

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

Form 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 001-10709

PS BUSINESS PARKS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

345 Park Avenue, New York, New York
(Address of Principal Executive Offices)

95-4300881
(I.R.S. Employer
Identification No.)

10154
(Zip Code)

Registrant's telephone number, including area code:(212) 583-5000

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 Non-accelerated filer Accelerated filer Smaller reporting company Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

Based on the closing price of PS Business Parks, Inc.'s common stock on June 30, 2022, the aggregate market value of the voting common equity held by non-affiliates of PS Business Parks, Inc. was \$3,765,569,354.

There is currently no established public trading market in which PS Business Parks, Inc.'s common shares are traded, and all common shares are held by affiliates of PS Business Parks, Inc. The number of common shares outstanding as of February 27, 2023 was 100.

Documents Incorporated by Reference

None.

Table of Contents

PART I		3
Item 1.	Business	3
Item 1A.	Risk Factors	7
Item 2.	Properties	21
Item 3.	Legal Proceedings	21
Item 4.	Mine Safety Disclosures	21
PART II		22
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	22
Item 6.	Reserved	22
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	28
Item 8.	Financial Statements and Supplementary Data	28
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	28
Item 9A.	Controls and Procedures	28
Item 9B.	Other Information	29
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	29
PART III		29
Item 10.	Directors, Executive Officers and Corporate Governance	29
Item 11.	Executive Compensation	32
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	32
Item 13.	Certain Relationships and Related Transactions, and Director Independence	32
Item 14.	Principal Accounting Fees and Services	34
PART IV		35
Item 15.	Exhibits and Financial Statement Schedule	35
Item 16.	Form 10-K Summary	80
SIGNATURES		81

Explanatory Note

On January 3, 2023, PS Business Parks, Inc. (“PSB” or the “Company”) filed a Form 25 with the Securities and Exchange Commission (the “Commission”) to delist the Company’s (i) Depositary Shares each representing 1/1,000 of a Share of 5.250% Cumulative Preferred Stock, Series X of the Company (“Series X Preferred Shares”), (ii) Depositary Shares each representing 1/1,000 of a Share of 5.200% Cumulative Preferred Stock, Series Y of the Company (“Series Y Preferred Shares”) and (iii) Depositary Shares each representing 1/1,000 of a Share of 4.875% Cumulative Preferred Stock, Series Z of the Company (“Series Z Preferred Shares” and, collectively with the Series X Preferred Shares and the Series Y Preferred Shares, the “Preferred Shares”). On January 13, 2023, the Preferred Shares ceased trading on the New York Stock Exchange and PSB filed a certification and notification of termination of registration under Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on Form 15 with the Commission. The filing of the Form 15 immediately suspended PSB’s filing obligations under Section 12(g) of the Exchange Act. However, because PSB had Securities Act registration statements that were deemed to have been declared effective upon the filing of its Annual Report on Form 10-K for the fiscal year ended December 31, 2021, its reporting obligations under Section 15(d) became operative upon the suspension of its Section 12(g) reporting obligations with respect to fiscal year 2022.

As a result of the foregoing, we are filing this Annual Report on Form 10-K for the fiscal year ended December 31, 2022 to satisfy our remaining reporting obligation under Section 15(d) for fiscal year 2022. We do not expect that we will be required to file current or periodic reports with the SEC following the filing of this Form 10-K.

PART I
(dollars in thousands, except share data)

Item 1. Business

Forward-Looking Statements

Forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, are made throughout this Annual Report on Form 10-K. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words “may,” “believes,” “anticipates,” “plans,” “expects,” “seeks,” “estimates,” “intends” and similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause the results of the Company to differ materially from those indicated by such forward-looking statements, including but not limited to the following:

- our significant exposure to real estate risk;
- changes in general economic and business conditions, including as a result of the economic fallout of the COVID-19 pandemic;
- risks related to our property acquisition strategies and operations;
- new or changing government regulations and legal challenges;
- information technology failures and data security breaches;
- ceasing to maintain our status as a real estate investment trust (a “REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”);
- changes in tax laws;
- our dependence on external sources of capital to grow our Company;
- risks related to our significant indebtedness; and
- our dependence on, and relationship with, Blackstone and its affiliates, which may have interests that conflict with ours.

This list of risks is not exhaustive. Additional information regarding risk factors that may affect us is discussed under the heading “Part I, Item 1A. Risk Factors. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Moreover, we assume no obligation to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements, except as required by law.

The Company

The Company is a real estate investment trust (“REIT”) that owns, operates, acquires and develops commercial properties, primarily multi-tenant industrial, industrial-flex and low-rise suburban office space. As of December 31, 2022, the Company owned 471 buildings and one land parcel in six states representing 20,656,858 of our gross leasable area (“GLA”).

Recent Company Developments

Merger

On July 20, 2022 (the “Acquisition Date”), pursuant to the terms and subject to the conditions set forth in an Agreement and Plan of Merger, dated as of April 24, 2022 (the “Merger Agreement”), a merger (the “Merger”) was completed between PSB and a direct subsidiary of Sequoia Parent LP, a Delaware limited partnership (“Parent”), with the Company surviving. As a result of the Merger, the Company became a subsidiary of Parent and certain of its affiliates, and PS Business Parks, L.P (the “Partnership”) remained a subsidiary of the Company. The Parent is an affiliate of Blackstone Real Estate Partners IX, L.P., which is an affiliate of Blackstone Inc. (“Blackstone”). The common stock of the Company is wholly owned by the Parent and certain of its affiliates

and is not publicly traded. The Preferred Shares of the Company were publicly listed until January 13, 2023. Refer to Note 2 — Summary of Significant Accounting Policies for additional information on basis of presentation.

PSB and its subsidiaries, including the Partnership and its consolidated joint ventures, are collectively referred to as the “Company,” “we,” “us,” or “our.”

Public Storage Operating Partnership Interests

Pursuant to the terms and conditions of the Merger Agreement, upon the Closing each partnership unit of the Partnership (a “Partnership Unit”) that was issued and outstanding prior to the effective time of the Merger (the “Partnership Merger Effective Time”) (other than units held by the Company, Parent, or any of their respective wholly owned subsidiaries) was automatically cancelled and converted into the right to receive an amount in cash equal to \$182.25 (the “Per Company Share Merger Consideration”), less any applicable withholding taxes, which represented \$187.50 per share of Common Stock as reduced by a \$5.25 per share cash dividend paid in connection with the Closing (the “Closing Cash Dividend”) in accordance with the terms of the Merger Agreement. At the Partnership Merger Effective Time, each Partnership Unit owned by the Company or any of its subsidiaries immediately prior to the Partnership Merger Effective Time remained outstanding as a Partnership Unit of the Partnership held by the Company or the relevant subsidiary.

As a result of the completion of the Merger, an aggregate of approximately 21% of the Partnership’s issued and outstanding limited partnership interests were directly owned by Parent and certain of its affiliates (other than the Company) (the “Parent Partners”). Pursuant to a Distribution and Contribution Agreement, immediately following the completion of the Merger, the Partnership redeemed all of such limited partnership units in exchange for the distribution (the “Redemption and Distribution”) to the Parent Partners of certain subsidiaries of the Partnership which held assets comprised of 58 properties located in California, Washington and Virginia (the “Non-Core Portfolio”). As a result of the Redemption and Distribution, the Company (directly or indirectly) owns 100% of the Partnership.

Dispositions

We continuously evaluate opportunities with respect to our portfolio and may from time to time sell individual real estate facilities and land parcels or groups of facilities and land parcels based on market conditions, fit with our existing portfolio, evaluation of long-term potential returns of markets or product types, or other reasons. The size of such sales may be significant to us.

The timing of any potential future dispositions or strategic venture transactions will depend on market conditions and other factors, including but not limited to our capital needs, the availability of financing for potential buyers and our ability to defer some or all of the taxable gains on the sales. We cannot assure that we will dispose of any additional properties, enter into any additional strategic ventures, or that we will be able to identify and complete the acquisition of a suitable replacement property to effect a Section 1031 Exchange or be able to use other tax deferred structures in connection with our strategy.

Developments

We believe that a portion of our long-term future growth will continue to come from the completion of our in-process development and redevelopment projects and, subject to market conditions, executing on future potential development or redevelopment projects on existing sites. In addition to ground-up development, we expect to redevelop existing assets in our portfolio and target acquisitions where our development expertise can add value to the asset and Company cash flow growth with a focus on in-fill submarkets of key U.S. distribution markets.

Tax and Corporate Structure

For all periods presented herein, we have elected REIT status under the Code. For each taxable year in which we qualify for taxation as a REIT, we generally will not be subject to U.S. federal corporate income tax on our “REIT taxable income” (generally, taxable income subject to specified adjustments, including a deduction for dividends paid and excluding our net capital gain) that is distributed to our stockholders. This, along with the nature of the operations of its operating properties, resulted in no provision for federal income taxes at the Company level. In addition, the Partnership generally is not liable for federal income taxes as the partners recognize their allocable share of income or loss in their tax returns; therefore, no provision

for federal income taxes has been made at the Partnership level. We believe we have met these requirements in all periods presented herein.

The Company has elected taxable REIT subsidiary (“TRS”) status for certain of its corporate subsidiaries and, as a result, these entities will incur both federal and state income taxes on any taxable income of such entities after consideration of any net operating losses.

Executive Officers of PS Business Parks, Inc.

Name	Age	Office
Luke Petherbridge	43	Chief Executive Officer and Secretary
Matthew L. Ostrower	52	Chief Financial Officer, Vice President and Treasurer
Nicholas Pell	45	President and Chief Investment Officer

Luke Petherbridge has served as our Chief Executive Officer and Secretary since July 2022. Mr. Petherbridge has been Link Logistics’ Chief Executive Officer since September 2020, responsible for Link Logistics’ overall strategic direction with a particular focus on driving profitability and building a winning corporate culture. Mr. Petherbridge has over 15 years of financial and global real estate management experience, most recently serving as the chief executive officer of Shopcore from May 2016 to September 2020 and LivCor properties from July 2019 to September 2020. Mr. Petherbridge previously held the positions of chief financial officer and treasurer of DDR Corporation from December 2011 to May 2016, one of the largest owners of shopping centers in the United States. While at DDR, Mr. Petherbridge served in various roles and held responsibilities including capital raising activities, balance sheet management, lender relations and execution of various corporate-level transactions. Before DDR, Mr. Petherbridge served as chief executive officer and a director of shopping center owner EDT Retail Trust (formerly Macquarie DDR Trust) from April 2008 to September 2010 and as director of transactions with Rubicon Asset Management from June 2003 to April 2008, where he oversaw approximately \$5 billion of transactions across real estate and real estate structured finance markets in the United States, Europe and Japan. Mr. Petherbridge received a Bachelor of Commerce degree from Macquarie University. Mr. Petherbridge is a trustee and member of the Executive Board for the International Council of Shopping Centers (ICSC), and he also serves as a board member of World Business Chicago, Chicago’s public-private economic development agency. In addition, Mr. Petherbridge is co-founder and chairman of CoreGiving, an organization that seeks to fight childhood hunger and food insecurity.

Matthew L. Ostrower has served as our Chief Financial Officer, Vice President and Treasurer since July 2022. Mr. Ostrower is Link Logistics’ Chief Financial Officer, responsible for all aspects of corporate finance, including treasury, cash management, financial planning and analysis, accounting and tax. Prior to joining Link Logistics in 2019, Mr. Ostrower served as Chief Financial Officer of various REITs, including SITE Centers, which invests in shopping centers; Retail Value Inc., among the largest owners and managers of value-oriented retail real estate in the U.S.; and Equity One, an owner of coastal shopping centers, which merged with Regency Centers in 2015. Mr. Ostrower has also held the positions of managing director and associate director of Research at Morgan Stanley and served as a member of the Board of Directors of Ramco-Gershenson Properties Trust, a publicly traded retail REIT, from 2010 to 2015. Mr. Ostrower received a Bachelor of Arts degree in American History from Tufts University and a dual Master of Science degree in Real Estate and City Planning from Massachusetts Institute of Technology.

Nicholas Pell has served as our President since July 2022. Mr. Pell is Link Logistics’ President and Chief Investment Officer, responsible for portfolio management, including all capital deployment and disposition activities with a focus on ensuring the Company has the best portfolio to service the needs of its customers. Prior to joining Link Logistics in 2019, Mr. Pell served as chief investment officer at Gramercy Property Trust from 2016 to 2018, an investor in and asset manager of industrial and office real estate. Mr. Pell played an integral role on the leadership team that grew the Company from an enterprise value of approximately \$200 million to over 80 million square feet of real estate before it was acquired by Blackstone in 2018. Mr. Pell has also served as a director in the Investment Department at W. P. Carey & Co., as a director of Business Development at Sony Pictures Entertainment and as an analyst at J.P. Morgan & Co. Mr. Pell is a National Association of Industrial and Office Properties and Urban Land Institute member and he also serves on the board of the Newport Festivals Foundation, which produces both the Newport Folk and Newport Jazz Festivals. Mr. Pell received a Bachelor of Arts degree in Economics from Duke University and a Master of Business Administration degree from Harvard Business School.

Competition

Our properties compete for tenants with comparable properties located in our markets primarily on the basis of location, rental rate, services provided and the design and condition of improvements. Competition in the market areas we operate in is significant

and has from time to time negatively impacted occupancy levels and rental rates of, and increased the operating expenses of, certain of our properties. The demand for space in our markets is impacted by general economic conditions, which can affect the local competition for tenants. Sublease space and unleased developments have from time to time created competition among operators in certain markets in which the Company operates.

Objectives and Strategies

Our primary objective is to grow stockholder value in a risk appropriate and stable manner by maximizing net cash flow generated by our existing properties.

We seek to maximize net cash flow of our existing properties by optimizing occupancy levels and rental rates, while investing strategically in capital expenditures that generate appropriate risk adjusted returns. Below are the primary elements of our strategy:

Concentration in favorable markets: We believe that our properties generally are located in markets that have favorable characteristics such as above average population, job, and income growth, as well as high education levels. In addition, we believe our properties are generally in markets with higher than average barriers to entry that are close to critical infrastructure, middle to high income housing or universities and have easy access to major transportation arteries. We believe that these characteristics contribute to property operating cash flow stability and growth.

Standard build outs and finishes: We generally seek to configure our leasable space with standard build outs and finishes that meet the needs of a wide variety of tenants, minimizing the need for specialized and costly tenant improvements and enabling space to be “move-in ready” quickly upon vacancy. We believe this makes our space more attractive to potential tenants, allows tenants to move in quickly and seamlessly, and reduces the cost of capital improvements, relative to real estate operators that offer specialized finishes or build outs. Also, such flexibility facilitates our ability to offer diverse sizes and configurations to meet potential customer’s needs, as well as to change space sizes for existing customers when their needs change.

Large, Diverse Parks: Our properties are generally concentrated in large complexes of diverse buildings, with a variety of available space sizes and configurations that we can offer to tenants. We believe that this allows us to attract a greater number of potential tenants to our parks and minimizes the loss of existing customers when their space requirements change.

Smaller tenants and diverse tenant base with shorter-term leases: By concentrating on smaller spaces, we seek to reach a large number of smaller tenants in the market. We believe this focus gives us a competitive edge as most institutional owners focus primarily on large users. Small users perceive more incremental value from the level of customer service that we offer. We also believe having smaller tenants improves our diversity of tenants across industries, which improves the stability of our cash flows. In addition, our lease term tends to be short, which we believe allows us to quickly capture increases in market rents in our high-growth markets.

Superior Service to Customers: We seek to provide a superior level of service to our customers in order to maintain occupancy and increase rental rates, as well as minimize customer turnover. We believe that Link’s property management teams are comprised of the most experienced and effective real estate professionals in our markets. The Company has extensive experience in acquiring properties managed by others and thereafter improving customer satisfaction, occupancy levels, retention rates and rental income by implementing established customer service programs.

Redevelop existing real estate facilities: Certain of our existing properties were developed in or near areas that have been undergoing gentrification with an influx of residential development, and, as a result, certain buildings in our properties may have higher and better uses. We will seek to identify potential candidates for redevelopment within our portfolio, and where appropriate will leverage the expertise and scale of existing operators and developers should we pursue redevelopment of any of our properties.

Insurance

The Company believes that its properties are adequately insured. Facilities operated by the Company are covered by comprehensive insurance, including fire, earthquake, wind damage and liability coverage from carriers, subject to customary deductibles.

Compliance with Government Regulations

We are subject to various laws, ordinances, and regulations, including various federal, state, and local regulations that apply generally to the ownership of real property and the operation of such properties. These include various laws and government regulations concerning environmental matters, labor matters and employee safety and health matters. Refer to Item 1A, "Risk Factors" below for a discussion of certain risks related to such government regulations, including risks related to compliance with (i) the Americans with Disabilities Act and with related regulations, (ii) laws and regulations adopted in response to the COVID-19 pandemic and similar public health emergencies, government, (iii) federal or state privacy laws, including the California Consumer Privacy Act ("CCPA"), (iv) environmental remediation requirements, and (v) laws and regulations relating to real property ownership, including property taxes and zoning changes or violations. Except for regulations discussed therein, we are not aware of any government regulations that have resulted or that we expect will result in compliance costs that had or will have a material effect on our capital expenditures, earnings, or competitive position.

Human Capital

We have no employees. We have entered into a Master Services Agreement with Link Logistics Real Estate Holdco LLC (together with its subsidiaries, "Link"), a portfolio company owned by Blackstone-advised investment vehicles, to provide, as applicable, corporate support services (including, without limitation, accounting, legal, tax, treasury, valuation services, information technology and data management), loan management, management services, operational services, property management services, and transaction support services to the Company.

Website Disclosure

Our website address is www.psbusinessparks.com. We make available free of charge through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not incorporated by reference in this report.

Item 1A. Risk Factors

In addition to the other information in our Annual Report on Form 10-K, you should consider the risks described below that we believed may be material to investors evaluating the Company. This section contains forward-looking statements, and in considering these statements, you should refer to the qualifications and limitation on our forward-looking statements that are described in Item 1. "Business - Forward -Looking Statements."

Risks Related to Our Business

We have significant exposure to real estate risk.

Since our business consists primarily of acquiring, developing, and operating real estate, we are subject to risks related to the ownership and operation of real estate that can adversely impact our business and financial condition. Certain significant costs, such as mortgage payments, real estate taxes, insurance, and maintenance, generally are not reduced even when a property's rental income is reduced. In addition, environmental and tax laws, interest rate levels, the availability of financing and other factors may affect real estate values and property income. Furthermore, the supply of commercial space fluctuates with market conditions.

Since we derive substantially all our income from real estate operations, we are subject to the following general risks of acquiring and owning real estate related assets that could result in reduced revenues, increased expenses, increased capital expenditures, or increased borrowings, which could negatively impact our operating results and, cash flow available for distribution or reinvestment:

- changes in the national, state, and local economic climate and real estate conditions, such as oversupply or reduced demand for commercial real estate space and changes in market rental rates;
- how prospective tenants perceive the attractiveness, convenience, and safety of our properties;
- difficulties in consummating and financing acquisitions and developments on advantageous terms and the failure of acquisitions and developments to perform as expected;
- our ability to provide adequate management, maintenance, and insurance;

- natural disasters, such as earthquakes, fires, hurricanes, and floods, which could exceed the aggregate limits of our insurance coverage;
- the consequences of changes in climate, including severe weather events, and the steps taken to prevent climate change, could result in increased capital expenditures and expenses;
- the expense of periodically renovating, repairing, and re-letting spaces;
- the impact of environmental protection laws;
- compliance with federal, state, and local laws and regulations;
- increasing operating and maintenance costs, including property taxes, insurance, and utilities, if these increased costs cannot be passed through to customers;
- the result of a future California statewide ballot initiative (or similar legislative or regulatory actions) that could remove the property tax protections of Proposition 13 with respect to our California real estate and result in substantial increases in our California property tax bills;
- adverse changes in tax, real estate and zoning (particularly the rezoning of areas where our properties are located) laws and regulations;
- increasing competition from other commercial properties in our market;
- tenant defaults and bankruptcies;
- tenants' right to sublease space; and
- concentration of properties leased to non-rated private companies with uncertain financial strength.

There is significant competition among commercial property operators: Other commercial properties compete with our properties for tenants. Some of the competing properties may be newer and better located than our properties. Competition in the market areas in which many of our properties are located is significant and has affected our occupancy levels, rental rates, and operating expenses. We also expect that new properties will be built in our markets.

We may encounter significant delays and expense in re-letting vacant space, or we may not be able to re-let space at existing rates, in each case resulting in losses of income: When leases expire, we may incur expenses in retrofitting space and we may not be able to re-lease the space on the same terms. Certain leases provide customers with the right to terminate early if they pay a fee. If we are unable to re-lease space promptly, if the terms are significantly less favorable than anticipated or if the costs are higher, our operating results and cash available for distribution or reinvestment could be negatively impacted.

Tenant defaults and bankruptcies may reduce our cash flow and distributions: We may have difficulty collecting from customers in default, particularly if they declare bankruptcy. Since many of our customers are non-rated private companies, this risk may be enhanced. There is inherent uncertainty in a customer's ability to continue paying rent if they are in bankruptcy. This could negatively affect our operating results and cash available for distribution or reinvestment.

Natural disasters or terrorist attacks could cause damage to our facilities that is not covered by insurance, and could increase costs, reduce revenues, and otherwise impair our operating results: While we maintain insurance coverage for the losses caused by earthquakes, fire, or hurricanes, we could suffer uninsured losses or losses in excess of our insurance policy limits for such occurrences. In the event of an earthquake, fire, hurricane, or other natural disaster, we would remain liable on any mortgage debt or other unsatisfied obligations related to that property. In addition, we may not have sufficient insurance coverage for losses caused by a terrorist attack, or such insurance may not be available or cost-effective. Significant natural disasters, terrorist attacks, threats of future terrorist attacks, or resulting wider armed conflict could have negative impacts on the U.S. economy, reducing demand for our rental space and impairing our operating results, even if our specific losses were covered. This could negatively affect our operating results and cash available for distribution or reinvestment.

Consequences of climate change, including severe weather events, and the steps taken to prevent climate change, could result in increased capital expenditures, increased expenses, and reduced revenues: Direct and indirect impacts of climate change, such as increased destructive weather events, floods, fires, and droughts could result in significant damage to our facilities, increase our costs, including our property insurance costs, or reduce demand for our facilities. Governmental, political, and societal pressure could (i) require costly changes to future newly developed facilities, or require retrofitting of our existing facilities, to reduce carbon emissions through multiple avenues including changes to insulation, space configuration, lighting, heating, and air

conditioning, and (ii) increase energy costs as a result of switching to less carbon-intensive, but more expensive, sources of energy to operate our facilities.

The illiquidity of our real estate investments may prevent us from adjusting our portfolio to respond to market changes: There may be delays and difficulties in selling real estate. Therefore, we cannot easily change our portfolio when economic conditions change. In addition, when we sell properties at significant gains upon sale, it can increase our distribution requirements, thus making it difficult to retain and reinvest the sales proceeds. Also, REIT tax laws may impose negative consequences if we sell properties held for less than two years.

We may be adversely affected by changes in laws and regulations: Increases in income and service taxes may reduce our cash flow and ability to make expected distributions to our stockholders. Additionally, any changes in the tax law applicable to REITs may adversely affect taxation of us and/or our stockholders. Our properties are also subject to various federal, state, and local regulatory requirements, such as state and local fire and safety codes, that may be changed in ways that require significant costs to maintain compliance. Our properties are subject to state and local zoning requirements. We are and in the future we may be subject to government initiatives to change the zoning requirements in places where our properties are located, and if such efforts are successful, the value of impacted properties may be materially reduced. There is no assurance that we will be compensated for economic losses in these cases.

We may incur significant environmental remediation costs: As an owner and operator of real properties, under various federal, state, and local environmental laws, we are required to clean up spills or other releases of hazardous or toxic substances on or from our properties. Certain environmental laws impose liability whether or not the owner or buyer knew of, or was responsible for, the presence of the hazardous or toxic substances. In some cases, liability may not be limited to the value of the property. The presence of these substances, or the failure to properly remediate any resulting contamination, whether from environmental or microbial issues, also may adversely affect our ability to sell, lease, operate, or encumber our facilities.

We have conducted preliminary environmental assessments of most of our properties (and conduct these assessments in connection with property acquisitions) to evaluate the environmental condition of, and potential environmental liabilities associated with, our properties. These assessments generally consist of an investigation of environmental conditions at the property (including soil or groundwater sampling or analysis if appropriate), as well as a review of available information regarding the site and publicly available data regarding conditions at other sites in the vicinity. In connection with these property assessments, our operations and recent property acquisitions, we have become aware that prior operations or activities at some properties or from nearby locations have or may have resulted in contamination to the soil or groundwater at these properties. In circumstances where our environmental assessments disclose potential or actual contamination, we may attempt to obtain indemnifications and, in appropriate circumstances, we obtain limited environmental insurance in connection with the properties acquired, but we cannot assure you that such protections will be sufficient to cover actual future liabilities nor that our assessments have identified all such risks. Although we cannot provide any assurance, based on the preliminary environmental assessments, we are not aware of any environmental contamination of our facilities material to our overall business, financial condition, or results of operations.

There has been an increasing number of claims and litigation against owners and managers of rental properties relating to moisture infiltration, which can result in mold or other property damage. When we receive a complaint concerning moisture infiltration, condensation, or mold problems and/or become aware that an air quality concern exists, we implement corrective measures in accordance with guidelines and protocols we have developed with the assistance of outside experts. We seek to work proactively with our customers to resolve moisture infiltration and mold-related issues, subject to our contractual limitations on liability for such claims. However, we can give no assurance that material legal claims relating to moisture infiltration and the presence of, or exposure to, mold will not arise in the future.

Any such environmental remediation costs or issues, including any potential ongoing impacts on rent or operating expenses, could negatively impact our operating results and cash flow available for distribution or reinvestment.

Operating costs, including property taxes, could increase: We could be subject to increases in insurance premiums, property or other taxes, repair and maintenance costs, corporate support services, utility costs, management fees, and other operating expenses due to numerous factors such as inflation, labor shortages, commodity and energy price increases, weather, changes to governmental safety and real estate use limitations, as well as other governmental actions. Our property tax expense generally depends upon the assessed value of our real estate facilities as determined by assessors and government agencies, and accordingly could be subject to substantial increases if such agencies changed their valuation approaches or opinions or if new laws are enacted, especially if new approaches are adopted or laws are enacted that result in increased property tax assessments in states or municipalities where we have a high concentration of facilities.

We have exposure to increased property tax in California: Due to the impact of Proposition 13, which generally limits increases in assessed values to 2% per year, the assessed value and resulting property tax we pay is significantly less than it would be if the properties were assessed at current values. Our property tax expense could increase substantially, which would adversely affect our cash flow from operations and net income.

