated at any time in the future.

Limits on ownership of our capital shares may have the effect of delaying, deferring or preventing someone from taking control of us.

For us to qualify as a REIT for federal income tax purposes, among other requirements, not more than 50% of the value of our outstanding capital shares may be owned, directly or indirectly, by five or fewer individuals (as defined for federal income tax purposes to include certain entities) during the last half of each taxable year, and these capital shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (in each case, other than the first such year for which a REIT election is made). Our declaration of trust includes certain restrictions regarding transfers of our capital shares and ownership limits.

Actual or constructive ownership of our capital shares in violation of the restrictions or in excess of the share ownership limits contained in our declaration of trust would cause the violative transfer or ownership to be void or cause the shares to be transferred to a charitable trust and then sold to a person or entity who can own the shares without violating these limits. As a result, if a violative transfer were made, the recipient of the shares would not acquire any economic or voting rights attributable to the transferred shares. Additionally, the constructive ownership rules for these limits are complex, and groups of related individuals or entities may be deemed a single owner and consequently in violation of the share ownership limits.

However, these restrictions and limits may not be adequate in all cases to prevent the transfer of our capital shares in violation of the ownership limitations. The ownership limits discussed above may have the effect of delaying, deferring or preventing someone from taking control of us, even though a change of control could involve a premium price for the common shares or otherwise be in shareholders' best interests.

The trading price of our common shares has been, and may continue to be, subject to significant fluctuations.

The market price of our common shares may fluctuate in response to company-specific and general market events and developments, including those described in this Annual Report. In addition, our leverage may impact investor demand for our common shares, which could have a material effect on the market price of our common shares.

Furthermore, the public valuation of our common shares is related primarily to the earnings that we derive from rental income with respect to the properties in which we have an interest and not from the underlying appraised value of the properties themselves. As a result, interest rate fluctuations and capital market conditions can affect the market value of our common shares. For instance, if interest rates rise, the market price of our common shares may decrease because potential investors seeking a higher yield than they would receive from our common shares may sell our common shares in favor of higher yielding securities.

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Item 1B. Unresolved Staff Comments

There are no unresolved written comments that were received from the SEC staff relating to our periodic or current reports under the Securities Exchange Act of 1934.

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Item 2. Properties

Real Estate Portfolio

General. As of December 31, 2018, we had equity ownership interests in approximately 135 consolidated real estate properties containing approximately 47.6 million square feet of rentable space, which were approximately 95.1% leased based upon net rentable square feet. Generally, all properties in which we have an interest are held through at least one property owner subsidiary.

Ground Leases. Certain of the properties in which we have an interest are subject to long-term ground leases where either the tenant of the building on the property or a third party owns and leases the underlying land to the property owner subsidiary. Certain of these properties are economically owned through the holding of industrial revenue bonds primarily for real estate tax abatement purposes and as such, neither ground lease payments nor bond interest payments are made or received, respectively. For certain of the properties held under a ground lease, the ground lessee has a purchase option. At the end of these long-term ground leases, unless extended or the purchase option is exercised, the land together with all improvements thereon reverts to the landowner.

Leverage. As of December 31, 2018, we had outstanding mortgages and notes payable of approximately $575.5 million with a weighted-average interest rate of approximately 4.5% and a weighted-average maturity of 9.5 years.

Property Charts. The following tables list our properties by type, their locations, the primary tenant/guarantor, the net rentable square feet, the expiration of the primary lease term and percent leased, as applicable, as of December 31, 2018.

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
INDUSTRIAL
As of December 31, 2018