We must comply with the Americans with Disabilities Act, fire and safety regulations and zoning requirements, which can require significant expenditures: All of our properties must comply with the Americans with Disabilities Act and with related regulations (the “ADA”). The ADA has separate compliance requirements for “public accommodations” and “commercial facilities,” but generally requires that buildings be made accessible to persons with disabilities. Various state laws impose similar requirements. A failure to comply with the ADA or similar state laws could lead to government imposed fines on us and/or litigation, which could also involve an award of damages to individuals affected by the non-compliance. In addition, we must operate our properties in compliance with numerous local fire and safety regulations, building codes, zoning requirements and other land use regulations, all of which are subject to change and could become more costly to comply with in the future. The cost of compliance with these requirements can be substantial, and could reduce cash otherwise available for distribution to stockholders. Failure to comply with these requirements could also affect the marketability and rentability of our real estate facilities.

We incur liability from customer claims: From time to time we have to make monetary settlements or defend actions or arbitration to resolve customer-related claims and disputes. Settling any such liabilities could negatively impact our earnings and cash available for distribution to stockholders, and could also adversely affect our ability to sell, lease, operate, or encumber affected facilities.

Our development of real estate can subject us to certain risks: We are engaged in significant real estate development. Development or redevelopment of facilities are subject to a number of risks, including construction delays, complications in obtaining necessary zoning, occupancy and other governmental permits, cost overruns, failures of our development partners, financing risks, and the possible inability to meet expected occupancy and rent levels. As a result of these risks, our development projects may be worth less or may generate less revenue than we believed at the time of development. Any of the foregoing risks could negatively impact our operating results and cash flow available for distribution or reinvestment. In addition, we may be unable to successfully integrate and effectively manage the properties we develop, which could adversely affect our results of operations.

We are subject to risks from the COVID-19 pandemic and we may in the future be subject to risks from other public health crises.

Beginning in 2020, the COVID-19 pandemic has spread globally, including to every state in the United States, adversely affecting public health and economic activity. Our business is subject to risks from the COVID-19 pandemic, including, among others:

- illness or death of Link personnel or customers, negative impacts to the economic environment and to our customers which could reduce the demand for commercial property space or reduce our ability to collect rent, or potential regulatory action to close certain of our facilities that were determined not to be an “essential business” or for other reasons, limit our ability to complete development and redevelopment projects;
- risk that future waves of infection, including those resulting from new variants, or from additional pandemics, could result in new or reinstated government restrictions or requirements;
- risk that the economic effects of the COVID-19 pandemic could reduce consumer confidence and result in an elevated level of move-outs of our long-term customers, resulting in a reduction in rental income due to occupancy reductions and increased “rent roll down” due to new customers having lower rental rates than departing customers;
- potential changes in customer behavior, such as the continued social acceptance, desirability and perceived economic benefits of work-from-home arrangements, resulting from the COVID-19 pandemic, which could materially and negatively impact the future demand for office space, resulting in slower overall leasing and an adverse impact to our operations and the valuation of our investments; and
- risk of negative impacts on the cost and availability of debt and equity capital as a result of the COVID-19 pandemic, which could have a material impact upon our capital and growth plans.

We believe that the degree to which the COVID-19 pandemic adversely impacts our business, operating results, cash flows and/or financial condition will be driven primarily by the duration, spread and severity of the pandemic itself, the speed and effectiveness of vaccine and treatment developments and distribution, including against variants, public adoption rates of vaccines, including booster shots, the duration of indirect economic impacts such as recession, dislocation in capital markets, and job loss, and potential longer term changes in consumer behavior, all of which are uncertain and difficult to predict. Although a number of

vaccines for COVID-19 are currently available to the general public in the United States and in many countries around the world, it will take time for the distribution of vaccines to materially affect the spread of COVID-19 and the ultimate effectiveness of the vaccination effort is subject to significant uncertainty. The length and severity of the pandemic may be worsened to the extent that a significant portion of the population, in the United States and globally, is reluctant to be vaccinated, fails to complete required multi-step vaccination protocol or is unable to become vaccinated due to shortages in vaccine supply or suspensions in the distribution of vaccines due to safety concerns or other issues. The length of the pandemic is also dependent upon the degree to which more contagious variants of the virus continue to spread, particularly among areas of the country in which overall full vaccination rates are relatively low, and overall rates of new COVID-19 cases continue to rise. Further, new and worsening outbreaks of COVID-19 in other countries may impact global vaccine supplies and lead to the emergence of new variants of the virus which are more contagious, more deadly or against which currently available vaccines are less effective. As a result, we are not able at this time to estimate the effect of these factors on our business, but the adverse impact on our business, results of operations, financial condition and cash flows could be material. Future pandemics or public health crises could have similar impacts.

Economic conditions can adversely affect our business, financial condition, growth, and access to capital.

Economic conditions in the areas we operate, capital markets, global economic conditions, and other events or factors could adversely affect rental demand for our real estate, our ability to grow our business and acquire new facilities, to access capital, as well as the value of our real estate. Such conditions, which could negatively impact our operating results and cash flow available for distribution or reinvestment, include the following:

Commercial credit markets: Our results of operations are sensitive to volatility in the credit markets. From time to time, the commercial real estate debt markets experience volatility as a result of numerous factors, including changing underwriting standards by lenders and credit rating agencies. This may result in lenders increasing the cost for debt financing, which could affect the economic viability of any acquisition or development activities we may undertake or otherwise increase our costs of borrowing. Conversely, to the extent that debt becomes cheaper or underwriting terms become more favorable, it could increase the overall amount of capital being invested in real estate, allowing more competitors to bid for facilities that we may wish to acquire, reducing the potential yield from acquisitions or preventing us from acquiring assets we might otherwise wish to acquire.

Capital markets: Our ability to access sources of capital can be adversely affected by challenging market conditions, making various sources of capital less attractive or not feasible. We believe that we have sufficient working capital and our retained cash flow from operations to continue to operate our business as usual and meet our current obligations. However, if we were unable to borrow at reasonable rates, that could limit the earnings growth that might otherwise result from the acquisition and development of real estate facilities.

Asset valuations: Market volatility makes the valuation of our properties difficult. There may be significant uncertainty in the valuation, or in the stability of the value, of our properties, which could result in a substantial decrease in the value of our properties. As a result, we may not be able to recover the carrying amount of our properties, which may require us to recognize an impairment charge in earnings.

Potential negative impacts upon demand for our space and customers' ability to pay: We believe that our current and prospective customers are susceptible to global and local economic conditions as well as the impact of capital markets, asset valuations, and commercial credit markets, which could result in an impairment of our customers' existing business operations or curtail plans for growth. Such impairment could reduce demand for our rental space, or make it difficult for customers to fulfill their obligations to us under their leases.

We are subject to laws and governmental regulations and actions that affect our operating results and financial condition.

Our business is subject to regulation under a wide variety of U.S. federal, state and local laws, regulations and policies including those applicable to our status as a REIT, as well as applicable local, state, and national labor laws. Although we have policies and procedures designed to comply with applicable laws and regulations, failure to comply with the various laws and regulations may result in civil and criminal liability, fines and penalties, and increased costs of compliance and could also affect the marketability of our real estate facilities.

In response to current economic conditions or the current political environment or otherwise, laws and regulations could be implemented or changed in ways that adversely affect our operating results and financial condition, such as legislation that could otherwise increase operating costs. Such changes could also adversely affect the operations of our customers, which could affect the price and demand for our space as well as our customers' ability to pay their rent. For example, certain states within the United States have passed laws that require companies to meet specific requirements regarding the handling of personal data. We collect internal and customer data for a variety of important business purposes. We could be exposed to fines, penalties,

restrictions, litigation, reputational harm or other expenses, or other adverse effects on our business, due to failure to protect personal data and other sensitive information or failure to maintain compliance with the various data collection and privacy laws or other applicable data security standards.

In addition, certain U.S. states and the federal government have enacted additional laws and regulations to protect consumers against identity theft. These laws and similar laws in other jurisdictions have increased the costs of doing business, and failure on our part to implement appropriate safeguards or to detect and provide prompt notice of unauthorized access as required by some of these laws could subject us to potential claims for damages and other remedies. If we were required to pay any significant amounts in satisfaction of claims under these laws, or if we were forced to cease our business operations for any length of time as a result of our inability to comply fully with any such law, our business, operating results and financial condition could be adversely affected.

We rely on technology in our operations and failures, inadequacies or interruptions to our service could harm our business.

The execution of our business strategy is heavily dependent on the use of technologies and systems, including the Internet, to access, store, transmit, deliver, and manage information and processes. We rely extensively on third-party vendors to retain data, process transactions, and provide other systems services. The failure, damage, or interruption of these systems, including as a result of power outages, computer and telecommunications failures, hackers, computer worms, viruses and other destructive or disruptive security breaches, natural disasters, terrorist attacks, and other catastrophic events could significantly and have a material adverse effect on our business.

If our confidential information is compromised or corrupted, including as a result of a cybersecurity breach, our reputation and business relationships could be damaged, which could adversely affect our financial condition and operating results.

In the ordinary course of our business we acquire and store sensitive data, including personally identifiable information of our prospective and current customers and our employees. The secure processing and maintenance of this information is critical to our operations and business strategy. Although we believe we have taken commercially reasonable steps to protect the security of our confidential information, information security risks have generally increased in recent years due to the rise in modern technologies and the increased sophistication and activities of perpetrators of cyberattacks. Despite our security measures, we have experienced security breaches due to cyberattacks and additional breaches could occur in the future. In these cases, our information technology and infrastructure could be vulnerable and our customers' or employees' confidential information could be compromised or misappropriated. Any such breach could result in serious and harmful consequences for us or our customers.

Our confidential information may also be compromised due to programming or human error or malfeasance. We must continually evaluate and adapt our systems and processes to address the evolving threat landscape, and therefore there is no guarantee that they will be adequate to safeguard against all data security breaches or misuses of data. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and changing requirements applicable to our business from multiple regulatory agencies at the local, state, federal, or international level, compliance with those requirements could also result in additional costs, or we could fail to comply with those requirements due to several reasons such as not being aware of them.

Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services we provide to customers or damage our reputation, any of which could adversely affect our results of operations, reputation, and competitive position. In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to discontinue leasing our facilities. Such events could lead to lost future revenues and adversely affect our results of operations and could result in remedial and other costs, fines, or lawsuits, which could be in excess of any available insurance that we have procured.

Risks Related to Our Ownership, Organization and Structure

We would incur adverse tax consequences if we cease to qualify as a REIT and we would have to pay substantial U.S. federal corporate income taxes.

REITs are subject to a range of complex organizational and operational requirements. A qualifying REIT does not generally incur U.S. federal corporate income tax on its "REIT taxable income" (generally, taxable income subject to specified adjustments,

including a deduction for dividends paid and excluding net capital gain) that it distributes to its stockholders. We believe we have qualified as a REIT in all periods presented herein.

However, there can be no assurance that we qualify or will continue to qualify as a REIT, because of the highly technical nature of the REIT rules, the ongoing importance of factual determinations, the possibility of unidentified issues in prior periods, or changes in our circumstances, as well as share ownership limits in our articles of incorporation that do not necessarily ensure that our stockholder base is sufficiently diverse for us to qualify as a REIT. For any year we cease to qualify as a REIT, unless certain relief provisions apply (the granting of such relief could nonetheless result in significant excise or penalty taxes), we would not be allowed a deduction for dividends paid, we would be subject to U.S. federal corporate income tax on our taxable income, and generally we would not be allowed to elect REIT status until the fifth year after such a disqualification. Any taxes, interest, and penalties incurred would reduce our cash available for distributions to stockholders. However, for years in which we ceased to qualify as a REIT, we would not be subject to REIT rules that require us to distribute substantially all of our taxable income to our stockholders.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state, and local taxes, including payroll taxes, taxes on any undistributed income, taxes on income from some activities conducted as a result of a foreclosure, a 100% excise tax on any transactions with a Taxable REIT Subsidiary (“TRS”) that are not conducted on an arm’s-length basis, and state or local income, franchise, property, and transfer taxes. Moreover, if we have net income from the sale of properties that are “dealer” properties (a “prohibited transaction” under the Code), that income will be subject to a 100% penalty tax. In addition, our TRSs will be subject to U.S. federal, state, and local corporate income taxes on their net taxable income, if any. Any of these taxes would reduce our cash available for distributions to stockholders.

We may need to borrow funds to meet our REIT distribution requirements.

As a REIT, we are required to distribute at least 90% of our “REIT taxable income” (determined before the deduction for dividends paid and excluding net capital gains) to our stockholders each year. Our income consists primarily of our share of our OP’s income. We intend to make sufficient distributions to qualify as a REIT and otherwise avoid corporate tax. However, differences in timing between income and expenses and the need to make nondeductible expenditures such as capital improvements and principal payments on debt could force us to borrow funds to make necessary stockholder distributions. Future dividend levels are not determinable at this time.

Changes in tax laws could negatively impact us.

The United States Treasury Department and Congress frequently review U.S. federal income tax legislation, regulations, and other guidance. We cannot predict whether, when or to what extent new U.S. federal tax laws, regulations, interpretations, or rulings will be adopted. Any legislative action may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect taxation of us or our stockholders.

We depend on external sources of capital to grow our Company.

As a REIT, we are required to distribute at least 90% of our “REIT taxable income” (determined before the deduction for dividends paid and excluding net capital gains) to our stockholders each year. Because of this distribution requirement, we may not be able to fund future capital needs, including any necessary building and tenant improvements, from operating cash flow. Consequently, we may need to rely on third-party sources of capital to fund our capital needs. We may not be able to obtain the financing on favorable terms or at all. Access to third-party sources of capital depends, in part, on general market conditions, the market’s perception of our growth potential, our current and expected future earnings, and our cash flow. If we cannot obtain capital from third-party sources, we may not be able to acquire properties when strategic opportunities exist, satisfy any debt service obligations, or make cash distributions to stockholders.

Risks Related to Our Preferred Stock

Holders of depositary shares, each representing 1/1,000 of a share of our outstanding preferred stock, have dividend, liquidation and other rights that are senior to the rights of the holders of shares of our common stock.

Holders of our shares of preferred stock are entitled to cumulative dividends before any dividends may be declared or set aside on our common stock. Upon liquidation, before any payment is made to holders of our common stock, shares of our preferred stock

are entitled to receive a liquidation preference of \$25,000 per share (or \$25.00 per depositary share) plus any accrued and unpaid distributions before any payment is made to the common stockholders. These preferences may limit the amount received by our common stockholders for ongoing distributions or upon liquidation. In addition, our preferred stockholders have the right to elect two additional directors to our Board whenever dividends are in arrears in an aggregate amount equivalent to six or more quarterly dividends, whether or not consecutive.

Preferred Stockholders are subject to certain risks.

Holders of our preferred stock have preference rights over our common stockholders with respect to liquidation and distributions, which give them some assurance of continued payment of their stated dividend rate, and receipt of their principal upon liquidation of the Company or redemption of their securities. However, holders of our preferred stock should consider the following risks:

- The Company has in the past, and could in the future, issue or assume additional debt. Preferred stockholders would be subordinated to the interest and principal payments of such debt, which would increase the risk that there would not be sufficient funds to pay distributions or liquidation amounts to the preferred stockholders.
- The Company has in the past, and could in the future, issue additional preferred stock that, while pari passu to the existing preferred stock, increases the risk that there would not be sufficient funds to pay distributions to the preferred stockholders.
- If the Company were to lose its REIT status or no longer elect REIT status, it would no longer be required to distribute its taxable income to maintain REIT status. If, in such a circumstance, the Company ceased paying dividends, unpaid distributions to the preferred stockholders would continue to accumulate. The preferred stockholders would have the ability to elect two additional members to serve on our Board until the arrearage was cured. The preferred stockholders would not receive any compensation (such as interest) for the delay in the receipt of distributions, and it is possible that the arrearage could accumulate indefinitely.

Following the completion of the Tender Offer (as defined below), the Company delisted the Preferred Securities. As a result, preferred stockholders will not have the same protections afforded to stockholders of companies that are subject to NYSE requirements.

Following the completion of the Tender Offer, the Company delisted the Preferred Securities. Accordingly, preferred stockholders will not have the same protections afforded to stockholders of companies that are subject to the listing rules and corporate governance requirements of the NYSE.

We have delisted the Preferred Stock from the NYSE and deregistered the Preferred Stock under the Exchange Act, which could negatively affect the liquidity and trading prices of our Preferred Stock and will result in less disclosure about the Company.

We have delisted the Preferred Stock from the NYSE and deregistered the Preferred Stock under the Exchange Act. By delisting and deregistering, our obligation to file reports with the SEC (including periodic reports, proxy statements, and tender offer statements) has been suspended and we expect the liquidity of the Preferred Stock to be impaired. Although the Preferred Stock may be quoted on OTC Pink Market, we can provide no assurance that trading in the Preferred Stock will continue in the OTC Pink Market or in any other forum. Following the completion of the deregistration process, we ceased to be subject to the provisions of the Sarbanes-Oxley Act or the liability provisions of the Exchange Act. In addition, we are no longer required to meet the reporting requirements set forth under the Exchange Act.

Risks Related to Our Indebtedness

Our significant amount of debt may subject us to increased risk of loss and could adversely affect our results of operations and financial condition.

We currently have a significant amount of outstanding indebtedness, including the Mortgage Loans incurred in connection with the Merger, and, subject to market conditions and availability, we may incur a significant amount of additional debt. The type and percentage of leverage we employ will vary depending on our available capital, our ability to obtain and access financing arrangements with lenders or other debt financing sources, the type of assets we are funding, whether the financing is recourse or non-recourse, debt restrictions contained in those financing arrangements and the lenders' and rating agencies' estimate of the stability of our investment portfolio's cash flow. We may significantly increase the amount of leverage we utilize at any time. In

addition, we may leverage individual assets at substantially higher levels. Incurring substantial debt could subject us to many risks that, if realized, would materially and adversely affect us, including the risk that:

- our cash flow from operations may be insufficient to make required payments of principal of and interest on our debt or we may fail to comply with covenants contained in our debt agreements, which is likely to result in (i) acceleration of such debt (and any other debt containing a cross-default or cross-acceleration provision) in accordance with the terms and conditions of our financing arrangements, which we then may be unable to repay from internal funds or to refinance on favorable terms, or at all, (ii) our inability to borrow undrawn amounts under our financing arrangements, even if we are current in payments on borrowings under those arrangements, which would result in a decrease in our liquidity, and/or (iii) the loss of some or all of our collateral assets to foreclosure or sale;
- our debt may increase our vulnerability to adverse economic and industry conditions with no assurance that investment yields will increase in an amount sufficient to offset the higher financing costs;
- we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, future business opportunities, stockholder distributions or other purposes; and
- we may not be able to refinance any debt that matures prior to the maturity (or realization) of an underlying investment it was used to finance on favorable terms or at all.

There can be no assurance that our leverage strategy will be successful, and such strategy may subject us to increased risk of loss, harm our liquidity and could adversely affect our results of operations and financial condition.

Our secured debt agreements governing the Mortgage Loans impose, and additional lending facilities may impose, restrictive covenants, which may restrict our flexibility to determine our operating policies and investment strategy.

The documents that govern our Mortgage Loans contain, and additional lending may contain, customary affirmative and negative covenants, including financial covenants applicable to us that may restrict our flexibility to determine our operating policies and investment strategy. In particular, these agreements may require us to maintain specified minimum levels of capacity under our credit facilities and cash. As a result, we may not be able to leverage our assets as fully as we would otherwise choose, which could reduce our return on assets. If we are unable to meet these collateral obligations, our financial condition and prospects could deteriorate significantly. If we fail to meet or satisfy any of these covenants beyond any applicable notice and/or cure periods pursuant to the terms of our financing arrangements, we may be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral and enforce their interests against existing collateral. We may also be subject to cross-default and acceleration rights in our other debt arrangements. Further, this could also make it difficult for us to satisfy the distribution requirements necessary to maintain our qualification as a REIT for U.S. federal income tax purposes.

Risks Related to Our Organization and Structure

We are controlled by Blackstone and its interests may conflict with ours or yours in the future.

Following the Merger, affiliates of Blackstone beneficially own all outstanding shares of our common stock. Accordingly, Blackstone has significant influence with respect to our management, business plans and policies, including the election and removal of our officers and directors. Blackstone and its affiliates engage in a broad spectrum of activities, including investments in real estate generally. In the ordinary course of their business activities, Blackstone and its affiliates may engage in activities where their interests conflict with our interests or those of our stockholders. Blackstone also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. In addition, Blackstone may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to stockholders.

Risks Related to Conflicts of Interest

Various potential and actual conflicts of interest will arise, and these conflicts may not be identified or resolved in a manner favorable to us.

Blackstone has conflicts of interest, or conflicting loyalties, as a result of the numerous activities and relationships of Blackstone and its affiliates, partners, members, shareholders, officers, directors and employees, some of which are described herein. However, not all potential, apparent and actual conflicts of interest are included herein, and additional conflicts of interest could arise as a result of new activities, transactions or relationships commenced in the future. If any matter arises that we and our

affiliates determine in our good faith judgment constitutes an actual and material conflict of interest, we and our affiliates will take such actions as we determine appropriate to mitigate the conflict. There can be no assurance that our board of directors or Blackstone will identify or resolve all conflicts of interest in a manner that is favorable to us.

We depend on Link and its personnel for our success. We may not find a suitable replacement for Link if our Master Services Agreement is terminated, or if key personnel cease to be employed by Link or Blackstone otherwise become unavailable to us.

Pursuant to a Master Services Agreement (the “Services Agreement”), we have engaged Link, a portfolio company owned by Blackstone-advised investment vehicles, to provide, as applicable, corporate support services (including, without limitation, accounting, legal, tax, treasury, valuation services, information technology and data management), loan management, management services, operational services, property management and transaction support services (the “Services”). Pursuant to the Services Agreement, the Company pays Link for such services on a break-even or cost-reimbursement basis as determined in accordance with the terms of the Services Agreement. Pursuant to the Services Agreement, Link Logistics Real Estate Management LLC, a subsidiary of Link, has been engaged by certain of our subsidiaries to perform management services with respect to our properties.

Accordingly, our success depends to a significant extent upon the efforts, experience, diligence, skill, and network of business contacts of the officers and key personnel of Link and its affiliates, as well as the persons and firms Link retains to provide services on our behalf. We can offer no assurance that Link will continue to provide such Services or that we will continue to have access to Link’s officers and key personnel. The current term of the Services Agreement extends to December 31, 2023 and may be renewed for additional one-year terms thereafter; provided, however, that the Services Agreement may be terminated at any time upon prior written notice by either Link or the Company. If the Services Agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan. Furthermore, we may incur certain costs in connection with a termination of the Services Agreement.

The personnel of Link are not required to dedicate a specific portion of their time to the management of our business.

Neither Link nor any other Blackstone affiliate is obligated to dedicate any specific personnel exclusively to us, nor are they or their personnel obligated to dedicate any specific portion of their time to the management of our business. In addition, pursuant to the terms of the Services Agreement, Link retains, for and on our behalf and at our expense, the services of certain other persons and firms as Link deems necessary or advisable in connection with managing our operations. Certain of these providers currently include affiliates of Blackstone and its portfolio companies and may include additional affiliates in the future. As a result, we cannot provide any assurances regarding the amount of time Link or its affiliates will dedicate to the management of our business and Link may have conflicts in allocating its time, resources and services among our business and any other investment vehicles and accounts Link (or its personnel) may manage and expenses allocable to us may increase where third parties are retained to provide services to us. Each of our officers is also an employee of Link or another Blackstone affiliate, who has now or may be expected to have significant responsibilities for other investment vehicles currently managed by Blackstone and its affiliates. Consequently, we may not receive the level of support and assistance that we otherwise might receive if we were internally managed. Link and its affiliates are not restricted from entering into other advisory relationships or from engaging in other business activities.

We and the Blackstone Vehicles have and in the future will likely compete with or enter into transactions with existing and future private and public investment vehicles established and/or managed by Blackstone or its affiliates, which may present various conflicts of interest that restrict our ability to pursue certain investment opportunities or take other actions that are beneficial to our business and/or result in decisions that are not in the best interests of our stockholders.

We are subject to conflicts of interest arising out of our relationship with Blackstone, including Link and its affiliates. Certain Blackstone employees serve on our board of directors. In addition, our chief executive officer, chief financial officer and president are also employees of Link, a Blackstone affiliate. If any matter arises that Blackstone determines in its good faith judgment constitutes an actual and material conflict of interest, Blackstone and relevant affiliates will take the actions they determine appropriate to mitigate the conflict. There is no guarantee that the policies and procedures adopted by us, or the policies and procedures adopted by Link, Blackstone and their affiliates, will enable us to identify, adequately address or mitigate these conflicts of interest in a way that is favorable to us. Some examples of conflicts of interest that may arise by virtue of our relationship with Link and Blackstone include:

- ***Broad and Wide-Ranging Activities.*** Link, Blackstone and their affiliates engage in a broad spectrum of activities, including a broad range of activities relating to investments in the real estate industry, and have invested or committed billions of dollars in capital through various investment funds, managed accounts and other vehicles affiliated with Blackstone. In the ordinary course of their business activities, Link, Blackstone and their affiliates may engage in

activities where the interests of certain divisions of Blackstone and its affiliates, including Link, or the interests of their clients may conflict with the interests of our stockholders. Certain of these divisions and entities affiliated with Link have or may have an investment strategy similar to our investment strategy and therefore will likely compete with us.

- *Blackstone's Policies and Procedures.* Specified policies and procedures implemented by Blackstone and its affiliates, including Link, to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions may reduce the advantages across Blackstone's and its affiliates' various businesses that Blackstone expects to draw on for purposes of pursuing attractive investment opportunities. Because Blackstone has many different businesses, it is subject to a number of actual and potential conflicts of interest, greater regulatory oversight and more legal and contractual restrictions than that to which it would otherwise be subject if it had just one line of business. In addressing these conflicts and regulatory, legal and contractual requirements across its various businesses, Blackstone has implemented certain policies and procedures (e.g., information walls) that may reduce the benefits that Blackstone could otherwise expect to utilize for Link for purposes of identifying and managing our real estate investments. For example, Blackstone may come into possession of material non-public information with respect to companies that are clients of Blackstone or its affiliates, in which Link may be considering making an investment. As a consequence, that information, which could be of benefit to Link, might become restricted to those other businesses and otherwise be unavailable to Link, and could also restrict Link's activities. Additionally, the terms of confidentiality or other agreements with or related to companies in which any investment vehicle of Blackstone has or has considered making an investment or which is otherwise a client of Blackstone and its affiliates may restrict or otherwise limit the ability of Blackstone or its affiliates, including Link, to engage in businesses or activities competitive with such companies.
- *Assignment and Sharing or Limitation of Rights.* We may in the future invest alongside other Blackstone Vehicles and in connection therewith have and may, for legal, tax, regulatory or other reasons which may be unrelated to us, share with or assign to such other Blackstone Vehicles certain of our rights, in whole or in part, or to limit our rights, including certain control- and/or foreclosure-related rights with respect to such shared investments and/or otherwise agree to implement certain procedures to mitigate conflicts of interest which typically involve maintaining a noncontrolling interest in any such investment and a forbearance of our rights, including certain non-economic rights (including following the vote of other third party lenders generally or otherwise being recused with respect to certain decisions, including with respect to both normal course ongoing matters (such as consent rights with respect to loan modifications in intercreditor agreements) and also defaults, foreclosures, workouts, restructurings and/or exit opportunities), subject to certain limitations. While it is expected that our participation in connection with any such investments and transactions would be negotiated by third parties on market prices, such investments and transactions will give rise to potential or actual conflicts of interest. We cannot make assurances that any such conflict will be resolved in our favor. To the extent we hold an interest in a loan or security that is different (including with respect to their relative seniority) than those held by such other Blackstone Vehicles (and vice versa), Link and its affiliates may be presented and/or may have limited or no rights with respect to decisions when the interests of the funds/vehicles are in conflict. Such sharing or assignment of rights could make it more difficult for us to protect our interests and could give rise to a conflict (which may be exacerbated in the case of financial distress) and could result in another Blackstone Vehicle exercising such rights in a way adverse to us.
- *Entering into Financing Transactions with Other Blackstone Vehicles.* In connection with the closing of the Merger, in lieu of distributing all of the proceeds from the Mortgage Loans to fund the consideration for the Merger, certain amounts were loaned to the Parent Partners (the "Parent Partners Loans"). The Parent Partners Loans are evidenced by promissory notes, bear interest at 4.16253% per annum and mature in July 2027. The aggregate principal amount of the Parent Partners Loans is \$1,285,575. We may from time to time engage in further financing transactions with Blackstone Vehicles. We and/or Blackstone may face conflicts of interest in connection with any borrowings or disputes related to such financing agreement(s) which may adversely impact us.
- *Pursuit of Differing Strategies.* At times, the investment professionals employed by Link or its affiliates and other investment vehicles affiliated with Link and/or Blackstone may determine that an investment opportunity may be appropriate for only some of the accounts, clients, entities, funds and/or investment vehicles for which he or she exercises investment responsibility, or may decide that certain of the accounts, clients, entities, funds and/or investment vehicles should take differing positions with respect to a particular investment. In these cases, the investment professionals may place separate transactions for one or more accounts, clients, entities, funds and/or investment vehicles which may affect the market price of an investment or the execution of the transaction, or both, to the detriment or benefit of one or more other accounts, clients, entities, funds and/or investment vehicles.

- Underwriting, Advisory and Other Relationships. As part of its regular business, Blackstone provides a broad range of underwriting, investment banking, placement agent services and other services. In connection with selling investments by way of a public offering, a Blackstone broker-dealer may act as the managing underwriter or a member of the underwriting syndicate on a firm commitment basis and purchase securities on that basis. Blackstone may retain any commissions, remuneration, or other profits and receive compensation from such underwriting activities, which have the potential to create conflicts of interest. Blackstone may also participate in underwriting syndicates from time to time with respect to us or portfolio companies/entities of Blackstone Vehicles, or may otherwise be involved in the private placement of debt or equity securities issued by us or such portfolio companies/entities, or otherwise in arranging financings with respect thereto or advising on such transactions. Subject to applicable law, Blackstone may receive underwriting fees, placement commissions, or other compensation with respect to such activities, which will not be shared with us or our stockholders.

In the regular course of its investment banking business, Blackstone represents potential purchasers, sellers and other involved parties, including corporations, financial buyers, management, shareholders and institutions, with respect to assets that are suitable for investment by us. In such case, Blackstone's client would typically require Blackstone to act exclusively on its behalf, thereby precluding us from acquiring such assets. Blackstone is under no obligation to decline any such engagement to make the investment opportunity available to us.

Blackstone has long-term relationships with a significant number of corporations and their senior management. In determining whether to invest in a particular transaction on our behalf, Link may consider those relationships, which may result in certain transactions that Link will not undertake on our behalf in view of such relationships.

- Service Providers. Certain of our service providers, or their affiliates (including accountants, administrators, lenders, brokers, attorneys, consultants, title agents, loan servicing and administration providers, property managers and investment banking or commercial banking firms) also provide goods or services to or have business, personal or other relationships with Blackstone. For example, Blackstone may hold equity or other investments in companies or businesses in the real estate related information technology and other industries that may provide products or services to or otherwise contract with us or other Blackstone Vehicles. In connection with any such investment, Blackstone or other Blackstone Vehicles (or their respective portfolio companies/entities) may make referrals or introductions to other portfolio companies/entities in an effort, in part, to increase the customer base of such companies or businesses, and therefore the value of the investment, or because such referrals or introductions may result in financial incentives (including additional equity ownership) and/or milestones benefiting the referring or introducing party that are tied or related to participation by portfolio companies/entities. We will not share in any fees, economics or equity accruing to Blackstone or such other Blackstone Vehicles as a result of these relationships. In addition, we may enter into agreements regarding group procurement (such as a group purchasing organization), benefits management, purchase of title and/or other insurance policies (which will from time to time be pooled and discounted due to scale) from a third party or a Blackstone affiliate, and other similar operational, administrative, or management related initiatives that result in commissions, discounts or similar payments to Blackstone or its affiliates (including personnel), including related to a portion of the savings achieved. Such service providers may be sources of investment opportunities or co-investors or commercial counterparties. Such relationships may influence Link in deciding whether to select such service provider. In certain circumstances, service providers, or their affiliates, may charge different rates (including below-market rates or at no cost) or have different arrangements for services provided to Blackstone or its affiliates as compared to services provided to us, which in certain circumstances may result in more favorable rates or arrangements than those payable by us.

In addition, certain advisors and service providers (including law firms) may temporarily provide their personnel to Blackstone, us or other Blackstone Vehicles or their portfolio companies pursuant to various arrangements including at cost or at no cost. While often we and such other Blackstone-advised funds and their portfolio companies are the beneficiaries of these types of arrangements, Blackstone is from time to time a beneficiary of these arrangements as well, including in circumstances where the advisor or service provider also provides services to us in the ordinary course. Such personnel may provide services in respect of multiple matters, including in respect of matters related to Blackstone, its affiliates and/or portfolio companies and any costs of such personnel may be allocated accordingly.

For example, Lexington National Land Services, or LNLS, is a Blackstone affiliate that (i) acts as a title agent in facilitating and issuing title insurance, (ii) provides title support services for title insurance underwriters and (iii) acts as escrow agent in connection with investments by us, other Blackstone Vehicles and their portfolio entities, affiliates and related parties, and third parties, including, from time to time, our borrowers. In exchange for such services LNLS earns fees which would have otherwise been paid to third parties. If LNLS is involved in a transaction in which we participate, Blackstone will benchmark the relevant

costs to the extent market data is available except when LNLS is providing such services in a state where the insurance premium or escrow fee, as applicable, is regulated by the state or when LNLS is part of a syndicate of title insurance companies where the insurance premium is negotiated by other title insurance underwriters or their agents.

Gryphon Mutual Captive Insurance, or Gryphon, is a captive insurance company owned by funds and accounts managed by Blackstone. A Blackstone affiliate provides oversight and management services to the captive and receives fees based on a percentage of premiums retained by it. The fees and expenses of the captive, including fees paid to its manager, are borne by its participants (including Blackstone-managed funds and accounts) pro rata based on estimates of insurance premiums that would have been payable for each party's respective properties, as benchmarked by third parties, and will be paid by each participant annually. Participants pool their risk through Gryphon, with a \$50 million shared deductible, resulting in lower expenses than insurance procured through brokers and other traditional means. We reimburse the pro rata amount of costs and expenses incurred by Blackstone-advised funds arising out of the indirect participation (through such funds) by the Company of risk pooling through Gryphon.

- Material, Non-Public Information. We, directly or through Blackstone, Link or certain of their respective affiliates may come into possession of material non-public information. Disclosure of such information to the personnel responsible for management of our business may be on a need-to-know basis only, and we may not be free to act upon any such information. Therefore, we and/or Link may not have access to material non-public information in the possession of Blackstone which might be relevant to an investment decision to be made by Link on our behalf, and Link may initiate a transaction or purchase or sell an investment which, if such information had been known to it, may not have been undertaken. Due to these restrictions, Link may not be able to initiate a transaction on our behalf that it otherwise might have initiated and may not be able to purchase or sell an investment that it otherwise might have purchased or sold, which could negatively affect our operations.
- Possible Future Activities. Link and its affiliates may expand the range of services that they provide over time. Link and its affiliates will generally not be restricted in the scope of its business or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein. Link, Blackstone and their affiliates continue to develop relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with clients who may hold or may have held investments similar to those intended to be made by us. These clients may themselves represent appropriate investment opportunities for us or may compete with us for investment opportunities. In addition, Blackstone may enter into one or more strategic relationships in certain regions or with respect to certain types of investments that, although intended to provide greater opportunities for us, may require us to share such opportunities or otherwise limit the amount of an opportunity we can otherwise take.
- Transactions with Blackstone Vehicles. From time to time, we may enter into purchase and sale transactions with Blackstone Vehicles. Such transactions will be conducted in accordance with, our internal corporate policies and applicable laws and regulations.
- Family Relationships. Certain personnel and other professionals of Blackstone have family members or relatives that are actively involved in the industries and sectors in which we invest and/or have business, personal, financial or other relationships with companies in the real estate industry, which gives rise to potential or actual conflicts of interest. For example, such family members or relatives might be officers, directors, personnel or owners of companies or assets which are actual or potential investments of us or our other counterparties. Moreover, in certain instances, we may transact with companies that are owned by such family members or relatives or in respect of which such family members or relatives have other involvement. In most such circumstances, we will not be precluded from undertaking any of these investment activities or transactions. To the extent Blackstone determines appropriate, it may put in place conflict mitigation strategies with respect to a particular circumstance, such as internal information barriers or recusal, disclosure or other steps determined appropriate by Blackstone or Link.

Link's liability is limited under our Services Agreement and we have agreed to indemnify Link against certain liabilities.

Under the terms of the Services Agreement, Link and its affiliates are not liable to us for any acts or omissions performed in accordance with and pursuant to the Services Agreement, except by reason of (i) any acts of Link or of any its direct and indirect partners, stockholders, members, employees, agents, officers, directors, successors and assigns (collectively, the "Link Related Parties") beyond the scope of its authority under the Services Agreement, (ii) any material breach by Link under the Services Agreement, and (iii) any fraudulent or grossly negligent act or omission or any act or omission that constitutes willful misconduct of Link or the Link Related Parties. We have agreed to indemnify Link and its affiliates with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts or omissions of Link within the scope of the Services Agreement other than for (i) any acts of Link or the Link Related Parties beyond the scope of its authority under the Services Agreement, (ii) any material breach by Link under the Services Agreement, and (iii) any fraudulent or grossly negligent act or omission or any act or omission that constitutes willful misconduct of Link or the Link Related Parties. As a result, we could experience poor performance or losses for which Link would not be liable.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2022, we owned 471 buildings and one land parcel in a geographically diverse portfolio of 20,656,858 gross leasable square feet of commercial real estate which consists of 6,900,881 square feet of business park space, 12,351,476 square feet of industrial-flex space, 1,061,870 square feet of low-rise suburban office space, and 342,631 square feet of specialty space.

The following table reflects the geographical diversification of the 471 buildings and one land parcel owned by the Company as of December 31, 2022, the type of gross leasable square footage throughout 2022 (except as set forth below, all of the properties are held fee simple):

Region	Number of Buildings	Leasable Square Footage				Total
		Business Park	Industrial	Office	Specialty ¹	
California	216	2,910,577	5,810,658	340,214	—	9,061,449
Texas ²	137	2,923,457	2,077,578	—	—	5,001,035
Florida	74	455,383	3,411,046	—	—	3,866,429
Washington	28	270,165	1,052,194	—	—	1,322,359
Maryland	15	341,299	—	721,656	—	1,062,955
Virginia	1	—	—	—	342,631	342,631
Total	471	6,900,881	12,351,476	1,061,870	342,631	20,656,858

¹ The Company has a 95.0% interest in a joint venture that owns Highgate at The Mile, a 395-unit multifamily apartment complex located in Tysons, Virginia (“The Mile”).

² The Company owns two properties comprising 231,000 square feet that are subject to ground leases in Irving, Texas. These leases expire in 2029 and 2030.

We currently anticipate that each of our properties will continue to be used for its current purpose. However, we will from time to time evaluate our properties from a highest and best use perspective, and may identify higher and better uses for our real estate. We renovate our properties in connection with the re-leasing of space to customers and expect to fund the costs of such renovations generally from rental income.

Competition exists in each of the market areas in which our properties are located, and we have risks that customers could default on leases and declare bankruptcy. We believe these risks are mitigated in part through the Company’s geographic diversity and our diverse customer base.

Please refer to Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations for portfolio information with respect to lease expirations and operating result.

Item 3. Legal Proceedings

We are not involved in any material litigation nor, to our knowledge, is any material litigation threatened against us. We are party to a variety of legal proceedings arising in the ordinary course of business.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II
(dollars in thousands, except share data)

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

Market Information and Holders

Our common stock is not listed on a securities exchange. The number of holders of record of our common stock as of February 23, 2023 was three.

Unregistered Sale of Equity Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ¹	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (Dollars in Thousands) ¹
Oct. 1 – Oct. 31, 2022	—	\$ —	—	\$ —
Nov. 1 – Nov. 30, 2022	—	\$ —	—	\$ —
Dec. 1 – Dec. 31, 2022	21,439,277	\$ 14.87	21,439,277	\$ —

¹ On November 22, 2022, the Company commenced offers to purchase for cash any and all outstanding Series X Preferred Shares, at \$15.29 per share, Series Y Preferred Shares, at \$15.33 per share, and Series Z Preferred Shares, at \$14.34 per share. The Company accepted for purchase 5,953,898 Series X Preferred Shares, 5,756,691 Series Y Preferred Shares and 9,728,688 Series Z Preferred Shares. The offers were completed on December 23, 2022 and the Preferred Shares purchased were cancelled by the Company.

Item 6. Reserved

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

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with the selected financial data and the Company’s consolidated financial statements and notes thereto included in this Form 10-K. Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP.”) The preparation of these financial statements in conformity with GAAP requires us to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. We base these estimates, judgments, and assumptions on historical experience, current trends, and various other factors that we believe to be reasonable under the circumstances.

We continually evaluate the estimates, judgments, and assumptions we use to prepare our consolidated financial statements. Changes in estimates, judgments, or assumptions could affect our financial position and our results of operations, which are used by our stockholders, potential investors, industry analysts, and lenders in their evaluation of our performance.

Critical Accounting Estimates

Our critical accounting estimates are defined as accounting estimates or assumptions made in accordance with GAAP, which involve a significant level of estimation uncertainty or subjectivity and have had or are reasonably likely to have a material impact on our financial condition or results of operations. Our significant accounting policies, which utilize these critical accounting estimates, are described in Note 2 — Summary of Significant Accounting Policies to our consolidated financial statements under Item 15 in this annual report on Form 10-K. Our critical accounting estimates are described below.

Accounting for Business Combinations: The Merger was accounted for as a business combination because substantially all of the fair value of the gross assets acquired was not concentrated in a single identifiable asset or group of similar identifiable assets. The Parent elected to apply pushdown accounting. Accordingly, the purchase price of the Merger has been allocated to the Company’s assets and liabilities based upon their estimated fair values at the Acquisition Date in accordance with Accounting Standards Codification (“ASC”) 805, Business Combinations.

Such estimates, which are determined with the assistance of third-party valuation specialists where appropriate, are based upon many assumptions and judgments, including, but not limited to:

- market rates of return and capitalization rates on real estate and intangible assets;
- building and material cost levels;
- estimated market rent levels;
- future revenue growth rates;
- future cash flows from the real estate and the existing customer base; and
- comparisons of the acquired underlying land parcels to recent land transactions.

There was one business combination that occurred during the periods presented which was the Merger. For additional information on this transaction refer to Note 1 — Description of Business and Note 2 — Summary of Significant Accounting Policies.

Executive Summary

Business Overview

The Company is a REIT that owns, operates, acquires and develops commercial properties, primarily multi-tenant industrial, industrial-flex, and low rise-suburban office space. As of December 31, 2022, the Company owned 471 buildings and one land parcel in six states representing 20,656,858 gross leasable square feet. As of December 31, 2022, our largest markets included California, Texas, Florida, Washington, Maryland, and Virginia. We have and intend to continue to allocate capital to these and other key population and distribution markets in the U.S. which we believe will maximize risk-adjusted growth for our portfolio cash flows.

The operating results of our real estate facilities are substantially influenced by demand for rental space within our properties and our markets, which impacts occupancy, rental rates, and capital expenditure requirements. We strive to maintain high occupancy levels while increasing rental rates and investing in capital expenditures when market conditions indicate favorable return on investment, although the Company may decrease rental rates in markets where conditions require. Management's initiatives and strategies with respect to our existing real estate facilities, which include incentivizing Link personnel to maximize the return on investment for each lease transaction and provide a superior level of service to our customers.

As a result of the Merger and the application of pushdown accounting, the periods presented are not necessarily comparable.

Completed Merger Transaction: Refer to Note 1 — Description of Business to our consolidated financial statements under Item 15 in this annual report on Form 10-K, for information regarding the merger agreement the Company entered into on April 24, 2022 (the merger described therein, the "Merger").

Dispositions: We continually evaluate opportunities with respect to our portfolio and may from time to time sell individual real estate facilities and land parcels or groups of facilities and land parcels based on market conditions, fit with our existing portfolio, evaluation of long-term potential returns of markets or product types, or other reasons. The size of such sales may be significant to us. Refer to Note 3 — Investments in Real Estate to our consolidated financial statements under Item 15 in this annual report on Form 10-K for a discussion of our recently completed dispositions.

Developments:

The following table presents the Company's development pipeline at December 31, 2022:

	<u>Number of Projects</u>	<u>Estimated Square Feet</u>	<u>Estimated Project Cost¹</u>	<u>Estimated Stabilization/In Service Date²</u>
Development/redevelopment under construction	3	472,825	\$ 199,147	1Q23 - 4Q23

¹ Estimated project cost includes the initial purchase price allocation. See Note 3 — Investments in Real Estate to our Consolidated Financial Statements under Item 15 in this annual report on Form 10-K.

² Estimated stabilization/in service date is typically defined as the earlier of 12 months post completion or 90% occupancy.

Refer to Note 3 — Investments in Real Estate to our consolidated financial statements under Item 15 in this annual report on Form 10-K for a discussion of our recently completed developments.

Factors that Affect Our Results of Operations and Financial Condition

Our results of operations and financial condition are affected by numerous factors, many of which are beyond our control. See Part I. Item 1A. "Risk Factors" in this Annual Report on Form 10-K, for more information regarding factors that could materially adversely affect our results of operations and financial condition. Key factors that impact our results of operations and financial condition include rental rates and occupancy levels, rollover, acquisitions, dispositions, and development. Sensitivity to many of these factors has been heightened as a result of the ongoing and numerous adverse impacts of COVID-19.

Impact of Inflation: Inflation has significantly increased recently and a continued increase in inflation could adversely impact our future results, including as a result of adverse impacts to our tenants and to the economy generally. The Company continues to seek ways to mitigate its potential impact. A substantial portion of the Company's leases require customers to pay operating expenses, including real estate taxes, utilities, and insurance, as well as increases in common area expenses, which should partially reduce the Company's exposure to inflation.

Customer Concentrations: We seek to minimize the risk of industry or customer concentrations. No significant tenant concentrations existed as of December 31, 2022.

Results of Operations

Comparison of the period from July 20, 2022 through December 31, 2022 (Successor) and the period from January 1, 2022 through July 19, 2022 (Predecessor) compared to the year ended December 31, 2021

	Successor	Predecessor	
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021
Revenue:			
Rental revenue	\$ 174,225	\$ 246,175	\$ 439,154
Total revenue	\$ 174,225	\$ 246,175	\$ 439,154

Revenue: Rental revenue decreased by \$18,754 or 4.3%, for the year ended December 31, 2022, including the successor and predecessor periods, as compared to the year ended December 31, 2021 primarily due to the distribution of the Company's interest in 58 properties included in the Non-Core Portfolio (refer to Note 1 — Description of Business to our Consolidated Financial Statements under Item 15 in this Annual Report on Form 10-K).

	Successor	Predecessor	
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021
Expenses:			
Property expenses	\$ 39,956	\$ 74,848	\$ 130,941
Depreciation and amortization	225,472	50,557	93,486
General and administrative	7,578	19,079	19,327
Merger costs	33,255	100,952	—
Total expenses	\$ 306,261	\$ 245,436	\$ 243,754
Other income (expense):			
Gain on sale of real estate, net	\$ —	\$ 157,022	\$ 359,875
Interest expense	(43,189)	(615)	(728)
Other income	235	2,044	2,085
Total other income (expense)	\$ (42,954)	\$ 158,451	\$ 361,232

Expenses: Total expenses increased by \$307,943, or 126.3%, for the year ended December 31, 2022, including the successor and predecessor periods, as compared to the year ended December 31, 2021, primarily due to the following:

Depreciation and amortization increased by \$182,543 for the year ended December 31, 2022, including the successor and predecessor periods, as compared to the year ended December 31, 2021, primarily due to the step-up in basis of the real estate assets acquired and intangibles assumed in connection with the Merger (refer to Note 2 — Summary of Significant Accounting Policies to our Consolidated Financial Statements under Item 15 in this Annual Report on Form 10-K).

General and administrative expenses increased by \$7,330 for the year ended December 31, 2022, including the successor and predecessor periods, as compared to the year ended December 31, 2021, primarily due to a one-time cash payment of \$6,734 to the former CEO in the first quarter of 2022, which consisted of a \$6,643 cash payment for RSUs (refer to Note 11 — Incentive Compensation to our Consolidated Financial Statements under Item 15 in this Annual Report on Form 10-K), and a \$91 cash payment for COBRA coverage reimbursement in accordance with his separation agreement.

Merger costs of \$134,207 during the year ended December 31, 2022 are comprised primarily of legal and other professional fees incurred in connection with the Merger discussed herein. These increases in expenses were partially offset by a decrease in property expenses of \$16,137 for the year ended December 31, 2022, including the successor and predecessor periods, as compared to the year ended December 31, 2021, primarily due to the distribution of the Company's interest in 58 properties included in the Non-Core Portfolio (refer to Note 1 — Description of Business to our Consolidated Financial Statements under Item 15 in this Annual Report on Form 10-K).

Other Income (Expense): Total other income (expense) for the year ended December 31, 2022, including the successor and predecessor periods, was \$115,497 as compared to total other income (expense) of \$361,232 for the year ended December 31, 2021, primarily due to the following:

Gain on sale of real estate, net for the year ended December 31, 2022, including the successor and predecessor periods, was \$157,022, which was related to the sale of 40 buildings excluding assets distributed as part of the Merger for no gain or loss. Refer to Note 1 for additional details. Gain on sale of real estate, net for the year ended December 31, 2021 was \$359,875, which was related to the sale of 22 buildings. Refer to Note 3 — Investments in Real Estate to our Consolidated Financial Statements under Item 15 in this Annual Report on Form 10-K for more information regarding our dispositions.

Interest expense increased \$43,076 for the year ended December 31, 2022, including the successor and predecessor periods, as compared to the year ended December 31, 2021. There was (i) an increase in interest expense on our outstanding debt of \$107,055, (ii) a \$7,332 realized loss during the current year period due to changes in fair value on our interest rate derivatives, and (iii) amortization of financing costs of \$11,042 during the current year period. This was partially offset by an unrealized gain on interest rate swaps of \$83,607 in connection with the interest rate contracts entered into during the current year period (refer to Note 6 — Derivative Financial Instruments to our Consolidated Financial Statements under Item 15 in this Annual Report on Form 10-K). Subsequent to the Merger, we obtained two mortgage loans and terminated the unsecured revolving line of credit (refer to Note 5 — Debt to our Consolidated Financial Statements under Item 15 in this Annual Report on Form 10-K).

Liquidity and Capital Resources

This section should be read in conjunction with our Consolidated Statements of Cash Flows; and Note 5 — Debt, Note 6 — Derivative Financial Instruments, and Note 13 — Commitments and Contingencies to our Consolidated Financial Statements under Item 15 in this Annual Report on Form 10-K for additional details on the major components of our historical liquidity and capital resources. The discussion below sets forth the factors which we expect will affect our future liquidity and capital resources or which may vary substantially from historical levels.

Cash Requirements:

Contractual Commitments: Our significant short-term liquidity requirements over the next 12 months following December 31, 2022 includes:

- Interest expense: payment of interest expense on outstanding indebtedness, including approximately \$296,280 due within the next 12 months;
- Development costs: funding development costs for three ongoing projects, including \$17,570 scheduled to be funded within the next 12 months;
- Funding capital expenditures for tenant improvements and leasing commissions of \$3,106;
- Ground lease obligations: Our contractual payment requirements under various operating leases as of December 31, 2022 are approximately \$199 for 2023 and \$1,173 thereafter;
- Preferred stock dividends: We paid \$38,346 to preferred stockholders during the year ended December 31, 2022, including successor and predecessor periods. Dividends on preferred equity are paid when and if declared by our Board of Directors (the "Board") and accumulate if not paid (refer to Note 10 — Stockholders' Equity to our Consolidated Financial Statements under Item 15 in this Annual Report on Form 10-K), and
- other normal recurring operating and capital expenses.

We intend to satisfy our short-term liquidity requirements through our existing cash and cash equivalents, which totaled \$51,608 as of December 31, 2022, and cash flow from operating activities. We may also satisfy our liquidity needs by:

- proceeds from dispositions of properties and/or land parcels, and
- our ability to obtain new financings, draw on existing financings, and exercise our option to extend the maturity dates on existing financings.

Our long-term liquidity needs consist primarily of funds necessary to pay for non-recurring capital expenditures for our properties, development or redevelopment activities, principal and interest payments on our indebtedness, and payment of distributions and dividends to our equity investors. We may satisfy our long-term liquidity needs through our cash flow from operations, long-term secured and unsecured borrowings, the issuance of debt and equity securities, property and/or land parcel dispositions, cash contributions from our Parent, our option to draw on available shared capacity on our existing loans or through repayment of the Parent Partner Loans.

Redemption of Preferred Stock: Shares of preferred stock (other than our Series A Preferred Stock) are redeemable by the Company five years after issuance or in order to preserve its status as a REIT, but shares of preferred stock are never redeemable at the option of the holder. Shares of Series A Preferred Stock with a coupon rate of 12.00%, are redeemable at any time or from time to time, for cash at a redemption price equal to \$4,000 per share plus an amount equal to all accrued and unpaid dividends thereon to and including the date fixed for redemption.

Future redemptions of preferred stock will depend upon many factors, including available cash and our cost of capital. Refer to Note 10 — Stockholders' Equity to our Consolidated Financial Statements under Item 15 in this Annual Report on Form 10-K for more information on our preferred stock.