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased
Single-tenant properties:						
318 Pappy Dunn Blvd.	Anniston	AL	International Automotive Components Group North America, Inc.	276,782	11/24/2029	100 %
2415 U.S. Hwy 78 East	Moody	AL	Michelin North America, Inc.	595,346	12/31/2019	100 %
4801 North Park Dr.	Opelika	AL	Golden State Foods Corp. (Golden State Enterprises, Inc.)	165,493	5/31/2042	100 %
16811 W. Commerce Dr.	Goodyear	AZ	Blue Buffalo Company, LTD (Blue Buffalo Pet Products, Inc.)	540,349	4/30/2026	100 %
2455 Premier Row	Orlando	FL	Walgreen Co. / Walgreen Eastern Co.	205,016	3/31/2021	100 %
3102 Queen Palm Dr.	Tampa	FL	Time Mailing Services, LLC (Time Inc.)	229,605	6/30/2020	100 %
359 Gateway Dr.	Lavonia	GA	TI Group Automotive Systems, LLC (TI Automotive Ltd.)	133,221	5/31/2020	100 %
490 Westridge Pkwy.	McDonough	GA	Georgia-Pacific Consumer Products LP (Georgia-Pacific LLC)	1,121,120	1/31/2028	100 %
1420 Greenwood Rd.	McDonough	GA	United States Cold Storage, Inc.	296,972	8/31/2028	100 %
3301 Stagecoach Rd. NE	Thomson	GA	Hollander Sleep Products, LLC (Hollander Home Fashions Holdings)	208,000	5/31/2030	100 %
3931 Lakeview Corporate Dr.	Edwardsville	IL	AMAZON.COM.DEDC, LLC (Amazon.com, Inc.)	769,500	9/30/2026	100 %
4015 Lakeview Corporate Dr.	Edwardsville	IL	Spectrum Brands Pet Group, Inc.	1,017,780	5/31/2030	100 %
1001 Innovation Rd.	Rantoul	IL	Bell Sports, Inc. (Vista Outdoor Inc.)	813,126	10/31/2034	100 %
3686 S. Central Ave.	Rockford	IL	Pierce Packaging Co.	93,000	12/31/2021	100 %
749 Southrock Dr.	Rockford	IL	Jacobson Warehouse Company, Inc. (Jacobson Distribution Company and Jacobson Transportation Company, Inc.)	150,000	MTM	100 %
1020 W. Airport Rd.	Romeoville	IL	ARYZTA LLC (ARYZTA AG)	188,166	10/31/2031	100 %
1621 Veterans Memorial Pkwy E	Lafayette	IN	Caterpillar, Inc.	309,400	9/30/2024	100 %
1285 W. State Road 32	Lebanon	IN	Continental Tire the Americas, LLC	741,880	1/31/2024	100 %
	New Century	KS	Amazon.com.ksdc, LLC (Amazon.com, Inc.)	446,500	1/31/2027	100 %

27200 West 157th St.							
10000 Business Blvd.	Dry Ridge	KY	Dana Light Axle Products, LLC (Dana Holding Corporation and Dana Limited)	336,350	6/30/2025	100	%
730 North Black Branch Rd.	Elizabethtown	KY	Metalsa Structural Products, Inc. / Dana Structural Products, LLC (Dana Holding Corporation and Dana Limited)	167,770	6/30/2025	100	%
750 North Black Branch Rd.	Elizabethtown	KY	Metalsa Structural Products, Inc. / Dana Structural Products, LLC (Dana Holding Corporation and Dana Limited)	539,592	6/30/2025	100	%
301 Bill Bryan Blvd.	Hopkinsville	KY	Metalsa Structural Products, Inc. / Dana Structural Products, LLC (Dana Holding Corporation and Dana Limited)	424,904	6/30/2025	100	%

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
INDUSTRIAL
As of December 31, 2018

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased
4010 Airpark Dr.	Owensboro	KY	Metalsa Structural Products, Inc. / Dana Structural Products, LLC (Dana Holding Corporation and Dana Limited)	211,598	6/30/2025	100 %
1901 Ragu Dr.	Owensboro	KY	Unilever Supply Chain, Inc. (Unilever United States, Inc.)	443,380	12/19/2020	100 %
5001 Greenwood Rd.	Shreveport	LA	Libbey Glass Inc. (Libbey Inc.)	646,000	10/31/2026	100 %
5417 Campus Dr.	Shreveport	LA	The Tire Rack, Inc.	257,849	3/31/2022	100 %
113 Wells St.	North Berwick	ME	United Technologies Corporation	993,685	4/30/2024	100 %
2860 Clark St.	Detroit	MI	Undisclosed(1)	189,960	10/22/2035	100 %
6938 Elm Valley Dr.	Kalamazoo	MI	Dana Commercial Vehicle Products, LLC (Dana Holding Corporation and Dana Limited)	150,945	10/25/2021	100 %
904 Industrial Rd.	Marshall	MI	Tenneco Automotive Operating Company, Inc. (Tenneco, Inc.)	246,508	9/30/2028	100 %
43955 Plymouth Oaks Blvd.	Plymouth	MI	Tower Automotive Operations USA I, LLC / Tower Automotive Products Inc. (Tower Automotive, Inc.)	311,612	10/31/2024	100 %
16950 Pine Dr.	Romulus	MI	Undisclosed(1)	500,023	8/24/2032	100 %
26700 Bunert Rd.	Warren	MI	Lipari Foods Operating Company, LLC	260,243	10/31/2032	100 %
1700 47th Ave North	Minneapolis	MN	Owens Corning Roofing and Asphalt, LLC	18,620	12/31/2025	100 %
549 Wingo Rd.	Byhalia	MS	Asics America Corporation (Asics Corporation)	855,878	3/31/2030	100 %
1550 Hwy 302	Byhalia	MS	McCormick & Company, Inc.	615,600	9/30/2027	100 %
554 Nissan Pkwy.	Canton	MS	Nissan North America, Inc.	1,466,000	2/28/2027	100 %
11624 S. Distribution Cv.	Olive Branch	MS	Hamilton Beach Brands, Inc.	1,170,218	6/30/2021	100 %
7670 Hacks Cross Rd.	Olive Branch	MS	MAHLE Aftermarket Inc. (MAHLE Industries, Incorporated)	268,104	2/28/2023	100 %
8500 Nail Rd.	Olive Branch	MS	Sephora USA, Inc.	716,080	7/31/2029	100 %
2880 Kenny Biggs Rd.	Lumberton	NC	Quickie Manufacturing Corporation	423,280	11/30/2021	100 %
671 Washburn Switch Rd.	Shelby	NC	Clearwater Paper Corporation	673,425	5/31/2036	100 %
2203 Sherrill Dr.	Statesville	NC	Geodis Logistics, LLC (OHH Acquisition Corporation)	639,800	12/31/2020	100 %

121 Technology Dr.	Durham	NH	Heidelberg Americas, Inc. (Heidelberg Druckmaschinen AG) (2021) / Goss International Americas, Inc. (Goss International Corporation) (2026)	500,500	3/30/2026	100 %

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
INDUSTRIAL
As of December 31, 2018

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased
5625 North Sloan Ln.	North Las Vegas	NV	Nicholas and Co., Inc.	180,235	9/30/2034	100 %
736 Addison Rd.	Erwin	NY	Corning Property Management Corporation	408,000	11/30/2026	100 %
29-01 Borden Ave. / 29-10 Hunters Point Ave.	Long Island City	NY	FedEx Ground Package System, Inc. (FedEx Corporation)	140,330	3/31/2028	100 %
351 Chamber Dr.	Chillicothe	OH	The Kitchen Collection, Inc.	475,218	6/30/2026	100 %
10590 Hamilton Ave.	Cincinnati	OH	The Hillman Group, Inc.	264,598	12/31/2027	100 %
1650 - 1654 Williams Rd.	Columbus	OH	ODW Logistics, Inc. (Nessent Ltd. And Dist-Trans Co, LLC)	772,450	6/30/2020	100 %
7005 Cochran Rd.	Glenwillow	OH	Royal Appliance Mfg. Co.	458,000	7/31/2025	100 %
191 Arrowhead Dr.	Hebron	OH	Owens Corning Insulating Systems, LLC	250,410	12/31/2019	100 %
200 Arrowhead Dr.	Hebron	OH	Owens Corning Insulating Systems, LLC	400,522	12/31/2019	100 %
10345 Philipp Pkwy.	Streetsboro	OH	L'Oreal USA S/D, Inc. (L'Oreal USA, Inc.)	649,250	10/17/2019	100 %
27255 SW 95th Ave.	Wilsonville	OR	Pacific Foods of Oregon Inc. d/b/a Pacific Natural Foods	508,277	10/31/2032	100 %
250 Rittenhouse Cir.	Bristol	PA	Northtec LLC (The Estée Lauder Companies Inc.)	241,977	11/30/2026	100 %
100 Ryobi Dr.	Anderson					