On November 22, 2022, the Company commenced offers (the “Offers”) to purchase for cash any and all outstanding Series X Preferred Shares, at \$15.29 per share, Series Y Preferred Shares, at \$15.33 per share, and Series Z Preferred Shares, at \$14.34 per share. The Company accepted for purchase 5,953,898 Series X Preferred Shares, 5,756,691 Series Y Preferred Shares and 9,728,688 Series Z Preferred Shares. The offers were completed on December 23, 2022 and the Preferred Shares purchased were cancelled by the Company.

On November 2, 2022, the board of directors of the Company (the “Board of Directors”) authorized a quarterly dividend on each series of the Company’s preferred stock underlying the Preferred Shares payable on December 31, 2022 (the “December Dividend”) to holders of record of such underlying preferred stock at the close of business on December 15, 2022 for distribution to the holders of the Preferred Shares. All holders of the Preferred Shares at the close of business on the December 15, 2022 record date received the December Dividend for the applicable series of Preferred Shares regardless of whether they participated in the Offers since the December 15, 2022 record date occurred prior to the consummation of the Offers.

As market conditions warrant, we and our majority equity holders, Blackstone and its affiliates, may from time to time seek to repurchase the remaining outstanding Preferred Shares in open market or privately negotiated purchases, by tender offer or otherwise or to redeem our preferred stock pursuant to the terms of their respective governing documents. The size of such repurchases may be material and may impact the liquidity and trading price of such preferred stock.

Requirement to Pay Distributions: Our election to be taxed as a REIT, as defined by the Code, applies to all periods presented herein. As a REIT, we do not incur U.S. federal corporate income tax on our “REIT taxable income” that is distributed each year (for this purpose, certain distributions paid in a subsequent year may be considered), and we continue to meet certain organizational and operational requirements. We believe we have met these requirements in all periods presented herein.

We paid REIT qualifying distributions of \$359,804 (\$38,346 to preferred stockholders and \$321,458 to common stockholders) during the year ended December 31, 2022.

Our consistent, long-term dividend policy has been to set dividend distribution amounts based on our taxable income. Future quarterly distributions with respect to common stock will continue to be determined based upon our REIT distribution requirements and, along with distributions to preferred stockholders, we expect will be funded with cash provided by operating activities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We may be exposed to interest rate changes primarily as a result of long-term debt used to maintain liquidity and fund capital expenditures and expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve our objectives, we borrow primarily at fixed rates or variable rates with the lowest margins available.

With regard to variable rate financing, we assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. We maintain risk management control systems to monitor interest rate cash flow risk attributable to both our outstanding and forecasted debt obligations as well as our potential offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on our future cash flows.

We may use additional derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our properties or unsecured debt obligations. To the extent we do we are exposed to market and credit risk. Market risk is the adverse effect on the value of the financial instrument that result a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value derivative contract is positive, the counterparty owes us, which creates credit risk to us. We will minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

As of December 31, 2022, we had \$3,904,395 of outstanding floating rate debt, of which \$3,592,215 is subject to interest rate cap and swap agreements, which effectively limits the interest rate risk. Our variable-rate borrowings bear interest at one month SOFR plus an applicable spread. If market rates of interest on our variable rate debt increased by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by \$3,122. This estimate considers the impact of our interest rate swap agreements and is calculated utilizing the interest rates on our debt at December 31, 2022.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data are included under Item 15 of this Report and are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired controls objectives. Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of December 31, 2022. Based upon that evaluation, our Chief Executive Officer and Chief Financial officer have concluded that, as of December 31, 2022, our disclosure controls and procedures were effective to accomplish their objectives as the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and

fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements in our consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and the Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on its evaluation, our management concluded that our internal control over financial reporting was effective as of the end of the fiscal year covered by this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III **(dollars in thousands, except share data)**

Item 10. Directors, Executive Officers and Corporate Governance

The following sets forth the names, ages and certain biographical information of our non-executive directors as of February 28, 2023:

Timothy J. Beaudin, 64, was the Chairman of the Board of P3 Logistics Parks, a long-term owner, developer and manager of European logistics properties from 2018 until 2019, and Chief Executive Officer of P3 Logistics Parks from 2019 to 2021. Before that Mr. Beaudin was the President and Chief Executive Officer of IndCor Properties from 2011 until 2015, was with Apartment Investment and Management Company (“Aimco”) from 2005 to 2010, departing as Chief Operating Officer and was Executive Vice President of Catellus Development. Mr. Beaudin has also worked for multiple companies, such as KPMG and CBRE, in various financial services roles. He previously served as an advisor to each of Link and LivCor, both of which are wholly-owned by Blackstone-managed real estate funds. Mr. Beaudin earned his B.A. in Economics and Business from Westmont College.

Justin Brown, 39, is a Managing Director in Blackstone's Real Estate Group. Mr. Brown is involved in the asset management of Blackstone's Life Science platform BioMed Realty and fund management of BPP Life Sciences. Before joining Blackstone in November 2021, Mr. Brown worked in Green Street's Advisory Group from July 2013 until October 2021, which provides strategic and capital markets advisory services to commercial real estate companies and served on the board of LatAm Logistic Properties. Mr. Brown began his career at Prudential Real Estate Investors where he focused on asset management and dispositions. Mr. Brown received a B.B.A with a focus on Real Estate from University of Wisconsin and an MBA in Finance from Stern School of Business at New York University.

Andrea Drasites, 40, is a Managing Director in Blackstone's Real Estate Group, and she is involved in the asset management of U.S. retail and gaming investments, including ShopCore and Edens, and retail projects inside of the Cosmopolitan of Las Vegas and other Blackstone assets. Since joining Blackstone in 2012, Ms. Drasites has been involved with several notable transactions including the IPO of Brixmor (formerly Centro), Edens, Excel Trust and RioCan. Prior to joining Blackstone, Ms. Drasites worked at Equity One, Inc., a publicly traded shopping center REIT, where she was responsible for asset management as well as acquisitions and dispositions across the U.S. Prior to Equity One, Inc., Ms. Drasites also worked for Woolbright Development, a shopping center owner and developer based in Boca Raton, Florida. She is an active member of the Urban Land Institute, International Council of Shopping Centers and is a Founding Member of the annual Rally Against Lupus fundraiser in New York and is actively involved in the Alliance for Lupus Research. Ms. Drasites is a member of the University of Florida's Real Estate Advisory Board. Ms. Drasites received a BA in International Business from Rollins College and an MBA from the University of Florida.

Ernest M. Freedman, 52, has served as Executive Vice President and Chief Financial Officer of Invitation Homes since October 2015. Mr. Freedman previously served as Executive Vice President and Chief Financial Officer of Aimco from 2009 to 2015. Mr. Freedman joined Aimco in 2007 as Senior Vice President of Financial Planning and Analysis and served as Senior Vice President of Finance from February 2009 to November 2009, where he was responsible for financial planning, tax, accounting and related areas. From 2004 to 2007, Mr. Freedman served as Chief Financial Officer of HEI Hotels and Resorts. From 2000 to 2004, Mr. Freedman was at GE Real Estate in a number of capacities, including operations controller and finance manager for investments and acquisitions. From 1993 to 2000, Mr. Freedman was with Ernst & Young, LLP, including one year as a senior manager in the real estate practice. He is a member of the board of directors of CA Student Living, a student housing developer and investment management company, where he serves as the Chair of the Audit Committee and a member of the Compensation Committee. Mr. Freedman earned a Bachelor's Degree from the University of Virginia. Mr. Freedman is a certified public accountant.

Ryan Ingle, 37, is a Managing Director in Blackstone's Real Estate Group. Since joining Blackstone in 2010, Mr. Ingle has been involved in analyzing and managing real estate investments across several property sectors. Mr. Ingle currently leads asset management for Blackstone's U.S. industrial portfolio which spans more than 400 million square feet. Mr. Ingle has been involved in other notable investments including BioMed, IndCor, Motel 6, La Quinta and Extended Stay. Before joining Blackstone, Mr. Ingle worked in Citi's real estate investment banking group. Mr. Ingle received a BS in Finance and a BA in Spanish from the University of Kansas where he graduated with highest distinction and was a member of Phi Beta Kappa.

David Levine, 34, is Co-Head of Americas Acquisitions for Blackstone Real Estate. Since joining Blackstone in 2010, Mr. Levine has been involved in more than \$100 billion of real estate investments across several property sectors and has worked on various transactions, including the acquisition of Gramercy Property Trust, Pure Industrial, WPT Industrial REIT, BioMed Realty and the creation and growth of Blackstone's 450+ million square foot industrial platform, Link Logistics. He also serves on the board of Reading Partners New York. Mr. Levine graduated from Northwestern University, where he received a BA in Economics.

Samantha Wallack, 47, is a Partner and Real Estate Practice Co-Chair at Blank Rome LLP, a national law firm that provides a full range of legal and advocacy services. Ms. Wallack was appointed Real Estate Practice Co-Chair in January 2020, and under her leadership the group currently represents a multi-billion dollar annual portfolio of client transactions. She oversees a national team of more than sixty real estate attorneys throughout the firm's thirteen offices who provide legal counsel to public companies, private equity funds, developers, REITs, family businesses, insurance companies, and realty advisers. Ms. Wallack joined Blank Rome in 2000 and was named partner in 2009. She was the firm's first female real estate partner and became the firm's first female Real Estate Practice Co-Chair in 2020. She is a member of Blank Rome's Diversity & Inclusion Committee, former Co-Chair of Blank Rome's Women's Forum, a founding member of the firm's Women Who Lead initiative and serves as pro bono counsel for 1-866-Our Vote and NYAGRA (New York Association for Gender Rights Advocacy). Ms. Wallack holds a BA from the University of Wisconsin and a JD, cum laude, from Benjamin N. Cardozo School of Law.

Director Independence

Our board of directors has affirmatively determined that each of Messrs. Freedman and Beaudin and Ms. Wallack qualify as independent directors under NYSE listing standards.

Background and Experience of Directors

When considering whether directors and nominees have the experience, qualifications, attributes or skills, taken as a whole, to enable our board of directors to satisfy its oversight responsibilities effectively in light of our business and structure, the board of directors focuses primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above.

Audit Committee

Our board of directors has established an audit committee that operates under a written charter, which is available on our website under <https://ir.psbusinessparks.com/corporate-governance/governance-documents>. The composition and responsibilities of the audit committee are described below.

Our audit committee consists of Messrs. Freedman and Beaudin and Ms. Wallack, with Mr. Freedman serving as chairman. Each member of the audit committee has sufficient knowledge in financial and auditing matters to serve on the audit committee. In addition, Messrs. Freedman and Beaudin qualify as "audit committee financial experts" under the SEC rules. Our audit committee is responsible for, among other things:

- selecting and hiring our independent auditors, and approving the audit and non-audit services to be performed by our independent auditors;
- assisting the board of directors in evaluating the qualifications, performance and independence of our independent auditors;
- assisting the board of directors in monitoring the quality and integrity of our financial statements and our accounting and financial reporting;
- assisting the board of directors in monitoring our compliance with legal and regulatory requirements; and
- assessing the effectiveness of the Company's risk management processes, particularly with respect to financial risk exposure reviewing the adequacy and effectiveness of our internal control over financial reporting processes.

Each member of the Audit Committee has been affirmatively determined by our board of directors to qualify as an independent director under the NYSE listing standards and the independence standards of Rule 10A-3 of the Exchange Act.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or compensation committee (or other committee performing equivalent functions) of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Code of Ethics

We have a Code of Conduct that applies to all of our officers, directors and employees (if any), including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, which is posted on our website. Our Code of Conduct is a "code of ethics," as defined in Item 406(b) of Regulation S-K. The information contained on, or accessible from, our website is not part of this report by reference or otherwise.

The executive officers of PS Business Parks, Inc are currently comprised of the following three individuals:

Executive Officers of PS Business Parks, Inc.

Name	Age	Office
Luke Petherbridge	43	Chief Executive Officer and Secretary
Matthew L. Ostrower	52	Chief Financial Officer, Vice President and Treasurer
Nicholas Pell	45	President and Chief Investment Officer

Refer to "Business Overview—Executive Officers of PS Business Parks, Inc." above for biographical information regarding the Company's executive officers.

Item 11. Executive Compensation

We do not have any employees. All of our executive officers are employees of an affiliate of Blackstone and do not receive compensation from us or from any of our subsidiaries for serving as our executive officers. Accordingly, we do not have employment agreements with our executive officers, we do not provide pension or retirement benefits, perquisites or other personal benefits to our executive officers and we do not have arrangements to make payments to our executive officers upon their termination or in the event of a change in control of the Company.

Additionally, our executive officers are not required to dedicate a specific amount of time to us. Accordingly, we cannot identify the portion of the compensation awarded to our executive officers that relates solely to their services to us, as our executive officers are not compensated specifically for such services.

Because our executive officers do not receive compensation from us or from any of our subsidiaries and because we cannot identify the portion of the compensation awarded to our executive officers that relates solely to their services to us, we do not provide executive compensation disclosure pursuant to Item 402 of Regulation S-K.

Director Compensation***Director Compensation for 2022***

Following the Merger, the Board approved payment of an annual retainer for each of our independent directors of \$150. Freedman and Beaudin and Ms. Wallack received a retainer of \$75 representing the pro rata portion of their annual retainer based on their service during the year. Our non-independent directors do not receive additional compensation for their service as a director.

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

Our Parent and certain of its affiliates own 100% of our issued and outstanding common stock, the Company's voting securities. None of our executive officers or directors beneficially owns any equity securities of the Company.

Item 13. Certain Relationships and Related Transactions, and Director Independence***Master Services Agreement***

On July 20, 2022, the Company entered into a Master Services Agreement with Link Logistics Real Estate Holdco LLC (together with its subsidiaries, "Link"), a portfolio company owned by Blackstone-advised investment vehicles, to provide, as applicable, corporate support services (including, without limitation, accounting, legal, tax, treasury, valuation services, information technology and data management), loan management, management services, operational services, property management services, and transaction support services to the Company. During the period from July 20, 2022 through December 31, 2022, we paid Link total fees of \$25,366 pursuant to the terms of the Master Services Agreement. The current term of the Master Services Agreement extends to December 31, 2023, and may be renewed for additional one-year terms thereafter; provided, however, that the Master Services Agreement may be terminated at any time upon prior written notice by either Link or the Company.

Parent Partners Loans

In connection with the closing of the Merger, in lieu of distributing all of the proceeds from the Mortgage Loans to fund the consideration for the Merger, certain amounts were loaned to the Parent Partners (the “Parent Partners Loans”). The Parent Partners Loans are evidenced by promissory notes, bear interest at 4.16% per annum and mature in July 2027. The aggregate principal amount of the Parent Partners Loans is \$1,285,575, and is recorded within Accumulated earnings (deficit) on the Consolidated Balance Sheets. The amount of interest due to the Company as of December 31, 2022 related to the Parent Partner Loans is \$1,275.

Other

Gryphon Mutual Insurance Company (“GMUC”), an affiliate of the Company, is a captive insurance company that began providing insurance coverage to the Company in July 2022. During the period from July 20, 2022 through December 31, 2022, the Company incurred \$2,314 for insurance premiums recognized in Property operating expenses in the Consolidated Statements of Operations. The fees paid are in place of insurance premiums and fees that would otherwise be paid to third party insurance companies, and are equivalent or less than the rate third-party insurance companies would charge for such services. There were \$— amounts payable to GMUC as of December 31, 2022.

Simply Storage Management, LLC (“Simply Storage”), an affiliate of the Company, is a management company that began providing management services to the Company in October 2022. During the period from July 20, 2022 through December 31, 2022, the Company incurred \$19 for management fees recognized in the line item Property operating expenses in the Consolidated Statements of Operations.

In October 2022, the Brentford Joint Venture entered into an agreement to receive proceeds of a \$110,000 borrowing obtained under a revolving credit facility. Refer to Note 5 — Debt for additional details.

Item 14. Principal Accountant Fees and Services

In July 2022, following the Merger, the Audit Committee of the Board approved the dismissal of Ernst & Young LLP (“EY”) as the Company’s independent registered public accounting firm. In July 2022, the Audit Committee approved the appointment of Deloitte & Touche LLP (“Deloitte”) as the Company’s new independent registered public accounting firm.

The following table presents the aggregate fees billed for professional services rendered by Deloitte for the fiscal year December 31, 2022:

	Year Ended December 31, 2022	
Fee Category		
Audit Fees	\$	635
Audit-Related Fees		—
Tax Fees		—
All Other fees		—
Total fees	\$	635

Audit fees. Audit fees represent fees for professional services provided in connection with the audit of the Company’s annual financial statements and internal control over financial reporting, review of the quarterly financial statements included in the Company’s quarterly reports on Form 10-Q, and services in connection with the Company’s registration statements.

Audit-related fees. These are fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements. Such services including accounting consultations, internal control reviews, audits in connection with acquisitions, attest services related to financial reporting that are not required by statute or regulation and required agreed-upon procedure engagements.

Tax fees. This category relates to general tax services.

Audit Committee Pre-Approval Policies and Procedures. Our policy is that all audit and non-audit services provided by the independent registered public accounting firm must be pre-approved by the Audit Committee. The authority to grant pre-approvals of services may be delegated to one or more of the audit committee’s members, but the decision must be reported to the full audit committee at its next scheduled meeting. All of such services and fees were pre-approved during the fiscal year ended December 31, 2022.

PART IV

Item 15. Exhibits and Financial Statement Schedule

The following documents are filed as a part of this report:

(a) Financial Statements and Schedule:

1. Financial Statements:

The following Consolidated Financial Statements, together with the Reports of Independent Registered Public Accounting Firm are listed below:

[Reports of Independent Registered Public Accounting Firm](#) (PCAOB ID No. 34)

[Report of Independent Registered Public Accounting Firm](#) (PCAOB ID No. 42)

[Consolidated Balance Sheets](#)

[Consolidated Statements of Operations](#)

[Consolidated Statements of Equity](#)

[Consolidated Statements of Cash Flows](#)

[Notes to Consolidated Financial Statements](#)

2. Financial Statement Schedule:

[Schedule III — Real Estate and Accumulated Depreciation](#)

All other schedules have been omitted since the required information is presented in the Consolidated Financial Statements and the related notes or is not applicable.

(b) Exhibits: The Exhibits required by Item 601 of Regulation S-K are listed in the Index to the Exhibits on pages [79](#) of this report, which is incorporated herein by reference.

To the stockholders and the Board of Directors of PS Business Parks, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of PS Business Parks, Inc. (the “Company”) as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of December 31, 2022 (successor) and for the periods from July 20, 2022 through December 31, 2022 (successor) and January 1, 2022 through July 19, 2022 (predecessor) of the Company and our report dated February 28, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/Deloitte & Touche LLP

New York, NY

February 28, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of PS Business Parks, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of PS Business Parks, Inc. (the "Company") as of December 31, 2022 (successor), the related consolidated statements of operations, equity, and cash flows for the periods from July 20, 2022 through December 31, 2022 (successor) and January 1, 2022 through July 19, 2022 (predecessor), and the related notes and Schedule III (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the periods from July 20, 2022 through December 31, 2022 (successor) and January 1, 2022 through July 19, 2022 (predecessor), in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Net Tangible and Intangible Assets Acquired and Liabilities Assumed in Connection with Business Combination – Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company, PS Business Parks Inc., was acquired ("The Merger") on July 19, 2022. The Merger was accounted for as a business combination in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations. The total purchase price was allocated to the net tangible and intangible assets acquired and liabilities assumed in connection with the Merger based on their estimated fair values at the time of the transaction, and the purchase price was pushed down to the Company's financial statements. When using the push-down basis of accounting, the acquired company's separate financial statements reflect the new accounting basis recorded by the acquiring company, and the assets acquired, and liabilities assumed are recorded at fair value through adjustments to additional paid in capital at the acquisition date.

The determination of the fair value of the net tangible and intangible assets acquired and liabilities assumed in connection with a business combination requires management to make significant estimates related to assumptions such as future cash flows, discount rates, costs during hypothetical lease-up periods, projected rental revenue, and current market interest rates. Performing audit procedures to evaluate the reasonableness of these assumptions required a higher degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to accounting treatment of the push down accounting related to the Business Combination included the following, among others:

- We evaluated management’s assessment of the business combination conclusions.
- We tested the effectiveness of controls over the push-down accounting, including management’s controls over the identification of real estate assets, and the valuation methodology for estimating the fair value of assets acquired and liabilities assumed.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology, (2) current market data, (3) cost to replace certain assets, and (4) assumptions used in the discounted cash flows, including testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing our estimates to those used by management.
- We assessed the reasonableness of management’s projections of cash flows by comparing the assumptions used in the projections to external market sources, historical data, and results from other areas of the audit.
- We evaluated whether the financial statement presentation and footnote disclosures are appropriate

/s/Deloitte & Touche LLP

New York, NY

February 28, 2023

We have served as the Company's auditor since 2022.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of PS Business Parks, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of PS Business Parks, Inc. (the Company) as of December 31, 2021, and the related consolidated statements of operations, equity and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Purchase price accounting

Description of the Matter

As described in Note 3 to the consolidated financial statements, the Company completed two acquisitions during 2021 for consideration of approximately \$149 million. As explained in Note 3 to the consolidated financial statements, the transactions were accounted for as asset acquisitions, and as such, are recorded at the price to acquire the real estate property, including acquisition costs. The purchase price is allocated to land, building, and acquired lease intangible assets and/or liabilities based upon the relative fair value of the acquired tangible and intangible lease assets and liabilities. The relative fair value of the acquired tangible and intangible lease assets and liabilities were determined by the Company and its valuation specialist utilizing available market information.

Auditing the Company's accounting for its acquisitions was complex due to the significant estimation required by management in determining the fair values of the acquired land, building, and intangible lease assets and liabilities. The significant estimation was primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of the tangible and intangible lease assets and liabilities as well as the sensitivity of the respective fair values to the significant underlying assumptions. The Company utilized the sales comparison approach to measure the fair value of the acquired land and a combination of the discounted cash flow and replacement costs methods to measure the fair value of the remaining acquired tangible and intangible assets and liabilities. The more significant assumptions utilized included revenue growth rates, discount rates, market rental rates, and capitalization rates. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's accounting for acquired real estate properties, including controls over the Company's review of the assumptions underlying the purchase price allocation, the cash flow projections, and the accuracy of the underlying data used. For example, we tested controls over the determination of the fair value of the land, building and intangible lease assets and liabilities, including the controls over the review of the valuation models and the underlying assumptions used to develop such estimates.

For each of the Company's real estate property acquisitions, we read the purchase and sale agreements, and evaluated whether the Company had appropriately determined whether the transaction was a business combination or asset acquisition. We also evaluated the significant assumptions and methods used in developing the fair value estimates of the tangible assets and intangible lease assets acquired and liabilities assumed. To test the estimated fair value of the land, building and intangible lease assets and liabilities, we performed audit procedures that included, among other procedures, evaluating the Company's use of the income approach and testing the significant assumptions used in the discounted cash flow model, and testing the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. For example, we agreed the contractual rents used in the determination of the in-place and above/below market lease intangible assets and liabilities to tenant leases and market information. We also involved our valuation specialists to assist in the assessment of the methodology utilized by the Company, performed procedures to corroborate the reasonableness of the significant assumptions utilized in the developing the fair value estimates, and performed corroborative calculations to assess the reasonableness of the acquired building asset. For example, our valuation specialists (i) used independently identified data sources to evaluate the appropriateness of management's selected comparable land sales, (ii) recalculated the asset values and performed comparative calculations assuming a combination of some or all of management's assumptions and our independently verified assumptions, and (iii) obtained market specific information for the revenue growth rates, discount rates, market rental rates, and capitalization rates to corroborate the market information utilized by the Company.

/s/ Ernst & Young LLP

We served as the Company's auditor from 1997 to 2022.

Los Angeles, California
February 22, 2022

PART IV. FINANCIAL INFORMATION

Item 15. Exhibit and Financial Statement Schedules (Item 15(a)(1) and Item 15(a)(2))

PS Business Parks, Inc.
Consolidated Balance Sheets
(in thousands - except share data)

	Successor December 31, 2022	Predecessor December 31, 2021
ASSETS		
Assets:		
Investments in real estate, net	\$ 5,556,795	\$ 2,005,868
Assets held for sale	—	33,609
Cash and cash equivalents	51,608	27,074
Restricted cash	636	1,088
Tenant and other receivables	14,888	39,202
Prepaid expenses and other assets	380,469	16,381
Due from affiliates	666	—
Total assets ¹	<u>\$ 6,005,062</u>	<u>\$ 2,123,222</u>
LIABILITIES AND EQUITY		
Liabilities:		
Debt, net	\$ 3,865,553	\$ 32,000
Accounts payable, accrued expenses and other liabilities	300,691	97,080
Due to affiliates	4,266	71
Total liabilities ¹	<u>4,170,510</u>	<u>129,151</u>
Commitments and contingencies (Note 13)		
Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, 8,886 and 30,200 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	164,352	755,000
Common stock, \$0.01 par value, 200,000,000 shares authorized, 100 shares issued and outstanding as of December 31, 2022; 100,000,000 shares authorized, 27,589,807 shares issued and outstanding as of December 31, 2021	—	275
Paid-in capital	3,174,135	752,444
Accumulated earnings (deficit)	(1,515,405)	226,737
Total PS Business Parks, Inc.'s stockholders' equity	<u>1,823,082</u>	<u>1,734,456</u>
Noncontrolling interest	11,470	259,615
Total equity	<u>1,834,552</u>	<u>1,994,071</u>
Total liabilities and equity	<u>\$ 6,005,062</u>	<u>\$ 2,123,222</u>

¹ Refer to Note 2 — Summary of Significant Accounting Policies for details related to variable interest entities (“VIEs”).

The accompanying notes are an integral part of these Consolidated Financial Statements.

PS Business Parks, Inc.
Consolidated Statements of Operations
(in thousands – except share data)

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenue:				
Rental revenue	\$ 174,225	\$ 246,175	\$ 439,154	\$ 415,635
Total revenue	174,225	246,175	439,154	415,635
Expenses:				
Property expenses	39,956	74,848	130,941	125,951
Depreciation and amortization	225,472	50,557	93,486	96,314
General and administrative	7,578	19,079	19,327	14,612
Merger costs	33,255	100,952	—	—
Total expenses	306,261	245,436	243,754	236,877
Other income (expense):				
Gain on sale of real estate, net	—	157,022	359,875	27,273
Interest expense	(43,189)	(615)	(728)	(548)
Other income	235	2,044	2,085	1,222
Total other income (expense)	(42,954)	158,451	361,232	27,947
Income (loss) before income tax				
	(174,990)	159,190	556,632	206,705
Income tax provision	(28)	—	(3,603)	—
Net income (loss)	(175,018)	159,190	553,029	206,705
Net (income) loss attributable to noncontrolling interests	294	(29,224)	(104,270)	(33,158)
Net income (loss) attributable to the Company	(174,724)	129,966	448,759	173,547
Allocation to preferred stockholders	(19,186)	(19,160)	(46,624)	(48,186)
Preferred securities redemption (Note 10)	76,459	—	(6,434)	—
Allocation to restricted stock unit holders	—	(1,011)	(2,613)	(716)
Net income (loss) attributable to common stockholders	\$ (117,451)	\$ 109,795	\$ 393,088	\$ 124,645
Earnings (loss) per common share – basic and diluted:				
Net income attributable to common stockholders - basic		\$ 3.98	\$ 14.28	\$ 4.54
Net income attributable to common stockholders - diluted		\$ 3.96	\$ 14.22	\$ 4.52
Weighted average common shares outstanding - basic		27,619,484	27,533,845	27,474,920
Weighted average common shares outstanding - diluted		27,708,617	27,635,588	27,563,417

The accompanying notes are an integral part of these Consolidated Financial Statements.

PS Business Parks, Inc.
Consolidated Statements of Equity
(in thousands – except share data)

Period from July 20, 2022 through December 31, 2022	Successor								
	Preferred Stock		Common Stock		Paid-in Capital	Accumulated Earnings (Deficit)	Total PS Business Parks, Inc.'s Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount					
Balance at July 20, 2022 - pre-merger	—	\$ —	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total Blackstone purchase and contribution	—	—	—	—	2,847,170	—	2,847,170	—	2,847,170
Redemption of common shares	—	—	(27,631,499)	(276)	(756,431)	(4,279,134)	(5,035,841)	—	(5,035,841)
Application of purchase accounting	30,200	563,026	27,631,499	276	756,431	4,279,134	5,598,867	1,308,704	6,907,571
Distribution of assets	—	—	—	—	—	—	—	(1,295,217)	(1,295,217)
Parent Partners Loans receivable	—	—	—	—	—	(1,285,575)	(1,285,575)	—	(1,285,575)
Balance at July 20, 2022 - post-merger	30,200	563,026	—	—	2,847,170	(1,285,575)	2,124,621	13,487	2,138,108
Issuance of stock, net of costs	125	500	100	—	—	—	500	—	500
Redemption of preferred stock and related contribution	(21,439)	(399,174)	—	—	322,607	76,459	(108)	—	(108)
Blackstone contribution	—	—	—	—	4,358	—	4,358	—	4,358
Noncontrolling interests - contribution	—	—	—	—	—	—	—	289	289
Distributions									
Preferred stock	—	—	—	—	—	(19,186)	(19,186)	—	(19,186)
Blackstone	—	—	—	—	—	(112,379)	(112,379)	—	(112,379)
Noncontrolling interest	—	—	—	—	—	—	—	(2,012)	(2,012)
Net income (loss)	—	—	—	—	—	(174,724)	(174,724)	(294)	(175,018)
Balance at December 31, 2022	8,886	\$ 164,352	100	\$ —	\$ 3,174,135	\$ (1,515,405)	\$ 1,823,082	\$ 11,470	\$ 1,834,552

Period from January 1, 2022 through July 19, 2022	Predecessor								
	Preferred Stock		Common Stock		Paid-in Capital	Accumulated Earnings (Deficit)	Total PS Business Parks, Inc.'s Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2021	30,200	\$ 755,000	27,589,807	\$ 275	\$ 752,444	\$ 226,737	\$ 1,734,456	\$ 259,615	\$ 1,994,071
Issuance cost	—	—	—	—	176	—	176	—	176
Issuance of common stock in connection with share-based compensation	—	—	41,692	1	2,101	—	2,102	—	2,102
Stock compensation, net	—	—	—	—	3,028	—	3,028	—	3,028
Cash paid for taxes in lieu of stock upon vesting of restricted stock units	—	—	—	—	(1,318)	—	(1,318)	—	(1,318)
Capital contribution from noncontrolling interests—joint venture	—	—	—	—	—	—	—	492	492
Distributions									
Preferred stock	—	—	—	—	—	(19,160)	(19,160)	—	(19,160)
Common stock (\$7.57 per share)	—	—	—	—	—	(209,079)	(209,079)	—	(209,079)
Noncontrolling interests	—	—	—	—	—	—	—	(55,358)	(55,358)
Net income (loss)	—	—	—	—	—	129,966	129,966	29,224	159,190
Balance at July 19, 2022 ¹	30,200	\$ 755,000	27,631,499	\$ 276	\$ 756,431	\$ 128,464	\$ 1,640,171	\$ 233,973	\$ 1,874,144

¹ This balance was reset as part of purchase accounting. Refer to Note 2 — Summary of Significant Accounting Policies for additional details.

The accompanying notes are an integral part of these Consolidated Financial Statements.

PS Business Parks, Inc.
Consolidated Statements of Equity
(in thousands – except share data)

Year Ended December 31, 2021	Predecessor								
	Preferred Stock		Common Stock		Paid-in Capital	Accumulated Earnings (Deficit)	Total PS Business Parks, Inc.'s Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2020	37,790	\$ 944,750	27,488,547	\$ 274	\$ 738,022	\$ 73,631	\$ 1,756,677	\$ 218,963	\$ 1,975,640
Redemption of preferred stock, net of issuance costs	(7,590)	(189,750)	—	—	6,434	(6,434)	(189,750)	—	(189,750)
Issuance of common stock in connection with share-based compensation	—	—	101,260	1	5,011	—	5,012	—	5,012
Stock compensation, net	—	—	—	—	7,022	—	7,022	—	7,022
Cash paid for taxes in lieu of stock upon vesting of restricted stock units	—	—	—	—	(3,940)	—	(3,940)	—	(3,940)
Capital contribution from noncontrolling interests—joint venture	—	—	—	—	—	—	—	746	746
Issuance costs	—	—	—	—	(105)	—	(105)	—	(105)
Distributions									
Preferred stock	—	—	—	—	—	(46,624)	(46,624)	—	(46,624)
Common stock (\$8.80 per share)	—	—	—	—	—	(242,595)	(242,595)	—	(242,595)
Noncontrolling interests	—	—	—	—	—	—	—	(64,364)	(64,364)
Net income (loss)	—	—	—	—	—	448,759	448,759	104,270	553,029
Balance at December 31, 2021	<u>30,200</u>	<u>\$ 755,000</u>	<u>27,589,807</u>	<u>\$ 275</u>	<u>\$ 752,444</u>	<u>\$ 226,737</u>	<u>\$ 1,734,456</u>	<u>\$ 259,615</u>	<u>\$ 1,994,071</u>

Year Ended December 31, 2020	Predecessor								
	Preferred Stock		Common Stock		Paid-in Capital	Accumulated Earnings (Deficit)	Total PS Business Parks, Inc.'s Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2019	37,790	\$ 944,750	27,440,953	\$ 274	\$ 736,986	\$ 63,666	\$ 1,745,676	\$ 216,135	\$ 1,961,811
Issuance of common stock in connection with share-based compensation	—	—	47,594	—	258	—	258	—	258
Stock compensation, net	—	—	—	—	4,994	—	4,994	—	4,994
Cash paid for taxes in lieu of stock upon vesting of restricted stock units	—	—	—	—	(4,216)	—	(4,216)	—	(4,216)
Capital contribution from noncontrolling interests—joint venture	—	—	—	—	—	—	—	493	493
Distributions									
Preferred stock	—	—	—	—	—	(48,186)	(48,186)	—	(48,186)
Common stock (\$4.20 per share)	—	—	—	—	—	(115,396)	(115,396)	—	(115,396)
Noncontrolling interests	—	—	—	—	—	—	—	(30,823)	(30,823)
Net income (loss)	—	—	—	—	—	173,547	173,547	33,158	206,705
Balance at December 31, 2020	<u>37,790</u>	<u>\$ 944,750</u>	<u>27,488,547</u>	<u>\$ 274</u>	<u>\$ 738,022</u>	<u>\$ 73,631</u>	<u>\$ 1,756,677</u>	<u>\$ 218,963</u>	<u>\$ 1,975,640</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

PS Business Parks, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating activities:				
Net income (loss)	\$ (175,018)	\$ 159,190	\$ 553,029	\$ 206,705
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	225,472	50,557	93,486	96,314
Gain on interest rate derivatives	(76,275)	—	—	—
Straight-line rents and amortization of above and below market leases	(26,178)	(2,276)	(2,800)	(4,713)
Amortization of deferred financing costs	11,042	488	725	548
Incentive compensation expense	—	3,335	8,495	5,648
Gain on sale of real estate, net	—	(157,022)	(359,875)	(27,273)
(Increase) decrease in tenant and other receivables, lease right-of-use assets, net, prepaid expenses and other assets, and due from affiliates	(1,734)	3,020	(971)	1,156
Increase (decrease) in accounts payable, accrued expenses and other liabilities, lease liabilities, and due to affiliates	(7,091)	59,096	10,148	(1,410)
Net cash provided by (used in) operating activities	(49,782)	116,388	302,237	276,975
Investing activities:				
Acquisitions of real estate	—	—	(147,702)	(60,019)
Proceeds from sales of investments in real estate	—	236,230	400,955	40,674
Capital expenditures	(36,228)	(57,964)	(83,887)	(52,474)
Net cash provided by (used in) investing activities	(36,228)	178,266	169,366	(71,819)
Financing activities:				
Proceeds from debt	3,866,828	20,000	32,000	—
Repayments on debt	(1,535)	(52,000)	—	—
Payment of deferred financing costs	(10,782)	(198)	(2,494)	(335)
Proceeds from issuance of preferred stock	500	—	—	—
Exercise of stock options	—	2,101	5,012	258
Payment of issuance costs	—	176	(105)	—
Cash paid for taxes in lieu of shares upon vesting of restricted stock units	—	(1,318)	(3,940)	(4,216)
Cash paid to restricted stock unit holders	—	(328)	(1,498)	(654)
Contributions from noncontrolling interests	257	492	746	493
Distributions to noncontrolling interests	(1,980)	(55,358)	(64,364)	(30,823)
Distribution to preferred stockholders	(19,186)	(19,160)	(46,624)	(48,186)
Distribution to common stockholders	(112,379)	(209,079)	(242,595)	(115,396)
Redemption of preferred stock	(322,715)	—	(189,750)	—
Blackstone contributions	3,174,135	—	—	—
Redemption of common shares and related costs	(5,141,856)	—	—	—
Parent Partners Loans	(1,285,575)	—	—	—
Derivative premium paid	(32,758)	—	—	—
Derivative premium received	25,300	—	—	—
Net cash provided by (used in) financing activities	138,254	(314,672)	(513,612)	(198,859)
Net increase (decrease) in Cash and cash equivalents and restricted cash	52,244	(20,018)	(42,009)	6,297
Cash and cash equivalents and restricted cash - beginning of period	—	28,162	70,171	63,874
Cash and cash equivalents and restricted cash - end of period	\$ 52,244	\$ 8,144	\$ 28,162	\$ 70,171

Refer to Note 14 — Supplemental Cash Flow Disclosures for information on noncash investing and financing activities and other information.

The accompanying notes are an integral part of these Consolidated Financial Statements.

PS Business Parks, Inc.
Notes to the Consolidated Financial Statements
(dollars in thousands, except share data)

Note 1. Description of Business

Organization

PS Business Parks, Inc. (“PSB” or the “Company”), a Maryland corporation, was organized in 1990. Effective May 19, 2021, following approval by its common and preferred stockholders, PSB reincorporated from the state of California to the state of Maryland.

On July 20, 2022 (the “Acquisition Date”), pursuant to the terms and subject to the conditions set forth in an Agreement and Plan of Merger, dated as of April 24, 2022 (the “Merger Agreement”), a merger (the “Merger”) was completed between PSB and a direct subsidiary of Sequoia Parent LP, a Delaware limited partnership (“Parent”), with the Company surviving. As a result of the Merger, the Company became a subsidiary of Parent and certain of its affiliates, and PS Business Parks, L.P (the “Partnership”) remained a subsidiary of the Company. The Parent is an affiliate of Blackstone Real Estate Partners IX, L.P., which is an affiliate of Blackstone Inc. (“Blackstone”). The common stock of the Company is wholly owned by the Parent and certain of its affiliates and is not publicly traded. The depositary shares representing the preferred stock of the Company are publicly traded. Refer to Note 2 — Summary of Significant Accounting Policies for additional information on basis of presentation.

PSB and its subsidiaries, including the Partnership and its consolidated joint ventures, are collectively referred to as the “Company,” “we,” “us,” or “our.”

Public Storage Operating Partnership Interests

Pursuant to the terms and conditions of the Merger Agreement, upon the Closing each partnership unit of the Partnership (a “Partnership Unit”) that was issued and outstanding prior to the effective time of the Merger (the “Partnership Merger Effective Time”) (other than units held by the Company, Parent, or any of their respective wholly owned subsidiaries) was automatically cancelled and converted into the right to receive an amount in cash equal to \$182.25 (the “Per Company Share Merger Consideration”), less any applicable withholding taxes, which represented \$187.50 per share of Common Stock as reduced by a \$5.25 per share cash dividend paid in connection with the Closing (the “Closing Cash Dividend”) in accordance with the terms of the Merger Agreement. At the Partnership Merger Effective Time, each Partnership Unit owned by the Company or any of its subsidiaries immediately prior to the Partnership Merger Effective Time remained outstanding as a Partnership Unit of the Partnership held by the Company or the relevant subsidiary.

As a result of the completion of the Merger, an aggregate of approximately 21% of the Partnership’s issued and outstanding limited partnership interests were directly owned by Parent and certain of its affiliates (other than the Company) (the “Parent Partners”). Pursuant to a Distribution and Contribution Agreement, immediately following the completion of the Merger, the Partnership redeemed all of such limited partnership units in exchange for the distribution (the “Redemption and Distribution”) to the Parent Partners of certain subsidiaries of the Partnership which held assets comprised of 58 properties located in California, Washington and Virginia (the “Non-Core Portfolio”). As a result of the Redemption and Distribution, the Company (directly or indirectly) owns 100% of the Partnership. Total consideration for the exchange was \$1,295,217, which represents the fair values as determined between us and our Parent Partners, a related party, on the transaction date. No gain or loss was recognized in connection with this transaction. We accounted for this transaction as a non-cash equity distribution in the Consolidated Financial Statements.

Description of business

The Company is a real estate investment trust (“REIT”) that owns, operates, acquires and develops commercial properties, primarily multi-tenant industrial, industrial-flex and low-rise suburban office space. As of December 31, 2022 and December 31, 2021, the Company owned 471 buildings and one land parcel in six states with 20,656,858 gross leasable square feet and 666 buildings in six states with 27,716,719 gross leasable square feet, respectively.

References herein to the number of properties, buildings, apartment units or square footage are unaudited and outside the scope of the Company’s independent registered public accounting firm’s review of the Company’s consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) as established by the Financial Accounting Standards Board (“FASB”) including modifications issued under Accounting Standards Updates (“ASUs”). In the opinion of management, all adjustments (consisting of normal and recurring adjustments) necessary for a fair presentation have been included.

The Merger was accounted for as a business combination in accordance with Accounting Standards Codification (“ASC”) 805, Business Combinations. The total purchase price was allocated to the net tangible and intangible assets acquired and liabilities assumed in connection with the Merger based on their estimated fair values at the time of the transaction and the purchase price was pushed down to the Company’s Financial Statements. When using the push-down basis of accounting, the acquired Company’s separate Financial Statements reflect the new accounting basis recorded by the acquiring company, and the assets acquired, and liabilities assumed are recorded at fair value through adjustments to additional paid in capital at the acquisition date.

As a result of the business combination, the period ended on or prior to July 19, 2022, for which the Consolidated Statements of Operations, Equity and Cash Flows are presented, is reported as the “Predecessor” period. The period from July 20, 2022 through December 31, 2022, for which the Company’s Consolidated Balance sheet, Statements of Operations, Equity and Cash Flows are presented, is reported as the “Successor” period.

Costs related to the Merger have been expensed as incurred and classified within Merger costs in the Consolidated Statements of Operations, totaling \$33,255 and \$100,952 for the period from July 20, 2022 through December 31, 2022 and the period from January 1, 2022 through July 19, 2022, respectively. The Company engaged a third-party valuation firm to assist in determination of the fair values of tangible and intangible assets acquired.

Upon acquisition of a rental property that is accounted for as a business combination, the Company allocates the purchase price, of each acquired property based upon the fair value of the individual assets acquired and liabilities assumed, which generally include tangible assets, consisting of land, building, building improvements, tenant improvements, and identified intangible assets and liabilities, generally consisting of above-and below-market leases, in-place leases, and origination costs associated with in-place leases. In estimating the fair value of tangible and intangible assets and liabilities acquired, the Company considers information obtained about the property during its due diligence and marketing and leasing activities, and utilizes appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The values of above-and below-market leases are recorded to Prepaid expenses and other assets and Accounts payable, accrued expenses and other liabilities, respectively, in the Consolidated Balance Sheets and are amortized as either a decrease (in the case of above-market leases) or an increase (in the case of below-market leases) to rental revenue over the remaining term of the associated tenant lease. The values associated with in-place leases are recorded in Prepaid expenses and other assets in the Consolidated Balance Sheets and are amortized to depreciation and amortization expense over the remaining lease term.

In a business combination, the initial allocation of the purchase price is considered preliminary and may change upon final determination of the fair values of the assets acquired and liabilities assumed. The final determination must occur within one year of the acquisition date.

The Company performs the following procedures for properties it acquires:

- Estimate the value of the property “as if vacant” as of the acquisition date;
- Calculate the value and associated life of above and below market leases on a tenant-by-tenant basis. The difference between the contractual rental rates and the Company’s estimate of market rental rates is measured over a period equal to the remaining term of the leases (using a discount rate which reflects the risks associated with the leases acquired);
- Estimate the fair value of land acquired based upon relevant adjusted land sales comparable;
- Estimate the fair value of the tenant improvements, legal expenses and leasing commissions incurred to obtain the leases and calculate the associated useful life for each;
- Estimate the intangible value of the in-place leases and their associated useful lives on a tenant-by-tenant basis;
- Estimate the carrying values of other assets and liabilities approximate fair value due to their short term nature and credit risk;
- Identify the fair value of assets to be sold within one year, and

- Allocate the purchase consideration of each acquired property based upon the fair value of the individual assets acquired and liabilities assumed.

The following table is a summary of the fair value of assets acquired less liabilities assumed of the Company recognized in connection with the Merger:

	July 20, 2022
Building	\$ 3,336,409
Site improvements	177,159
Land	1,921,093
Tenant improvements	72,886
Development in progress	150,977
In-place lease intangibles	242,551
Above market lease assets	7,888
Below market lease liabilities	(172,109)
Other assets ¹	146,194
Acquired noncontrolling interest at fair value	(13,481)
Acquired preferred shares at fair value	(563,026)
Net assets acquired	<u>\$ 5,306,541</u>
Funded by:	
Total Blackstone contribution, net of parent partner loan distributed	\$ (1,561,595)
Debt issued	(3,744,946)
Total consideration and merger contributions	<u>\$ (5,306,541)</u>

¹ Includes \$143,111 of working capital contributed by our Parent.

During the period ended December 31, 2022, the Company finalized the purchase price allocation of the Merger. The finalized purchase price allocation is based on third-party appraisals and additional information about facts and circumstances that existed at the Merger date.

Reclassifications

As a result of the Merger discussed in Note 1 — Description of Business and the election to apply pushdown accounting, the Company also aligned its accounting policies with that of the Parent. Accordingly, certain prior year amounts in the consolidated financial statements have been reclassified to conform to the current year presentation. As of December 31, 2021, the reclassifications represent changes to aggregation and presentation of financial information and resulted in zero changes to total assets and zero changes to total liabilities. For the years ended December 31, 2021 and December 31, 2020, it resulted in \$451 and \$12 changes to total revenue, \$315 and \$524 changes in total expenses, and \$3,467 and \$512 changes in total other income (expense), respectively. There was no change to net income as historically reported.

Principles of Consolidation

The Company's policy is to consolidate all entities in which it owns more than 50% of the outstanding voting interest unless it does not control the entity. It is also the Company's policy to consolidate any variable interest entity ("VIE") for which the Company is the primary beneficiary, as defined by GAAP. The Company is deemed to be the primary beneficiary when it has (i) the power to direct the activities that most significantly impact the economic performance of the entity, and (ii) the obligation (or right) to absorb losses (or receive benefits) of the entity that could potentially be significant.

Investments in entities in which the Company does not control but which it has the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities that the Company does not control and over which it does not exercise significant influence are carried at the lower of cost or fair value, as appropriate. The Company's ability to correctly assess control over an entity affects the presentation of these investments in the Consolidated

Financial Statements. The portions of consolidated entities not owned by the Company are presented as noncontrolling interests as of and during the periods presented. All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates, judgments and assumptions are required in a number of areas, including, but not limited to, evaluating the impairment of long-lived assets and investments, allocating the purchase price of acquired properties, determining the fair value of debt and incentive compensation. These estimates, judgments and assumptions are based on historical experience and various other factors that the Company believes to be reasonable under the circumstances. Actual results may differ from those estimates.

Investments in Real Estate

Property and improvements, including interest and other costs capitalized during construction and development, are included in Investments in real estate, net and are stated at cost. Property and improvements, excluding land, are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives by asset category are as follows:

	Estimated useful life
Buildings	10-40 years
Building equipment and fixtures	5-10 years
Land and building improvements	10-15 years
Tenant improvements	Shorter of the asset's useful life or the noncancelable term of lease

Expenditures for ordinary repairs and maintenance are expensed as incurred. Renovations and improvements, which improve or extend the useful life of the assets, are capitalized.

Capitalization of Costs

During the land development and construction periods of qualifying projects, the Company capitalizes interest costs, insurance, real estate taxes and general and administrative costs of the personnel performing the development, renovation and rehabilitation if such costs are incremental and identifiable to a specific activity to ready the asset for its intended use. The Company capitalizes transaction costs related to the acquisition of land for future development and operating properties that qualify as asset acquisitions. The Company capitalizes incremental costs incurred to successfully originate a lease that result directly from obtaining a lease and would also not have been incurred if the lease had not been obtained. In assessing the amount of direct and indirect costs to be capitalized, allocations are made based on estimates of the actual amount of time spent in each activity. The Company does not capitalize any costs attributable to downtime or to unsuccessful projects.

Acquisition of Real Estate

In accordance with the guidance for business combinations, the Company determines whether a transaction or other event is a business combination, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the Company would account for the transaction or other event as an asset acquisition. The Company's acquisitions of investment properties are typically accounted for as asset acquisitions, as substantially all of the fair value of the gross assets acquired is typically concentrated in a single identifiable asset or a group of similar identifiable assets. When acquisitions are treated as asset acquisitions, the related transaction costs are capitalized.

Disposition of Real Estate

The Company assesses whether a property is considered held for sale based on the criteria in ASC 360 Property, Plant, and Equipment ("ASC 360"). The Company generally classifies certain properties and related assets and liabilities as held for sale when the sale of an asset has been duly approved by management, a legally enforceable contract has been executed and the buyer's due diligence period, if any, has expired and a non-refundable deposit has been received. If a property is considered held for sale, a provision for loss is recognized if the fair value of the property less the estimated cost to sell is less than its carrying amount. Depreciation and amortization expense cease once a property is considered held for sale. As of December 31, 2022 and December 31, 2021, zero and 12 properties were classified as held for sale, respectively.

The Company's sales of real estate are generally considered to be sales to non-customers, requiring the Company to identify each distinct non-financial asset promised to the buyer. The Company determines whether the buyer obtains control of the non-financial assets, achieved through the transfer of the risks and rewards of ownership of the non-financial assets.

The Company recognizes gains on the disposition of real estate when the recognition criteria have been met, generally at the time the risks and rewards and title have transferred, and we no longer have substantial continuing involvement with the real estate sold. The Company recognizes gains or losses from the disposition of real estate when known as Gain (loss) on sale of real estate, net in the Consolidated Statement of Operations.

Impairment of Long-Lived Assets

The Company periodically assesses whether there are any indicators that the value of its real estate may be impaired. When impairment indicators exist, the Company's properties are evaluated for impairment. A property's value is considered impaired if the sum of expected future cash flows (on an undiscounted basis) over the anticipated holding period is less than the property's carrying value. Upon determination that an impairment exists, properties are reduced to their fair value.

The evaluation of future cash flows is highly subjective and is based in part on the Company's assumptions regarding future occupancy, rental rates, capital requirements, and holding periods. These assumptions could differ materially from actual results in future periods. Should circumstances change, and the Company shortens the expected holding period for an asset or group of assets, an impairment loss may be recognized, and such loss could be material. During the periods presented, no impairment was recognized in the Consolidated Financial Statements.

Impairment of Real Estate Assets Classified as Held for Sale

A property is classified as held for sale when all of the accounting criteria for a plan of sale have been met. Upon classification as held for sale, the Company recognizes an impairment charge, if necessary, to lower the carrying amount of the real estate asset to its estimated fair value less cost to sell. The determination of fair value can involve significant judgments and assumptions. The Company develops key assumptions based on the contractual sales price. If this information is not available, the Company uses estimated replacement costs or estimated cash flow projections that utilize estimated discount and capitalization rates. These estimates are subject to uncertainty and therefore require significant judgment by the Company. The Company reviews all assets held for sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to their estimated fair values less costs to sell.

Deferred Leasing Costs

Deferred leasing costs consist primarily of costs incurred to execute new and renewal tenant leases, primarily costs paid to third parties. Deferred leasing costs are amortized on a straight-line basis over the terms of the respective leases. The amortization of deferred leasing costs is included in the line item Depreciation and amortization in the Consolidated Statement of Operations.

Deferred Financing Costs

The Company defers fees and direct costs incurred to obtain financing, which is reflected as a component of Debt, net within the accompanying Consolidated Balance Sheets. Deferred financing costs are amortized to interest expense using the effective rate method, which approximates the effective interest method, over the term of the debt to which they apply. Unamortized deferred financing costs are charged to interest expense when the related financing is repaid prior to its scheduled maturity date.

Revenue Recognition

The Company leases its operating properties to customers under agreements that are classified as operating leases. Rental revenue primarily consists of base rent arising from tenant leases and tenant reimbursements of property operating expenses related to common area maintenance, real estate taxes, and other recoverable costs included in lease agreements.

The Company begins to recognize revenue for leases that are assumed upon the acquisition of the related property or when a tenant takes possession of the leased space for a new lease.

If a lease provides for tenant reimbursement of building operating expenses, the Company recognizes revenue associated with the recovery of those building operating expenses as those expenses are incurred.

The Company records rental revenue on a straight-line basis as it is earned during the lease term. Certain leases provide for tenant occupancy during periods for which no rent is due or where minimum rent payments change during the lease term. Accordingly, a receivable is recorded representing the difference between the straight-line rent and the rent that is contractually due from the tenant over the contractual lease term. These amounts are classified as Tenant and other receivables in the Consolidated Balance Sheets. When a property is acquired, the terms of existing leases are considered to commence as of the acquisition date for purposes of this calculation. As a result of the election of pushdown accounting for the Merger, the Acquisition Date was used as commencement date for purposes of active leases that existed as of that date.

Noncontrolling Interests

Noncontrolling interests represent the share of consolidated entities owned by third parties. The Company recognizes each noncontrolling holder's respective share of the estimated fair value of the net assets at the date of formation or acquisition. Noncontrolling interests are subsequently adjusted for the noncontrolling holder's share of additional contributions, distributions and their share of the net earnings or losses of each respective consolidated entity. The Company allocates net income or loss to noncontrolling interests based on the weighted average ownership interest during the period. The net income or loss that is not attributable to the Company is reflected in the line item Net (income) loss attributable to noncontrolling interests within the Consolidated Statements of Operations. As of the Acquisition Date, noncontrolling interest was stepped up to fair value as a result of pushdown accounting.

Tenant and Other Receivables

The Company provides for potentially uncollectible accounts on tenant and other receivables based on analysis of the risk of loss on specific accounts. The analysis places particular emphasis on past due accounts and considers information such as the nature and age of the receivable, the payment history of the tenant or other debtor, the financial condition of the tenant and the Company's assessment of its ability to meet its lease obligations, the basis for any disputes, and the status of related lease negotiations.

The Company's determination of the adequacy of its allowances for tenant receivables includes a binary assessment of whether or not the amounts due under a tenant's lease agreement are probable of collection. For such amounts that are deemed probable of collection, revenue continues to be recorded on a straight-line basis over the lease term. For such amounts that are deemed not probable of collection, revenue is recorded as the lesser of (i) the amount which would be recognized on a straight-line basis or (ii) cash that has been received from the tenant, with any tenant and deferred rent receivable balances charged as a direct write-off against rental income in the period of the change in the collectability determination.

Cash and Cash Equivalents

Cash and cash equivalents represent cash held in banks, cash on hand, and liquid investments with maturities at date of purchase of three months or less.

Restricted Cash

Restricted cash primarily consists of reserves for certain capital improvements, leasing, interest and real estate tax and insurance payments as required by certain debt obligations.

Income and Other Taxes

The Company has elected to be taxed as a REIT. This, along with the nature of the operations of its operating properties, resulted in no provision for federal income taxes at the Company level. In addition, the Partnership generally is not liable for federal income taxes as the partners recognize their allocable share of income or loss in their tax returns; therefore no provision for federal income taxes has been made at the Partnership level. The Company generally only incurs certain state and local income, excise and franchise taxes. The Company has elected taxable REIT subsidiary ("TRS") status for certain of its corporate subsidiaries and, as a result, these entities will incur both federal and state income taxes on any taxable income of such entities after consideration of any net operating losses.

The Company accounts for deferred income taxes using the asset and liability method and recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company's Consolidated Financial Statements or tax returns. Under this method, the Company determines deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Any increase or decrease in the deferred tax liability that results from a change in circumstances, and that causes management to change its judgment about expected future tax consequences of events, is included in the tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if the Company believes it is more likely than not that all or some portion of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes management to change its judgment about the realizability of the related deferred tax asset, is included in the tax provision when such changes occur.

The Company recognizes the tax benefit from an uncertain tax position claimed or expected to be claimed on a tax return only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Consolidated Financial Statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties, if applicable, related to uncertain tax positions as part of income tax benefit or expense.

Derivatives and Hedging Activities

The Company buys or sells derivative financial instruments to limit exposure to changes in interest rates on variable rate debt. The Company does not use derivative instruments for speculative or trading purposes. None of the Company's interest rate caps or swaps are currently or have been designated as hedges for accounting purposes. The Company's derivative financial instruments are recorded at fair value and are recorded in the line items Prepaid expenses and other assets and Accounts payable, accrued expenses and other liabilities in the Consolidated Balance Sheets.

Changes in the fair value of our derivative financial instruments are marked to market through earnings each quarter and are reflected in Interest expense in the Consolidated Statements of Operations.

Notional principal amounts are used to express the volume of these transactions, but the cash requirements and amounts subject to credit risk are substantially less. Parties to interest rate cap or swap agreements are subject to market risk for changes in interest rates and credit risk in the event of nonperformance by the counterparty. The Company does not require any collateral under these agreements but deals only with highly rated institutional counterparties and expects that they will meet their obligations.

Fair Value Measurements

Various inputs are used in determining the fair value of derivative instruments presented in the Consolidated Financial Statements. The Company classifies the inputs as follows:

Level 1—Quoted unadjusted prices for identical instruments in active markets to which the Company has access at the date of measurement.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

Level 3—Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company's own assumptions that market participants would use to price the asset or liability based on the best available information.

Fair Value Measurements on a Recurring Basis. The Company estimates the fair value of its financial instruments using available market information and valuation methodologies management believes to be appropriate for these purposes. In connection with the Merger, the preferred stocks were valued using quoted market prices in active markets (Level 1).

The fair value of the Company's derivatives was determined by management, based on valuation information prepared by an independent third party. Their fair value model incorporates credit risk and changes in credit risk to determine a credit valuation adjustment. This model is based on the applicable forward curve as a reflection of the market's current expectation of payments discounted at market factors. The Company classifies these valuations within the Level 2 fair value hierarchy.

Under interest rate cap agreements, the Company makes initial premium payments to the counterparties in exchange for the right to receive payments from them if interest rates exceed specified levels during the agreement period. Notional principal amounts are used to express the volume of these transactions, but the cash requirements and amounts subject to credit risk are substantially less. Parties to interest rate cap agreements are subject to market risk for changes in interest rates and credit risk in the event of nonperformance by the counterparty. The Company does not require any collateral under these agreements but deals only with highly-rated institutional counterparties and expects that they will meet their obligations.

The Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy. Although the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties, the Company assesses the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives.

Fair Value Measurements on a Nonrecurring Basis. Assets measured at fair value on a nonrecurring basis generally consist of real estate assets and investments in unconsolidated equity investments that were subject to impairment charges related to the Company's change of intent to sell the investments and through its recoverability analysis. The Company estimates fair value based on expected sales prices in the market (Level 2) or by applying the income approach methodology using a discounted cash flow analysis (Level 3).

Acquired lease intangible assets: The Company estimated the fair value of its above-market and below-market in-place leases based on the present value (using a discount rate that reflects the risk associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over the remaining non-cancelable term of the leases. Any below-market renewal options are also considered in the in-place lease values. This valuation methodology is based on Level 3 inputs in the fair value hierarchy.

In-place lease liabilities: The Company estimated the fair value of its in-place leases using independent and internal sources, which are methods similar to those used by independent appraisers. Factors we consider in our analysis include an estimate of costs to execute similar leases including tenant improvements, leasing commissions and foregone costs and rent received during the estimated lease-up period as if the space was vacant. This valuation methodology is based on Level 3 inputs in the fair value hierarchy.

Fair Value of Financial Instruments. The Company estimates the fair value of its debt, net by discounting the future cash flows using rates and borrowing spreads currently available to the Company (Level 3).

Segment Reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. Under the provision of ASC 280, Segment Reporting, we have determined that we have one reportable segment, which includes the acquisition, leasing, and ownership of logistics properties. There is an immaterial amount of non logistics properties that do not meet the quantitative thresholds necessary to require reporting as a separate segment. The Company's CODM assesses, measures, and reviews the operating financial results at the consolidated level for the entire portfolio. Our CODM is the Chief Executive Officer.

Variable Interest Entities

The Company has equity interests in certain entities that primarily own and operate properties or hold land for development. The Company consolidates those entities that are considered to be VIEs where the Company is the primary beneficiary. The Company (i) evaluates the sufficiency of the total equity investment at risk, (ii) reviews the voting rights and decision-making authority of the equity investment holders as a group and whether there are limited partners (or similar owning entities) that lack substantive participating or kick out rights, guaranteed returns, protection against losses, or capping of residual returns within the group and (iii) establishes whether activities within the entities are on behalf of an investor with disproportionately few voting rights in making this VIE determination.

To the extent that the Company owns interests in a VIE and (i) has the power to direct the activities that most significantly impact the economic performance of the VIE and (ii) has the obligation or rights to absorb losses or receive benefits that could potentially be significant to the VIE, then the Company would be determined to be the primary beneficiary and would consolidate the VIE. At each reporting period, the Company re-assesses the conclusions as to which, if any, party within the VIE is considered the primary beneficiary.

The Company has a 98.2% interest in Brentford at The Mile, a planned 411-unit multifamily apartment complex (the “Brentford Joint Venture”). An unrelated real estate development company (the “JV Partner”) holds the remaining 1.8% interest. Based on management’s analysis of the joint venture and certain related agreements, the Company determined Brentford Joint Venture is a VIE because (a) Brentford Joint Venture does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties, and (b) there are no substantive kick-out rights. The Company has also concluded it has control over the Brentford Joint Venture as it (a) is the managing member of the Brentford Joint Venture, (b) has designated decision making power to direct the activities that most significantly affect the economic performance of the Brentford Joint Venture, and (c) has a 98.2% economic interest in the investment. Thus, we determined that we are the primary beneficiary of Brentford Joint Venture. The assets of the Brentford Joint Venture may only be used to settle obligations of the Brentford Joint Venture and the creditors of the Brentford Joint Venture have no recourse to the general credit of the Company.

The following table presents a summary of financial data of the consolidated VIE included in the Company’s Consolidated Balance Sheets:

Investment	State	Company % Interest	Successor		Predecessor	
			December 31, 2022		December 31, 2021	
			Total Assets	Total Liabilities	Total Assets	Total Liabilities
Brentford Joint Venture	VA	98.2 %	\$ 162,695	\$ 119,139	\$ 76,206	\$ 7,421

Recent Accounting Pronouncements

The Company evaluated recently issued accounting standards or pronouncements and determined such standards or pronouncements are either not relevant to the Company or not expected to have a material effect on the Company’s Consolidated Financial Statements.

Note 3. Investments in Real Estate

The following comprise the Company’s real estate investments:

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
Buildings and improvements	\$	3,592,688	\$	2,341,257
Land		1,921,093		763,961
Development in progress		181,230		—
Land held for development		—		78,991
Investments in real estate		5,695,011		3,184,209
Accumulated depreciation		(138,216)		(1,178,341)
Investments in real estate, net	\$	5,556,795	\$	2,005,868

Depreciation expense of investments in real estate was \$141,027, \$48,884, \$90,176, and \$93,265 for the period from July 20, 2022 through December 31, 2022, the period from January 1, 2022 through July 19, 2022, the year ended December 31, 2021, and the year ended December 31, 2020, respectively.

We have a 95.0% interest in a joint venture that owns Highgate at The Mile, a 395-unit multifamily apartment complex located in Tysons, Virginia (“The Mile”). The remaining 5.0% interest in the joint venture is held by the JV Partner. We consolidate the joint venture that owns The Mile and as such, the consolidated real estate assets and activities related to this joint venture are included in the table above. Refer to Note 2 — Summary of Significant Accounting Policies for VIE determination.

Acquisitions

The following table summarizes the Company’s acquisition activity:

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating properties acquired	—	—	8	2
Square feet	—	—	859,000	320,000
Total purchase price	\$ —	\$ —	\$ 148,868	\$ 60,095

The purchase price of the above acquisition, including the associated transaction costs, was allocated to the assets acquired and liabilities assumed based on their relative fair values as of the acquisition date, and are summarized below:

	Successor	Predecessor		
	2022 Acquisitions	2022 Acquisitions	2021 Acquisitions	2020 Acquisitions
Building	\$ —	\$ —	\$ 111,412	\$ 24,868
Site improvements	—	—	8,670	1,075
Land	—	—	22,591	30,261
Tenant improvements	—	—	3,629	1,225
Other	—	—	1,400	2,590
Allocated purchase price	\$ —	\$ —	\$ 147,702	\$ 60,019

Transaction costs of \$—, \$—, \$370, and \$446 were capitalized and included within the allocated purchase price for the period from July 20, 2022 through December 31, 2022, the period from January 1, 2022 through July 19, 2022, the year ended December 31, 2021, and the year ended December 31, 2020, respectively.

Dispositions

The following table summarizes the Company's dispositions:

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Number of buildings	168	40	22	3
Number of land parcels	—	1	—	—
Net proceeds ¹	\$ 1,295,217	\$ 236,362	\$ 400,993	\$ 40,711
Gain on sale of real estate, net	\$ —	\$ 157,022	\$ 359,875	\$ 27,273

¹ For the Successor period from July 20, 2022 through December 31, 2022, the Non-Core Portfolio disposition was a non-cash transaction. For additional information, refer to Note 1 — Description of Business and Note 14 — Supplemental Cash Flow Disclosures.

Development

The Company completed the construction and placed into service the following buildings:

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Buildings placed into service	—	—	1	—
Square feet	—	—	83,000	—
Total costs incurred ¹	\$ —	\$ —	\$ 8,062	\$ —

¹ Total costs incurred represent the Company's cumulative spend on development activity relating to the properties placed into service in the above periods, including any allocation of purchase price resulting from acquisition of properties under development.

Assets and Liabilities Held for Sale

In the normal course of business, the Company identifies non-strategic assets for sale. The Company separately classifies properties held for sale in its Consolidated Financial Statements. Real estate investments to be disposed of are reported at the lower of carrying amount or estimated fair value, less costs to sell. Once an asset is classified as held for sale, depreciation and amortization expense is no longer recorded. Once a liability is classified as held for sale, amortization of below market leases is no longer recorded.

The following table is a summary of the assets and liabilities of the Company's zero and 12 properties classified as held for sale as of December 31, 2022 and December 31, 2021, respectively:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
Assets:		
Investments in real estate, net	\$ —	\$ 33,607
Prepaid expenses and other assets	—	2
Total assets held for sale	\$ —	\$ 33,609

Note 4. Lease-Related Intangibles

The following is a summary of the Company's intangible assets and liabilities as of December 31, 2022:

	Successor
	December 31, 2022
Intangible assets:	
Lease-related intangibles, net:	
In-place leases, net of accumulated amortization of \$70,178	\$ 221,660
Above market lease assets, net of accumulated amortization of \$1,177	6,711
Total lease-related intangible assets, net ¹	<u>\$ 228,371</u>
Intangible liabilities:	
Below market lease liabilities, net:	
Below market lease liabilities, net of accumulated amortization of \$21,376	\$ 149,883
Total lease-related intangible liabilities, net ²	<u>\$ 149,883</u>

¹ Included in Prepaid expenses and other assets in the Consolidated Balance Sheets.

² Included in Accounts payable, accrued expenses and other liabilities in the Consolidated Balance Sheets.

The following table summarizes the amortization of in-place leases:

	Successor
	Period from July 20, 2022 through December 31, 2022
In-place leases	\$ 84,405

The following table summarizes the impact on revenue of the acquired above market leases and below market leases:

	Successor
	Period from July 20, 2022 through December 31, 2022
Above market leases	\$ (1,177)
Below market leases	\$ 22,226

The following table provides the weighted-average amortization period as of December 31, 2022 for intangible assets and liabilities and the projected amortization expense for the next five years:

	Weighted-average amortization period (years)	2023	2024	2025	2026	2027	Thereafter
In-place leases	2.6	\$ 107,651	\$ 54,204	\$ 27,290	\$ 15,679	\$ 7,212	\$ 9,624
Total to be included in depreciation and amortization expense		<u>\$ 107,651</u>	<u>\$ 54,204</u>	<u>\$ 27,290</u>	<u>\$ 15,679</u>	<u>\$ 7,212</u>	<u>\$ 9,624</u>
Above-market lease assets	3.3	\$ 2,576	\$ 1,739	\$ 1,083	\$ 620	\$ 288	\$ 405
Below-market lease liabilities	4.2	(45,803)	(33,630)	(22,013)	(14,710)	(11,812)	(21,915)
Total to be included in rental revenue		<u>\$ (43,227)</u>	<u>\$ (31,891)</u>	<u>\$ (20,930)</u>	<u>\$ (14,090)</u>	<u>\$ (11,524)</u>	<u>\$ (21,510)</u>

Note 5. Debt

Mortgage loans

In connection with the completion of the Merger, certain indirect subsidiaries of the Partnership and certain subsidiaries of Blackstone Real Estate Partners IX, L.P within the Non-Core Portfolio (collectively, the “Loan A Mortgage Borrowers”) obtained a \$2,733,620 mortgage loan (the “Loan A Mortgage Loan”) on July 20, 2022 from Bank of America, N.A., Citi Real Estate Funding Inc., Barclays Capital Real Estate Inc., Morgan Stanley Bank, N.A., and Societe Generale Financial Corporation (together with its successors and assigns, the “Loan A Lenders”), and certain other indirect subsidiaries of the Partnership and certain subsidiaries of Blackstone Real Estate Partners IX, L.P within the Non-Core Portfolio (collectively, the “Loan B Mortgage Borrowers”) and, together with the Loan A Mortgage Borrowers, the “Mortgage Borrowers”) obtained a \$1,960,000 mortgage loan with an additional \$96,000 future funding option (the “Loan B Mortgage Loan”) and, together with the Loan A Mortgage Loan, the “Mortgage Loans”) on July 20, 2022 from Citibank, N.A., as administrative agent and the other lenders party thereto (together with the Loan B Lenders, the “Lenders”). On August 5, 2022, the Loan A Mortgage Loan was securitized as evidenced by that certain Offering Circular by BX Trust 2022-PSB, as the issuing entity, Bank of America Merrill Lynch Large Loan, Inc., as depositor, and Bank of America, National Association, Barclays Capital Real Estate Inc., Citi Real Estate Funding Inc., Morgan Stanley Mortgage Capital Holdings LLC and Societe Generale Financial Corporation, as mortgage loan sellers.

The Loan A Mortgage Loan is secured by first-priority, cross-collateralized mortgage liens on certain of the Company’s properties located in California, Florida, Maryland, Texas, Washington and Virginia, as well as other properties comprising the Non-Core Portfolio that are owned by affiliated entities outside of the Company (the Non-Core Affiliates”), all related personal property, reserves, a pledge of all income received by the Loan A Mortgage Borrowers with respect to such properties and a security interest in a cash management account. The Loan B Mortgage Loan is secured by first-priority, cross-collateralized mortgage liens on certain of the Company’s properties located in California, Florida, Texas, Washington and Virginia, as well as other properties comprising the Non-Core Portfolio that are owned by the Non-Core Affiliates, all related personal property, reserves, a pledge of all income received by the Loan B Mortgage Borrowers with respect to such properties and a security interest in a cash management account.

The Company and the Non-Core Affiliates are jointly and severally liable for the debt but are allocated debt and related interest based on allocated loan amounts. The Company recorded the interest and principal obligation of its portion of the Mortgage Loans on its Consolidated Balance Sheets. The Company does not expect to pay interest and principal on the portion of the Mortgage Loans allocated to the Non-Core Affiliates and therefore have not recorded any liability related to their share of the debt. Principal balances relating to the Company’s allocated amount of these loans are further outlined in the table below. Transaction costs related to loan issuances have been capitalized, deducted from the loan liabilities, and are amortized over the life of each respective loan. The Company used the proceeds from the Mortgage Loans, among other things, to (i) fund the consideration for the Merger, (ii) pay for certain costs and expenses relating to (a) the transactions in connection with the Merger and incurred in connection with the closing of the Mortgage Loans, and (b) the operation of the properties (including, without limitation, carrying costs with respect to the properties and funding working capital requirements of the properties), (iii) establish reserves, including certain reserves required to be established under the terms of the Mortgage Loans, and (iv) other general corporate purposes. General corporate purposes may include, but are not limited to, the repayment of other debt and selective development, redevelopment, or acquisition of properties.

The Mortgage Loans are scheduled to mature on August 9, 2024, with an option for the Mortgage Borrowers to extend the initial term for three one-year extension terms, subject to certain conditions.

In October 2022, the Brentford Joint Venture entered into an agreement to receive proceeds of a \$110,000 borrowing obtained under a revolving credit facility established for investment vehicles of Blackstone Real Estate Partners IX L.P., an affiliate, and certain parallel funds thereof, at an interest rate equal to secured overnight financing rate (“SOFR”) plus 2.25%. The loan is collateralized by the real estate assets owned by the Brentford Joint Venture (and is cross-collateralized with other multifamily assets owned by other investment vehicles of Blackstone Real Estate Partners IX L.P. and certain of its parallel funds joined to such facility) and has a maturity date of November 2024, though it may be prepaid earlier. Subsequent to closing, the Brentford Joint Venture distributed the proceeds of the loan to the JV partner on a pro rata basis.

The Company’s debt includes various representations and warranties, as well as a series of financial and other covenants that the Company has to comply with in order to borrow under them. The Company was in compliance with all representations and warranties, as well the covenants under the various debt facilities as of December 31, 2022 and December 31, 2021, as required and applicable.

The following table is a summary of the Company's debt arrangements:

Debt, variable	Outstanding Balance at		Interest Rate at December 31, 2022 ¹	Maturity Date at December 31, 2022 ²
	Successor	Predecessor		
	December 31, 2022	December 31, 2021		
Floating rate mortgages ³	\$ 3,904,395	\$ —	6.57% -8.33%	August 2024 - November 2024
Unsecured revolving line of credit ⁴	—	32,000	N/A	N/A
Unamortized debt issuance costs, net	(8,438)	—		
Unamortized discounts, net	(30,404)	—		
Total debt, net / Weighted average interest rate ⁵	\$ 3,865,553	\$ 32,000	7.59%	

¹ All rates presented reflect a blended SOFR for a 30 day period as stipulated by our debt agreements.

² At the Company's option, the maturity for certain debt may be extended by one or multiple years, subject to certain restrictions.

³ Interest rate based on one-month SOFR plus an applicable margin ranging from 2.25% to 3.99% based on amended agreements post closing. The Company uses derivative financial instruments to limit the exposure to changes in interest rates on variable rate debt as further discussed in

Note 6 — Derivative Financial Instruments.

⁴ As of December 31, 2021 the aggregate borrowing capacity on the line of credit was \$400,000, and bore interest at a rate equal to London Inter-bank offered rate plus 0.70%. The line of credit was terminated upon the completion of the Merger.

⁵ The weighted average interest rate calculation does not include the amortization of debt issuance costs or debt discounts incurred in obtaining debt.

Scheduled principal payments due on our debt for 2023 and for each year through the period ended December 31, 2027, and thereafter were as follows at December 31, 2022:

Years ending December 31:	Principal ¹
2023	\$ —
2024	3,904,395
2025	—
2026	—
2027	—
Thereafter	—
Total debt	\$ 3,904,395

¹ Debt payment reflects repayment dates, when applicable, pursuant to related loan agreement. These dates do not reflect the extension of periods that are at the Company's election, subject to certain conditions.

Note 6. Derivative Financial Instruments

The Company uses derivative financial instruments to manage interest rate risk on its floating rate debt.

In connection with the mortgages obtained on the date of the Merger, as further described in Note 5 — Debt, the Company entered into interest rate derivative contracts to limit its exposure of interest rate risk. The following is a summary of the Company's derivative financial instruments:

	Number of Instruments	Successor		Notional Amounts	Strike	Maturity Date
		Balance at December 31, 2022				
		Asset ¹	Liability ²			
Undesignated derivatives:						
Interest rate caps - purchased	2	\$ 54,121	\$ —	\$ 3,592,215	3.85 %	August 2024
Interest rate cap - sold	1	—	54,121	\$ 3,592,215	3.85 %	August 2024
Interest rate swap - purchased	1	83,607	—	\$ 3,592,215	3.10 %	August 2024
Total fair value of derivatives		<u>\$ 137,728</u>	<u>\$ 54,121</u>			

¹ Included in Prepaid expenses and other assets in the Consolidated Balance Sheets.

² Included in Accounts payable, accrued expenses and other liabilities in the Consolidated Balance Sheets.

During the period from July 20, 2022 through December 31, 2022, the Company recognized a net gain on interest rate derivatives of \$76,275. Gains and losses on interest rate derivatives are recorded in the line item Interest expense in the Consolidated Statements of Operations.

There were no derivative instruments as of December 31, 2021 or for the period from January 1, 2022 through July 19, 2022.

Note 7. Fair Value Measurements

The Company did not have any transfers within the fair value hierarchy during the periods presented. The Company's Level 3 inputs are model-derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company's own assumptions that market participants would use to price the asset or liability based on the best available information. In evaluating the fair value information, judgment is required to interpret the market data used to develop the estimates. The estimates of fair value may not be indicative of the amounts that could be realized in a current market exchange. Accordingly, the use of different market assumptions and/or different valuation techniques could result in materially different fair value estimates.

The carrying amounts of cash and cash equivalents, restricted cash, tenant and other receivables, prepaid expenses and other assets, accounts payable, accrued expenses and other liabilities reasonably approximates fair value, in management's judgment, because of their short-term nature.

Fair Value Measurements of Financial Instruments

The following table displays the carrying values and fair values of the Company's financial instruments:

		Successor		Predecessor	
		December 31, 2022		December 31, 2021	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:					
Interest rate derivative assets ^{1,2}	Level 2	\$ 137,728	\$ 137,728	\$ —	\$ —
Financial liabilities:					
Interest rate derivative liability ^{2,3}	Level 2	\$ 54,121	\$ 54,121	\$ —	\$ —
Debt, net ⁴	Level 3	\$ 3,865,553	\$ 3,876,294	\$ 32,000	\$ 32,000

¹ Included within Prepaid expenses and other assets on the Consolidated Balance Sheets.

² The fair value of the Company's derivatives were determined by management, based on valuation information prepared by an independent third party. This model incorporates credit risk and changes in credit risk to determine a credit valuation adjustment. This model is based on the applicable forward SOFR curve as a reflection of the market's current expectation of payments discounted at market factors.

³ Included within Accounts payable, accrued expenses and other liabilities on the Consolidated Balance Sheets.

⁴ The carrying values of the debt are shown net of deferred financing costs of \$38,842 and \$— as of December 31, 2022 and December 31, 2021, respectively. The Company estimates the fair value of its debt, net by discounting the future cash flows using rates and borrowing spreads currently available to the Company.

Fair Value Measurements on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis generally consist of real estate acquired, investments in unconsolidated joint ventures, and assets the Company expects to sell that were subject to impairment charges in connection with the Company's change of intent to sell the investments and through its recoverability analysis. Refer to Note 2 — Summary of Significant Accounting Policies for more information regarding the fair value measurement of the assets acquired and liabilities assumed in connection with the Merger. The Company estimates fair value based on expected sales prices in the market (Level 2) or by applying the income approach methodology using a discounted cash flow analysis (Level 3). During the periods presented, the Company did not record any impairment losses.

Note 8. Lease Agreements

The Company's rental revenue primarily consists of rent earned from operating leases at the Company's real estate properties. Leases generally include both a fixed base rent and variable component. The variable component of the leases primarily consists of the reimbursement of operating expenses such as real estate taxes, insurance, management fees, and common area maintenance costs. Leases are generally shorter term and may contain extension and termination options at the lessee's election.

The following table details the components of operating lease income from leases in which the Company is the lessor:

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Fixed lease payments	\$ 133,435	\$ 184,011	\$ 331,179	\$ 316,808
Variable lease payments	40,790	62,164	107,975	98,827
Rental revenue	\$ 174,225	\$ 246,175	\$ 439,154	\$ 415,635

The following table presents the future minimum rents the Company expects to receive for their properties for each year through the period ended December 31, 2027, and thereafter:

2023	\$	204,806
2024		154,568
2025		103,645
2026		69,247
2027		38,567
Thereafter		50,578
Total	\$	<u>621,411</u>

No significant tenant concentrations existed at December 31, 2022.

Note 9. Related Party Transactions

Master Services Agreement

On July 20, 2022, the Company entered into a Master Services Agreement with Link Logistics Real Estate Holdco LLC (together with its subsidiaries, "Link"), a portfolio company owned by Blackstone-advised investment vehicles, to provide, as applicable, corporate support services (including, without limitation, accounting, legal, tax, treasury, valuation services, information technology and data management), loan management, management services, operational services, property management services, and transaction support services to the Company. During the period from July 20, 2022 through December 31, 2022, total fees of \$5,446, were recognized in the line item General and administrative in the Consolidated Statements of Operations. During the period from July 20, 2022 through December 31, 2022, total fees of \$4,132 were recognized in the line item Property operating expenses in the Consolidated Statements of Operations. As of December 31, 2022, the Company had \$4,267 due to Link recorded in the line item Due to affiliates in the Consolidated Balance Sheets and \$666 due from Link recorded in the line item Due from affiliates in the Consolidated Balance Sheets. The current term of the Master Services Agreement extends to December 31, 2023, and may be renewed for additional one-year terms thereafter; provided, however, that the Master Services Agreement may be terminated at any time upon prior written notice by either Link or the Company.

During the period from July 20, 2022 through December 31, 2022, the Company incurred expenses in connection with the Merger totaling \$15,788, for services rendered by Link. Such expenses are recorded in the line item Merger costs in the Consolidated Statements of Operations.

Parent Partners Loans

In connection with the closing of the Merger, in lieu of distributing all of the proceeds from the Mortgage Loans to fund the consideration for the Merger, certain amounts were loaned to the Parent Partners (the "Parent Partners Loans"). The Parent Partners Loans are evidenced by promissory notes, bear interest at 4.16% per annum and mature in July 2027. The aggregate principal amount of the Parent Partners Loans is \$1,285,575, and is recorded within Accumulated earnings (deficit) on the Consolidated Balance Sheets. The amount of interest due to the Company as of December 31, 2022 related to the Parent Partner Loans is \$1,275.

Other

Gryphon Mutual Insurance Company (“GMUC”), an affiliate of the Company, is a captive insurance company that began providing insurance coverage to the Company in July 2022. During the period from July 20, 2022 through December 31, 2022, the Company incurred \$2,314 for insurance premiums recognized in Property operating expenses in the Consolidated Statements of Operations. The fees paid are in place of insurance premiums and fees that would otherwise be paid to third party insurance companies, and are equivalent or less than the rate third-party insurance companies would charge for such services. There were \$— amounts payable to GMUC as of December 31, 2022.

Simply Storage Management, LLC (“Simply Storage”), an affiliate of the Company, is a management company that began providing management services to the Company in October 2022. During the period from July 20, 2022 through December 31, 2022, the Company incurred \$19 for management fees recognized in the line item Property operating expenses in the Consolidated Statements of Operations.

In October 2022, the Brentford Joint Venture entered into an agreement with Blackstone Real Estate Partners IX, L.P, an affiliate, to borrow \$110,000. Refer to Note 5 — Debt for additional details.

Note 10. Stockholders' Equity

Preferred stock

On July 21, 2022, the Company issued 125 shares of preferred stock, par value \$0.01 per share, designated as the 12% Series A Redeemable Preferred Stock (the “Series A Preferred Stock”), for an aggregate cash amount of \$500. The issuance of the Series A Preferred Stock was made in a private placement in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

As of December 31, 2022 and December 31, 2021, the Company had the following series of preferred stock outstanding:

Series	Issuance Date	Earliest Potential Redemption Date	Dividend Rate	Predecessor	Successor	
				Shares outstanding as of December 31, 2021	Activity	Shares Outstanding as of December 31, 2022
Series X ¹	September 2017	September 2022	5.250 %	9,200	(5,953)	3,247
Series Y ¹	December 2017	December 2022	5.200 %	8,000	(5,757)	2,243
Series Z ¹	November 2019	November 2024	4.875 %	13,000	(9,729)	3,271
Series A ²	July 2022	N/A ²	12.000 %	—	125	125
Total				30,200	(21,314)	8,886

¹ Refer to Note 15 — Subsequent Events.

² The Company, at its option, may redeem shares of the Series A Preferred Stock, by resolutions of the Board, in whole or in part, at any time or from time to time, for cash at a redemption price equal to \$4,000 per share plus an amount equal to all accrued and unpaid dividends thereon to and including the date fixed for redemption. The redemption is within the Company’s control, and thus the preferred equity arrangements are classified as permanent equity in the Consolidated Financial Statements. The preferred stock was issued in 2022 and therefore the balance as of December 31, 2021 was \$—.

On November 22, 2022, the Company commenced offers (the “Offers”) to purchase for cash any and all outstanding Series X Preferred Shares, at \$15.29 per share, Series Y Preferred Shares, at \$15.33 per share, and Series Z Preferred Shares, at \$14.34 per share. The Company accepted for purchase 5,953,898 Series X Preferred Shares, 5,756,691 Series Y Preferred Shares and 9,728,688 Series Z Preferred Shares (the shares repurchased being Depository shares each representing 1/1000 of a Share of the respective Preferred Share counts included in the above table detailing preferred stock activity). The offers were completed on December 23, 2022 and the Preferred Shares purchased were cancelled by the Company. As a result of the Preferred Shares repurchase, we recorded a gain of \$76,459, recorded in the line item Preferred securities redemption in the Consolidated Statements of Operations, representing the Preferred Shares carrying value of \$399,174 less the Preferred Shares offer price of \$318,795 and transaction costs of \$3,920.

On November 2, 2022, the board of directors of the Company (the “Board of Directors”) authorized a quarterly dividend on each series of the Company’s preferred stock underlying the Preferred Shares payable on December 31, 2022 (the “December Dividend”) to holders of record of such underlying preferred stock at the close of business on December 15, 2022 for distribution to the holders of the Preferred Shares. All holders of the Preferred Shares at the close of business on the December 15, 2022

record date received the December Dividend for the applicable series of Preferred Shares regardless of whether they participated in the Offers since the December 15, 2022 record date occurred prior to the consummation of the Offers.

As market conditions warrant, we and our majority equity holders, Blackstone and its affiliates, may from time to time seek to repurchase the remaining outstanding Preferred Shares in open market or privately negotiated purchases, by tender offer or otherwise or to redeem our preferred stock pursuant to the terms of their respective governing documents. The size of such repurchases may be material and may impact the liquidity and trading price of such preferred stock.

The Company paid \$19,186, \$19,160, \$46,624, and \$48,186 in distributions to its preferred stockholders for the period from July 20, 2022 through December 31, 2022, the period from January 1, 2022 through July 19, 2022, the year ended December 31, 2021, and the year ended December 31, 2020, respectively.

The holders of the Company's preferred stock have general preference rights with respect to liquidation, quarterly distributions and any accumulated unpaid distributions. Holders of the Company's preferred stock will not be entitled to vote on most matters, except under certain conditions. In the event of a cumulative arrearage equal to six quarterly dividends, the holders of the Company's preferred stock will have the right to elect two additional members to serve on the Company's Board of Directors (the "Board") until all events of default have been cured. At December 31, 2022, there were no dividends in arrears.

Except under certain conditions relating to the Company's qualification as a REIT, the Company's preferred stock is not redeemable prior to the redemption dates noted above. On or after the respective redemption dates, the respective series of preferred stock will be redeemable, at the option of the Company, in whole or in part, at \$25.00 per depositary share, plus any accrued and unpaid dividends. The redemption is within the Company's control, and thus the preferred equity arrangements are classified as permanent equity in the Consolidated Financial Statements.

Pursuant to the terms and conditions of the Merger Agreement, at the effective time of the Merger (the "Company Merger Effective Time"), each share of the 5.250% Series X Cumulative Preferred Stock of the Company, par value \$0.01 per share, 5.200% Series Y Cumulative Preferred Stock of the Company, par value \$0.01 per share, and 4.875% Series Z Cumulative Preferred Stock of the Company, par value \$0.01 per share (collectively, the "Existing Preferred Stock"), issued and outstanding immediately prior to the Company Merger Effective Time and each depositary share issued pursuant to the deposit agreements for the Existing Preferred Stock, representing one-thousandth of one share of Existing Preferred Stock issued and outstanding immediately prior to the Company Merger Effective Time, was unaffected by the Merger and remained outstanding in accordance with their respective terms.

Common stock and units

The following table summarizes the Company's distributions to common stockholders and common unit holders:

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Distributions to common stockholders	\$ 112,379	\$ 209,079	\$ 242,595	\$ 115,396
Distributions to common unit holders	\$ —	\$ 55,358	\$ 64,364	\$ 30,823

Pursuant to the terms and conditions of the Merger Agreement, at Company Merger Effective Time, each share of common stock of the Company, par value \$0.01 per share ("Common Stock"), issued and outstanding immediately prior to the Company Merger Effective Time was automatically converted into the right to receive an amount in cash equal to \$182.25 per share, without interest and less any applicable withholding taxes, representing \$187.50 per share of Common Stock as reduced by the \$5.25 per share Closing Cash Dividend.

The following table summarizes the Company's distribution taxability to preferred stockholders and common stockholders (unaudited):

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Common				
Portion of distributions classified as ordinary income	28.1 %	33.2 %	35.0 %	100.0 %
Portion of distributions classified as long-term capital gain income	— %	55.4 %	65.0 %	— %
Portion of distributions classified as nondividend distributions	71.9 %	11.4 %	— %	— %
Preferred - Series X, Y, Z				
Portion of distributions classified as ordinary income	47.8 %	47.8 %	35.0 %	100.0 %
Portion of distributions classified as long-term capital gain income	52.2 %	52.2 %	65.0 %	— %
Preferred - Series A				
Portion of distributions classified as ordinary income	100.0 %	— %	— %	— %

Note 11. Incentive Compensation

Prior to the Merger, under various share-based compensation plans, PSB granted non-qualified options to purchase the Company's common stock at a price not less than fair value on the date of grant, as well as RSUs, to certain directors, officers and key employees.

Prior to the Merger, we amortized the fair value of awards starting at the beginning of the service period as compensation expense. For awards that are earned solely upon the passage of time and continued service, the entire cost of the award was amortized on a straight-line basis over the service period. For awards with performance conditions, the individual cost of each vesting was amortized separately over each individual service period (the "accelerated attribution" method). We accounted for forfeitures of share-based payments as they occurred by reversing previously amortized share-based compensation expense with respect to unvested grants that were forfeited in the period the employee terminates employment.

Pursuant to the terms and conditions of the Merger Agreement, at or immediately prior to, as applicable, the Company Merger Effective Time, each 2022 Equity Incentive Plan award approved under the Company's 2022 Equity Incentive Plan Awards Program was cancelled in exchange for a specific cash payment, less any applicable withholding taxes.

In connection with the separation agreement with our former President and Chief Executive Officer ("CEO"), who stepped down from his positions with the Company for health reasons effective March 23, 2022, the Company paid a lump sum payment of \$6,643 in exchange for 41,186 restricted stock units owned by the former CEO, which represents the market value of the Company common stock underlying such units as of March 18, 2022.

In connection with the appointment of our President and Chief Executive Officer ("CEO") effective April 5, 2021, the Company granted a one-time RSU sign-on award with a grant date fair value of \$3,695 and a retention RSU award with a grant date fair value of \$2,889. These RSUs were set to vest ratably over five years.

Prior to the Merger, effective September 1, 2020, Maria Hawthorne retired from her role as President and CEO and continued to serve as a director of the Company until July 2022. Due to Ms. Hawthorne's continued service as a director of the Company, her unvested stock options and restricted stock units continued to vest on their original vesting schedule in accordance with the Company's 2012 Equity and Performance-Based Incentive Compensation Plan and related award agreements. For financial reporting purposes, the end of the service periods for these stock option and restricted stock unit grants have changed from the various respective vesting dates to September 1, 2020, the date of her retirement as President and CEO. Accordingly, all remaining stock compensation expense for Ms. Hawthorne, which totaled \$1,738, was amortized, and included in general and administrative expense during the year ended December 31, 2020.

Stock Options

Pursuant to the terms and conditions of the Merger Agreement, at or immediately prior to, as applicable, the Company Merger Effective Time, each stock option to purchase shares of Common Stock (each, a “Company Option”) outstanding immediately prior to the Company Merger Effective Time was automatically cancelled in exchange for a cash payment in an amount in cash equal to (1) the number of shares of Common Stock subject to the Company Option immediately prior to the Company Merger Effective Time multiplied by (2) the excess of the Per Company Share Merger Consideration over the per share exercise price applicable to the Company Option, less any applicable withholding taxes.

Stock options expire 10.0 years after the grant date and the exercise price is equal to the closing trading price of our common stock on the grant date. Stock option holders cannot require the Company to settle their award in cash. We use the Black-Scholes option valuation model to estimate the fair value of our stock options on the date of grant.

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Stock option expense for the year	\$ —	\$ 229	\$ 712	\$ 412
Aggregate exercise date intrinsic value of options exercised during the year	\$ —	\$ 2,311	\$ 4,559	\$ 305
Average assumptions used in valuing options with the Black-Scholes method:				
Expected life of options in years, based upon historical experience	0	0	5	5
Risk-free interest rate	— %	— %	0.8 %	0.4 %
Expected volatility, based upon historical volatility	— %	— %	15.4 %	22.3 %
Expected dividend yield	— %	— %	2.6 %	3.3 %
Average estimated value of options granted during the year	\$ —	\$ —	\$ 14.40	\$ 15.27

We declared a one-time special cash dividend of \$4.60 per share (the “Special Cash Dividend”) along with the fourth quarter regular dividend of \$1.05 per share for the three months ended December 31, 2021. The Special Cash Dividend was declared to distribute a portion of the excess income attributable to gains on sales from asset dispositions during the year ended December 31, 2021.

As of December 31, 2022, there was zero unamortized compensation expense related to stock options expected to be recognized over a weighted average period of 0.0 years. Included in 2021 compensation expense related to stock options was \$102 of expense resulting from modifications made to outstanding stock options because of the Special Cash Dividend paid during the year ended December 31, 2021.

In connection with the Special Cash Dividend, the number of options and exercise prices of all outstanding options were adjusted pursuant to the anti-dilution provisions of the applicable plans so that the option holders would be neither advantaged nor disadvantaged because of the Special Cash Dividend.

Cash received from 27,403 options exercised during the period from January 1, 2022 through July 19, 2022 was \$2,101. Cash received from 55,546 stock options exercised during the year ended December 31, 2021 was \$5,012. Cash received from 4,136 stock options exercised during the year ended December 31, 2020 was \$258.

Information with respect to stock options during 2022, 2021, and 2020 is as follows:

Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Aggregate Intrinsic Value
Outstanding at December 31, 2019 - Predecessor	157,830	\$ 104.92		
Granted	18,000	\$ 127.22		
Exercised	(4,136)	\$ (62.69)		
Forfeited	—	\$ —		
Outstanding at December 31, 2020 - Predecessor	171,694	\$ 108.29		
Granted	38,000	\$ 162.63		
Exercised	(55,546)	\$ 90.24		
Forfeited	—	\$ —		
Special cash dividend adjustment ¹	5,422	\$ 124.13		
Outstanding at December 31, 2021 - Predecessor	159,570	\$ 123.87		
Granted	—	\$ —		
Exercised	(27,403)	\$ 76.76		
Forfeited	(132,167)	\$ 133.64		
Outstanding at July 19, 2022 - Predecessor	—	\$ —		
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited	—	\$ —		
Outstanding at December 31, 2022 - Successor	—	\$ —	0.00	\$ —
Exercisable at December 31, 2022 - Successor	—	\$ —	0.00	\$ —

¹ In accordance with the applicable equity award plan documents, the number and exercise price of outstanding options have been adjusted because of the Special Cash Dividend so that the option holder maintains their economic position with respect to the stockholders.

Restricted Stock Units

RSUs granted prior to 2016 are subject to a six-year vesting, with 20% vesting after year two, and 20% vesting after each of the next four years. RSUs granted during and subsequent to 2016 are subject to a five-year vesting at the rate of 20% per year or a three-year vesting at the rate of one-third per year. Grantees receive dividends for each outstanding RSU equal to the per share dividend received by common stockholders, which are recorded in paid-in capital. We expense any dividends previously paid upon forfeiture of the related RSU. Upon vesting, the grantee receives shares of common stock equal to the number of vested RSUs, less shares of common stock withheld in exchange for tax withholdings made by the Company to satisfy the grantee's statutory tax liabilities arising from the vesting. The fair value of our RSUs is determined based upon the applicable closing trading price of our common stock on the date of grant.

In March 2020, the Compensation Committee of the Board approved an annual performance-based equity incentive program ("Annual Equity Incentive Program") under the Company's 2012 Equity and Performance-Based Incentive Compensation Plan. Under the program, certain employees will be eligible on an annual basis to receive RSUs based on the Company's achievement of pre-established targets for (i) growth in net asset value per share, and (ii) stockholder value creation, each as computed pursuant to the terms of the Annual Equity Incentive Program. In the event the pre-established targets are achieved, eligible employees will receive the target award, except that the Compensation Committee of the Board may adjust the actual award to 75%-125% of the target award based on its assessment of whether certain strategic and operational goals were accomplished in the performance period. RSUs awarded under the Annual Equity Incentive Program for the 2021 performance year will be awarded on or around March 1, 2022 and will vest in five equal installments, with the first installment vesting on the award date. RSU holders will earn dividend equivalent rights during the vesting period.

In connection with the Annual Equity Incentive Program for the 2021 performance year, targets for 2021 were achieved at the threshold total return level. As such, subsequent to December 31, 2021, 25,140 restricted stock units were awarded with a March 1, 2021 grant date fair value of \$3,617.

Pursuant to the terms and conditions of the Merger Agreement, at or immediately prior to, as applicable, the Company Merger Effective Time, each Company RSU award of restricted stock units covering shares of Common Stock granted under a Company equity plan and each award of deferred stock units governed under the Company's retirement plan for non-employee directors that were outstanding immediately prior to the Company Merger Effective Time was cancelled in exchange for a cash payment in an amount in cash equal to (1) the number of shares of Common Stock subject to the Company RSU Award immediately prior to the Company Merger Effective Time multiplied by (2) the Per Company Share Merger Consideration, less any applicable withholding taxes.

In addition, each Company RSU Award and vested Company Deferred Stock Unit Award (as of July 19, 2022) was additionally entitled, pursuant to the terms of each award, to a dividend equivalent payment in respect of the Pro Rata Dividend. Each holder of a Company RSU Award, Company Deferred Stock Unit Award and/or Company Option received an aggregate payment with respect to such award inclusive of the aggregate Closing Cash Dividend that such holder would have received had such Company RSU Award or Company Deferred Stock Unit Award been settled in Company Common Stock or Company Option been exercised, in each case, immediately prior to the close of business on July 19, 2022.

Information with respect to RSUs during 2022, 2021, and 2020 is as follows:

Restricted Stock Units	Number of RSUs	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2019 - Predecessor	150,848	\$ 15,425
Granted	46,036	5,562
Vested	(73,256)	(6,991)
Forfeited	(2,120)	(290)
Nonvested at December 31, 2020 - Predecessor	121,508	13,706
Granted	76,266	11,948
Vested	(61,243)	(6,255)
Forfeited	(17,940)	(2,107)
Nonvested at December 31, 2021 - Predecessor	118,591	17,292
Granted	38,151	5,807
Vested	(22,209)	(3,003)
Forfeited	(134,533)	(20,096)
Nonvested at July 19, 2022 - Predecessor	—	—
Granted	—	—
Vested	—	—
Forfeited	—	—
Nonvested at December 31, 2022 - Successor	—	\$ —

Of the 38,151 RSUs the Company granted during the period from January 1, 2022 through July 19, 2022, 2,874 were granted to our former Chief Financial Officer, 1,877 were granted to our former Chief Accounting Officer and 23,263 RSUs in aggregate to our former Divisional Vice Presidents.

As of December 31, 2022, there was zero unamortized compensation expense related to RSUs expected to be recognized over a weighted average period of zero years.

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Restricted stock unit expense	\$ —	\$ 3,106	\$ 6,685	\$ 4,475
Shares of common stock issued upon vesting	—	12,528	35,714	43,458
Fair value of vested common stock on vesting date	\$ —	\$ 3,704	\$ 9,474	\$ 10,350
Cash paid for taxes in lieu of shares of common stock withheld upon vesting of RSUs	\$ —	\$ 1,318	\$ 3,940	\$ 4,216

For the predecessor period, under the Retirement Plan for Non-Employee Directors (the “Director Retirement Plan”), the Company granted 1,000 shares of common stock for each year served as a director up to a maximum of 10,000 shares issued upon retirement.

For the predecessor period from July 20, 2022 through December 31, 2022, period from July 1, 2022 through July 19, 2022, the year ended December 31, 2021, and the year ended December 31, 2020, we recorded \$—, \$583, \$1,098, and \$761, respectively, in compensation expense related to the Director Retirement Plan shares.

In April 2021, we issued 10,000 shares of common stock to a director upon retirement with an aggregate fair value of \$1,635. Compensation expense for these shares was previously recognized. No director retirement shares were issued during the period from July 20, 2022 through December 31, 2022, the period from January 1, 2022 through July 19, 2022, and the year ended December 31, 2020.

Note 12. Earnings per Share

The Company presents both basic and diluted earnings per share (“EPS”). Basic earnings per share is based on the weighted average number of shares of common shares outstanding during the period. Diluted earnings per share is based on the weighted average number of shares outstanding combined with the incremental weighted average effect from all outstanding potentially dilutive instruments.

The computation of our basic and diluted earnings per share and unit were as follows:

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Net earnings (loss) attributable to common shareholders – basic	\$ (175,018)	\$ 159,190	\$ 553,029	\$ 206,705
Adjusted net earnings (loss) attributable to common shareholders – diluted	\$ (117,451)	\$ 109,795	\$ 393,088	\$ 124,645
Weighted average common shares outstanding – basic		27,619,484	27,533,845	27,474,920
Incremental weighted average effect of equity awards		89,133	101,743	88,497
Weighted average common shares outstanding – diluted		27,708,617	27,635,588	27,563,417
Net earnings per share attributable to common shareholders:				
Basic		\$ 3.98	\$ 14.28	\$ 4.54
Diluted		\$ 3.96	\$ 14.22	\$ 4.52

Note 13. Commitments and Contingencies

Funding Commitments — In conjunction with the terms of the leases with certain of our tenants, the Company has commitments for tenant improvements and leasing commissions of \$3,106 on our real estate properties owned at December 31, 2022.

Concentration of Credit Risk — The Company maintains its cash, cash equivalents and restricted cash at various high-quality financial institutions. The consolidated account balances at each institution typically exceed Federal Deposit Insurance Corporation (“FDIC”) insurance coverage, and as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes this risk is not significant.

Environmental — As an owner of real estate, the Company is subject to various environmental laws of federal, state, and local governments. Compliance with existing environmental laws has not had a material impact on the Company’s consolidated financial condition and results of operations. The Company has obtained various environmental insurance policies to mitigate its exposure to environmental obligations. The Company cannot predict the impact of unforeseen environmental contingencies or new or changed laws or regulations on its properties, properties that have been sold, or properties that may be acquired in the future.

Litigation — The Company is party to a variety of legal proceedings arising in the ordinary course of business. All of these matters, taken together, did not have a material impact on the consolidated financial condition, results of operations, or of the Company.

Off-Balance Sheet Liabilities — The Company may be required under capital commitments or may choose to make additional capital contributions to certain of its unconsolidated entities, representing its proportionate ownership interest, should additional capital contributions be necessary to fund development or acquisition costs, repayment of debt or operational shortfalls.

Note 14. Supplemental Cash Flow Disclosures

The following table represents supplemental cash flow disclosures:

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Reconciliation to the Consolidated Balance Sheets				
Cash and cash equivalents	\$ 51,608	\$ 7,056	\$ 27,074	\$ 69,083
Restricted cash	636	1,088	1,088	1,088
Total cash and cash equivalents and restricted cash	\$ 52,244	\$ 8,144	\$ 28,162	\$ 70,171
Supplemental disclosures of cash flow information:				
Interest paid	\$ 95,078	\$ 58	\$ —	\$ —
Interest capitalized	\$ 1,893	\$ —	\$ —	\$ —
Income taxes paid	\$ 28	\$ —	\$ —	\$ —
Cash paid for operating lease liabilities	\$ 50	\$ —	\$ —	\$ —
Supplemental disclosures of non-cash activities:				
Accrued but not yet paid development and capital expenditures	\$ (3,194)	\$ (3,160)	\$ (5,746)	\$ (1,698)
Redemption of preferred shares	\$ 76,459	\$ —	\$ (6,434)	\$ —
Pushdown accounting opening balance sheet	\$ 5,306,541	\$ —	\$ —	\$ —
Distribution of Non-Core Portfolio	\$ 1,295,217	\$ —	\$ —	\$ —

In connection with the Merger, the Company applied pushdown accounting and the non-cash activity represents the fair value of assets acquired less liabilities assumed to reflect the acquisition in accordance with ASC 805. Refer to Note 2 — Summary of Significant Accounting Policies for additional details.

Note 15. Subsequent Events

Management has evaluated events occurring subsequent to December 31, 2022. On January 3, 2023, the Company filed a Form 25 with the Commission to delist the Preferred Shares. On January 13, 2023, the Preferred Shares ceased trading on the New York Stock Exchange and the Company filed a certification and notification of termination of registration under Section 12(g) of the Exchange Act, on Form 15 with the Commission. The filing of the Form 15 immediately suspended the Company's filing obligations under Section 12(g) of the Exchange Act. No additional material subsequent events have occurred since December 31, 2022 that require recognition or disclosure in the Company's Consolidated Financial Statements.

PS Business Parks, Inc.
Schedule III — Real Estate and Accumulated Depreciation
As of December 31, 2022
(in thousands)

Property Address	Building Count	Location (City, State)	Encumbrances	Initial Cost			Gross Carrying Amount at December 31, 2022			Accumulated Depreciation	Date Acquired/Date of Construction
				Land	Building and Improvements	Building and Improvements	Land	Building and Improvements	Total		
Operating Properties											
12112 Technology Blvd	1	Austin, TX	(d)	\$ 2,319	\$ 5,702	\$ —	\$ 2,319	\$ 5,702	\$ 8,021	\$ (306)	2022
12212 Technology Blvd	1	Austin, TX	(d)	2,919	7,232	—	2,919	7,232	10,151	(387)	2022
1807 Braker Ln	1	Austin, TX	(d)	4,069	11,906	369	4,069	12,275	16,344	(501)	2022
11209 Metric Blvd	1	Austin, TX	(d)	18,018	8,540	2	18,018	8,542	26,560	(383)	2022
12301 Technology Blvd	1	Austin, TX	(d)	1,256	5,395	—	1,256	5,395	6,651	(203)	2022
12303 Technology Blvd	1	Austin, TX	(d)	4,032	13,758	(16)	4,032	13,742	17,774	(689)	2022
5555 N Lamar Blvd	7	Austin, TX	(d)	27,765	13,709	65	27,765	13,774	41,539	(959)	2022
4210 S. Industrial Dr	1	Austin, TX	(d)	2,590	6,900	50	2,590	6,950	9,540	(331)	2022
9120 Burnet Rd	1	Austin, TX	(d)	2,920	3,304	—	2,920	3,304	6,224	(94)	2022
9233 Waterford Centre Blvd	1	Austin, TX	(d)	1,683	2,548	4	1,683	2,552	4,235	(77)	2022
9229 Waterford Centre Blvd	1	Austin, TX	(d)	2,477	11,045	1	2,477	11,046	13,523	(332)	2022
12100 Technology Blvd	1	Austin, TX	(d)	1,958	4,352	—	1,958	4,352	6,310	(187)	2022
5555 N Lamar Blvd - Bldg. B	2	Austin, TX	(d)	13,647	7,457	3	13,647	7,460	21,107	(403)	2022
3800 Drossett	1	Austin, TX	(d)	3,178	12,032	(3)	3,178	12,029	15,207	(469)	2022
3900 Drossett	1	Austin, TX	(d)	1,405	7,366	—	1,405	7,366	8,771	(298)	2022
12201 Technology Blvd	1	Austin, TX	(d)	3,409	12,114	—	3,409	12,114	15,523	(634)	2022
2500 McHale Ct	1	Austin, TX	(d)	25,949	4,148	23	25,949	4,171	30,120	(136)	2022
12317 Technology Blvd	1	Austin, TX	(d)	10,164	46,725	(28)	10,164	46,697	56,861	(2,118)	2022
2600 McHale Ct	1	Austin, TX	(d)	13,380	5,138	13	13,380	5,151	18,531	(235)	2022
2601 McHale Ct	1	Austin, TX	(d)	15,547	1,777	(102)	15,547	1,675	17,222	(97)	2022
10505 Boyer Blvd	1	Austin, TX	(d)	2,014	7,714	6	2,014	7,720	9,734	(291)	2022
2020 Rutland Dr	1	Austin, TX	(d)	938	14,090	25	938	14,115	15,053	(550)	2022
2013 Centimeter Circle	1	Austin, TX	(d)	1,840	9,938	1	1,840	9,939	11,779	(389)	2022
2112 Rutland Dr	1	Austin, TX	(d)	2,143	14,053	21	2,143	14,074	16,217	(558)	2022
2105 Denton Dr	1	Austin, TX	(d)	1,068	5,019	—	1,068	5,019	6,087	(236)	2022
2111 Braker Ln	1	Austin, TX	(d)	2,835	11,744	74	2,835	11,818	14,653	(551)	2022
11110 Metric Blvd	1	Austin, TX	(d)	1,849	6,972	48	1,849	7,020	8,869	(331)	2022
2157-2191 Woodward St	1	Austin, TX	(d)	2,353	10,776	10	2,353	10,786	13,139	(322)	2022
4175 Freidrich Ln	1	Austin, TX	(d)	2,205	11,028	7	2,205	11,035	13,240	(332)	2022
4115 Freidrich Ln	1	Austin, TX	(d)	1,811	5,585	136	1,811	5,721	7,532	(178)	2022
4150 Freidrich Ln	1	Austin, TX	(d)	2,515	10,771	7	2,515	10,778	13,293	(304)	2022

PS Business Parks, Inc.
Schedule III — Real Estate and Accumulated Depreciation
As of December 31, 2022
(in thousands)

Property Address	Building Count	Location (City, State)	Encumbrances	Initial Cost		Costs Capitalized Subsequent to Acquisition, net of Write-offs	Gross Carrying Amount at December 31, 2022			Accumulated Depreciation	Date Acquired/Date of Construction
				Land	Building and Improvements	Building and Improvements	Land	Building and Improvements	Total		
4020 S. Industrial Dr	1	Austin, TX	(d)	2,487	8,700	21	2,487	8,721	11,208	(226)	2022
6500 Virginia Manor Rd	5	Beltsville, MD	(d)	11,318	28,880	76	11,318	28,956	40,274	(912)	2022
10018 Spanish Isles Boulevard	4	Boca Raton, FL	(d)	5,143	30,460	45	5,143	30,505	35,648	(1,041)	2022
10018 Spanish Isles Boulevard	1	Boca Raton, FL	(d)	4,212	1,148	1	4,212	1,149	5,361	(45)	2022
6700 8th St	8	Buena Park, CA	(d)	43,216	74,204	111	43,216	74,315	117,531	(3,393)	2022
1313 Valwood Pkwy	2	Carrollton, TX	(d)	2,858	8,211	137	2,858	8,348	11,206	(427)	2022
1420 Valwood Pkwy Bldg. 1	2	Carrollton, TX	(d)	1,091	3,242	40	1,091	3,282	4,373	(156)	2022
1840 Hutton Dr	1	Carrollton, TX	(d)	966	2,963	79	966	3,042	4,008	(145)	2022
2081 Hutton Dr Bldg. 1	3	Carrollton, TX	(d)	1,471	3,584	(20)	1,471	3,564	5,035	(208)	2022
1505 Luna Rd Bldg. 1	1	Carrollton, TX	(d)	902	2,229	1	902	2,230	3,132	(139)	2022
1505 Luna Rd Bldg. 2	1	Carrollton, TX	(d)	435	891	—	435	891	1,326	(25)	2022
1420 Valwood Pkwy Bldg. 2	1	Carrollton, TX	(d)	1,375	6,311	11	1,375	6,322	7,697	(192)	2022
20620 S. Leapwood Ave	5	Carson, CA	(d)	13,224	8,040	23	13,224	8,063	21,287	(410)	2022
14020 Bolsa Ln	11	Cerritos, CA	(d)	51,629	63,569	512	51,629	64,081	115,710	(2,925)	2022
125 Mason Circle	10	Concord, CA	(d)	28,615	22,986	578	28,615	23,564	52,179	(1,158)	2022
1880 Crown Dr	5	Dallas, TX	(d)	2,187	8,966	5	2,187	8,971	11,158	(450)	2022
2270 Springlake Rd	2	Dallas, TX	(d)	1,111	6,521	43	1,111	6,564	7,675	(291)	2022
1315-1401 Royal Ln	2	Dallas, TX	(d)	—	8,366	133	—	8,499	8,499	(540)	2022
1025 Royal Ln	1	Dallas, TX	(d)	—	2,908	9	—	2,917	2,917	(96)	2022
14934 Webb Chapel Rd	7	Dallas, TX	(d)	2,875	15,112	42	2,875	15,154	18,029	(517)	2022
12801 North Stemmons Fwy - Bldg 7	6	Dallas, TX	(d)	2,857	17,968	14	2,857	17,982	20,839	(606)	2022
2901-2949 Bayview Dr	2	Fremont, CA	(d)	16,058	21,724	57	16,058	21,781	37,839	(644)	2022
41444-41458 Christy St	4	Fremont, CA	(d)	42,988	45,375	58	42,988	45,433	88,421	(1,575)	2022
45101-45169 Industrial Dr	1	Fremont, CA	(d)	25,304	42,795	—	25,304	42,795	68,099	(960)	2022
1720 Northwest Hwy - 1720	3	Garland, TX	(d)	694	1,795	(13)	694	1,782	2,476	(99)	2022
755 Port America Place	2	Grapevine, TX	(d)	2,600	18,279	25	2,600	18,304	20,904	(384)	2022
755 Port America Place	2	Grapevine, TX	(d)	1,525	14,699	36	1,525	14,735	16,260	(354)	2022
755 Port America Place	3	Grapevine, TX	(d)	3,253	29,570	78	3,253	29,648	32,901	(763)	2022
755 Port America Place	2	Grapevine, TX	(d)	2,083	13,063	4	2,083	13,067	15,150	(325)	2022
755 Port America Place	2	Grapevine, TX	(d)	1,276	11,479	66	1,276	11,545	12,821	(293)	2022
755 Port America Place	2	Grapevine, TX	(d)	1,825	10,421	(3)	1,825	10,418	12,243	(268)	2022
755 Port America Place	2	Grapevine, TX	(d)	2,117	10,072	2	2,117	10,074	12,191	(256)	2022
3832 Bay Center Pl	4	Hayward, CA	(d)	18,992	17,321	27	18,992	17,348	36,340	(680)	2022

PS Business Parks, Inc.
Schedule III — Real Estate and Accumulated Depreciation
As of December 31, 2022
(in thousands)

Property Address	Building Count	Location (City, State)	Encumbrances	Initial Cost			Costs Capitalized Subsequent to Acquisition, net of Write-offs	Gross Carrying Amount at December 31, 2022			Accumulated Depreciation	Date Acquired/Date of Construction
				Land	Building and Improvements	Building and Improvements	Land	Building and Improvements	Total			
25531-25565 Whitesell St	2	Hayward, CA	(d)	16,097	16,585	152	16,097	16,737	32,834	(625)	2022	
3875 Bay Center Pl	1	Hayward, CA	(d)	7,520	13,326	—	7,520	13,326	20,846	(601)	2022	
21001-21005 Cabot Blvd	1	Hayward, CA	(d)	21,821	45,129	1	21,821	45,130	66,951	(2,036)	2022	
26235-26269 Research Rd	1	Hayward, CA	(d)	10,584	12,856	37	10,584	12,893	23,477	(402)	2022	
1495-1497 Zephyr Ave	8	Hayward, CA	(d)	65,373	132,823	138	65,373	132,961	198,334	(6,016)	2022	
30750 Wiegman Rd	1	Hayward, CA	(d)	47,193	78,858	—	47,193	78,858	126,051	(2,304)	2022	
2283/2289 Industrial Pkwy West	13	Hayward, CA	(d)	43,725	72,507	16	43,725	72,523	116,248	(3,347)	2022	
26250-26260 Eden Landing Rd	5	Hayward, CA	(d)	19,213	17,395	145	19,213	17,540	36,753	(831)	2022	
25005-25013 Viking St	16	Hayward, CA	(d)	35,477	30,633	497	35,477	31,130	66,607	(1,083)	2022	
1236-1288 San Luis Obispo Ave	3	Hayward, CA	(d)	22,152	15,296	15	22,152	15,311	37,463	(620)	2022	
8480 Esters	1	Irving, TX	(d)	1,073	13,402	—	1,073	13,402	14,475	(214)	2022	
8300 Esters Blvd	4	Irving, TX	(d)	6,575	24,172	(14)	6,575	24,158	30,733	(752)	2022	
7815 S. 208th St	4	Kent, WA	(d)	16,876	100,083	71	16,876	100,154	117,030	(4,577)	2022	
20651 84th Ave South	4	Kent, WA	(d)	20,415	99,115	129	20,415	99,244	119,659	(4,504)	2022	
22600-A Lambert St	16	Lake Forest, CA	(d)	43,056	50,895	180	43,056	51,075	94,131	(2,470)	2022	
7915 Jones Branch Drive	1	McLean, VA	(d)	19,802	111,652	(115)	19,802	111,537	131,339	(1,266)	2022	
15330 LBL Fwy	4	Mesquite, TX	(d)	1,873	2,417	192	1,873	2,609	4,482	(134)	2022	
1400-1422 1444-1466 NW 82nd Ave	2	Miami, FL	(d)	11,718	47,663	25	11,718	47,688	59,406	(2,291)	2022	
2273-2999 NW 82nd Ave	3	Miami, FL	(d)	17,887	65,352	(21)	17,887	65,331	83,218	(2,081)	2022	
8181 NW 14th St	1	Miami, FL	(d)	1,215	1,007	23	1,215	1,030	2,245	(37)	2022	
8000 NW 25th St	1	Miami, FL	(d)	6,058	9,294	(58)	6,058	9,236	15,294	(300)	2022	
1300-1314 NW 78th Ave	4	Miami, FL	(d)	14,191	60,616	(35)	14,191	60,581	74,772	(2,854)	2022	
7950-7966 NW 14th St	4	Miami, FL	(d)	15,947	51,199	(57)	15,947	51,142	67,089	(2,402)	2022	
1552-1598 NW 82nd Ave	4	Miami, FL	(d)	15,027	59,340	100	15,027	59,440	74,467	(2,847)	2022	
1501-1573 NW 82nd Ave	2	Miami, FL	(d)	19,966	50,223	52	19,966	50,275	70,241	(2,448)	2022	
1700-1744 NW 82nd Ave	3	Miami, FL	(d)	13,794	60,906	24	13,794	60,930	74,724	(2,913)	2022	
8236-8320 NW 14th St	2	Miami, FL	(d)	10,058	48,031	(8)	10,058	48,023	58,081	(1,711)	2022	
1900-1998 NW 82nd Ave	2	Miami, FL	(d)	12,899	46,100	298	12,899	46,398	59,297	(1,464)	2022	
2001-2063 NW 79th Ave	3	Miami, FL	(d)	23,229	82,949	122	23,229	83,071	106,300	(2,694)	2022	
1901-1927 NW 79th Ave	1	Miami, FL	(d)	4,891	20,513	10	4,891	20,523	25,414	(371)	2022	
1751-1789 NW 79th Ave	1	Miami, FL	(d)	7,164	27,679	25	7,164	27,704	34,868	(1,284)	2022	
1410 NW 79th Ave	3	Miami, FL	(d)	6,919	22,739	5	6,919	22,744	29,663	(1,099)	2022	
1501-1579 NW 79th Ave	3	Miami, FL	(d)	15,257	58,046	67	15,257	58,113	73,370	(2,778)	2022	

PS Business Parks, Inc.
Schedule III — Real Estate and Accumulated Depreciation
As of December 31, 2022
(in thousands)

Property Address	Building Count	Location (City, State)	Encumbrances	Initial Cost			Costs Capitalized Subsequent to Acquisition, net of Write-offs	Gross Carrying Amount at December 31, 2022			Accumulated Depreciation	Date Acquired/Date of Construction
				Land	Building and Improvements	Building and Improvements		Land	Building and Improvements	Total		
1701-1739 NW 79th Ave	2	Miami, FL	(d)	8,300	35,422	127	8,300	35,549	43,849	(1,686)	2022	
8200-8234 NW 14th St	1	Miami, FL	(d)	3,966	13,075	(36)	3,966	13,039	17,005	(460)	2022	
1425-1435 NW 79th Ave	4	Miami, FL	(d)	3,658	11,033	(4)	3,658	11,029	14,687	(531)	2022	
8100 NW 82nd Ave	1	Miami, FL	(d)	5,752	16,896	2	5,752	16,898	22,650	(417)	2022	
7850 NW 25th St	1	Miami, FL	(d)	10,631	16,170	3	10,631	16,173	26,804	(335)	2022	
2323 NW 82nd Ave	1	Miami, FL	(d)	7,204	29,081	(9)	7,204	29,072	36,276	(1,844)	2022	
1151-1181 Cadillac Ct	1	Milpitas, CA	(d)	5,626	6,783	2	5,626	6,785	12,411	(195)	2022	
1123-1141 Cadillac Ct	1	Milpitas, CA	(d)	5,436	4,700	—	5,436	4,700	10,136	(133)	2022	
901-931 Cadillac Ct	1	Milpitas, CA	(d)	15,798	19,976	2	15,798	19,978	35,776	(492)	2022	
1850-1870 Milmont Dr	4	Milpitas, CA	(d)	36,198	18,522	77	36,198	18,599	54,797	(626)	2022	
1021-1101 Cadillac Ct	1	Milpitas, CA	(d)	11,337	21,379	2	11,337	21,381	32,718	(504)	2022	
2530 Corporate Pl	6	Monterey Park, CA	(d)	31,301	18,873	32	31,301	18,905	50,206	(662)	2022	
7303 Edgewater Dr	3	Oakland, CA	(d)	21,368	39,266	99	21,368	39,365	60,733	(1,793)	2022	
1111 Jupiter Road	5	Plano, TX	(d)	2,888	17,999	69	2,888	18,068	20,956	(485)	2022	
2553 Summit Ave	5	Plano, TX	(d)	3,893	16,933	(26)	3,893	16,907	20,800	(428)	2022	
4002-4014 148th Ave NE	9	Redmond, WA	(d)	33,460	28,528	141	33,460	28,669	62,129	(976)	2022	
2501-2525 152nd Ave NE	3	Redmond, WA	(d)	25,512	13,124	103	25,512	13,227	38,739	(681)	2022	
2425-2495 152nd Ave NE	1	Redmond, WA	(d)	12,947	3,746	5	12,947	3,751	16,698	(133)	2022	
2407-2409 152nd Ave NE	1	Redmond, WA	(d)	7,764	1,448	3	7,764	1,451	9,215	(75)	2022	
2675-2691 151st Pl NE	6	Redmond, WA	(d)	41,555	19,421	23	41,555	19,444	60,999	(677)	2022	
1202 East Arapaho Dr	3	Richardson, TX	(d)	1,451	4,916	26	1,451	4,942	6,393	(311)	2022	
801-899 Presidential Dr	1	Richardson, TX	(d)	530	1,619	3	530	1,622	2,152	(112)	2022	
750 Presidential Dr	1	Richardson, TX	(d)	816	2,114	—	816	2,114	2,930	(100)	2022	
700 Glenville Dr	2	Richardson, TX	(d)	614	2,323	—	614	2,323	2,937	(127)	2022	
1300 East Arapaho Bldg. 100	3	Richardson, TX	(d)	1,129	5,281	(4)	1,129	5,277	6,406	(193)	2022	
860 Presidential Dr	1	Richardson, TX	(d)	422	1,337	—	422	1,337	1,759	(54)	2022	
1231 Columbia Dr	3	Richardson, TX	(d)	1,455	4,886	3	1,455	4,889	6,344	(194)	2022	
1303 Columbia Dr	4	Richardson, TX	(d)	1,688	5,880	14	1,688	5,894	7,582	(204)	2022	
1231-1251 American Pkwy	1	Richardson, TX	(d)	410	1,508	(1)	410	1,507	1,917	(68)	2022	
100-1100 Business Pkwy - 1000	8	Richardson, TX	(d)	2,463	7,056	36	2,463	7,092	9,555	(251)	2022	
9201 Corporate Blvd	1	Rockville, MD	(d)	3,735	3,662	72	3,735	3,734	7,469	(321)	2022	
9210 Corporate Blvd	1	Rockville, MD	(d)	2,861	9,166	47	2,861	9,213	12,074	(565)	2022	
9231 Corporate Blvd	1	Rockville, MD	(d)	3,767	9,386	30	3,767	9,416	13,183	(600)	2022	

PS Business Parks, Inc.
Schedule III — Real Estate and Accumulated Depreciation
As of December 31, 2022
(in thousands)

Property Address	Building Count	Location (City, State)	Encumbrances	Initial Cost		Building and Improvements	Costs Capitalized Subsequent to Acquisition, net of Write-offs	Gross Carrying Amount at December 31, 2022			Accumulated Depreciation	Date Acquired/Date of Construction
				Land	Building and Improvements			Land	Building and Improvements	Total		
11820 Parklawn Dr	1	Rockville, MD	(d)	939	3,121	26	939	3,147	4,086	(143)	2022	
11821 Parklawn Dr	1	Rockville, MD	(d)	742	568	(29)	742	539	1,281	(50)	2022	
11900 Parklawn Dr	1	Rockville, MD	(d)	911	1,369	(1)	911	1,368	2,279	(77)	2022	
9200 Corporate Blvd	1	Rockville, MD	(d)	5,220	6,243	(14)	5,220	6,229	11,449	(566)	2022	
9211 Corporate Blvd	1	Rockville, MD	(d)	3,845	7,658	(92)	3,845	7,566	11,411	(458)	2022	
11800 - 11836 Coakley Circle	2	Rockville, MD	(d)	1,621	10,806	32	1,621	10,838	12,459	(522)	2022	
1710 Little Orchard	1	San Jose, CA	(d)	18,490	58,334	8	18,490	58,342	76,832	(1,679)	2022	
2023-2035 O'Toole Ave	4	San Jose, CA	(d)	18,007	26,248	270	18,007	26,518	44,525	(1,257)	2022	
1510-1518 Montague Expressway	6	San Jose, CA	(d)	33,092	78,859	65	33,092	78,924	112,016	(3,579)	2022	
1650 Las Plumas Ave	3	San Jose, CA	(d)	22,067	42,760	74	22,067	42,834	64,901	(1,337)	2022	
1721 Rogers Ave	3	San Jose, CA	(d)	7,140	11,989	7	7,140	11,996	19,136	(573)	2022	
828-848 Charcot Ave	8	San Jose, CA	(d)	19,491	14,643	23	19,491	14,666	34,157	(483)	2022	
1431-1437 Doolittle Dr	4	San Leandro, CA	(d)	12,212	17,583	10	12,212	17,593	29,805	(821)	2022	
1650 S. Amphlett Blvd	8	San Mateo, CA	(d)	89,912	23,124	74	89,912	23,198	113,110	(969)	2022	
1670 S. Amphlett Blvd	1	San Mateo, CA	(d)	1,412	111	(9)	1,412	102	1,514	(14)	2022	
3301 Leonard Ct	3	Santa Clara, CA	(d)	24,327	58,785	(295)	24,327	58,490	82,817	(2,466)	2022	
1025-1035 Walsh Ave	4	Santa Clara, CA	(d)	33,236	99,459	—	33,236	99,459	132,695	(1,997)	2022	
2300-2308 Walsh Ave	11	Santa Clara, CA	(d)	37,957	45,324	20	37,957	45,344	83,301	(1,330)	2022	
1811-11831 E. Florence Ave	1	Santa Fe Springs, CA	(d)	42,654	52,964	4	42,654	52,968	95,622	(1,228)	2022	
10510 Hathaway Dr	9	Santa Fe Springs, CA	(d)	36,209	43,110	9	36,209	43,119	79,328	(1,077)	2022	
2225 E 28th St	6	Signal Hill, CA	(d)	11,768	7,222	9	11,768	7,231	18,999	(364)	2022	
2501 E 28th St	6	Signal Hill, CA	(d)	16,742	11,886	55	16,742	11,941	28,683	(603)	2022	
1310-1320 Kifer Rd	4	Sunnyvale, CA	(d)	25,282	90,035	98	25,282	90,133	115,415	(4,065)	2022	
2421 W. 205th St	5	Torrance, CA	(d)	45,348	6,039	63	45,348	6,102	51,450	(366)	2022	
3111 Fortune Way	1	Wellington, FL	(d)	1,621	2,589	2	1,621	2,591	4,212	(86)	2022	
3111 Fortune Way	8	Wellington, FL	(d)	15,101	32,710	45	15,101	32,755	47,856	(849)	2022	
3111 Fortune Way	3	Wellington, FL	(d)	3,487	6,818	(1)	3,487	6,817	10,304	(152)	2022	
3111 Fortune Way	1	Wellington, FL	(d)	432	796	—	432	796	1,228	(12)	2022	
3111 Fortune Way	2	Wellington, FL	(d)	440	2,007	—	440	2,007	2,447	(76)	2022	
3111 Fortune Way	5	Wellington, FL	(d)	1,548	2,301	1	1,548	2,302	3,850	(44)	2022	

PS Business Parks, Inc.
Schedule III — Real Estate and Accumulated Depreciation
As of December 31, 2022
(in thousands)

Property Address	Building Count	Location (City, State)	Encumbrances	Initial Cost		Costs Capitalized Subsequent to Acquisition, net of Write-offs	Gross Carrying Amount at December 31, 2022			Accumulated Depreciation	Date Acquired/Date of Construction
				Land	Building and Improvements	Building and Improvements	Land	Building and Improvements	Total		
Development											
10018 Spanish Isles Boulevard	—	Boca Raton, FL		206	3,351	1,044	206	4,395	4,601	—	2022
84th Ave South	—	Kent, WA		1,716	10,688	6,657	1,716	17,345	19,061	—	2022
7920 Maitland Drive	—	McLean, VA		20,558	114,458	22,552	20,558	137,010	157,568	—	2022
Land Parcels											
Gude Dr. E & Crabb Branch Way	—	Rockville, MD (d)		1,917	—	2	1,917	2	1,919	—	2022
Total				<u>\$ 1,943,573</u>	<u>\$ 3,714,958</u>	<u>\$ 36,480</u>	<u>\$ 1,943,573</u>	<u>\$ 3,751,438</u>	<u>\$ 5,695,011</u>	<u>\$ (138,216)</u>	

PS Business Parks, Inc.
Schedule III — Real Estate and Accumulated Depreciation
As of December 31, 2022
(in thousands)

Schedule III - Footnotes

(a) The following table summarizes the activity of the Company's real estate asset for the years ended December 31:

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at beginning of period	\$ —	\$ 3,184,209	\$ 3,163,787	\$ 3,079,583
Acquisitions of and improvements to properties and development activity	5,697,822	72,190	220,978	89,143
Reclassifications to held for sale	—	89,889	(89,889)	23,045
Dispositions, write-offs and other	(2,811)	(205,214)	(110,667)	(27,984)
Balance at end of year	\$ 5,695,011	\$ 3,141,074	\$ 3,184,209	\$ 3,163,787

(b) The following table summarizes the activity of the Company's accumulated depreciation for the years ended December 31:

	Successor	Predecessor		
	Period from July 20, 2022 through December 31, 2022	Period from January 1, 2022 through July 19, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at beginning of period	\$ —	\$ (1,178,341)	\$ (1,229,035)	\$ (1,159,703)
Depreciation expense	(141,027)	(48,884)	(90,176)	(93,265)
Dispositions, write-offs and other	2,811	114,894	84,586	35,476
Reclassifications to held for sale	—	(56,284)	56,284	(11,543)
Balance at end of year	\$ (138,216)	\$ (1,168,615)	\$ (1,178,341)	\$ (1,229,035)

(c) Depreciation is computed based upon the following estimated lives (in years):

Buildings	10-40 years
Building equipment and fixtures	5-10 years
Land and building improvements	10-15 years
Tenant improvements	Shorter of the asset's useful life or the noncancelable term of lease

(d) Properties with an aggregate undepreciated cost of \$5,511,120 secure \$3,865,553 of mortgage notes. Refer to Note 5 — Debt to the Consolidated Financial Statements for more information related to our mortgage debt.

(e) At December 31, 2022, the aggregate cost of land, buildings, and equipment for federal income tax purposes was \$1,762,333 (unaudited).

Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	<u>Distribution and Contribution Agreement, dated as of July 20, 2022, between PS Business Parks, Inc., PS Business Parks, L.P., Sequoia Parent LP, Sequoia Parent 2 LP, Sequoia Parent 3 LP, and B9 Sequoia NC Parent LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 22, 2022).</u>
2.2	<u>Agreement and Plan of Merger, dated as of April 24, 2022, by and among PS Business Parks, Inc., PS Business Parks, L.P., Sequoia Parent LP, Sequoia Merger Sub I LLC and Sequoia Merger Sub II LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on April 5, 2022).</u>
3.1	<u>Amended and Restated Charter of PS Business Parks, Inc., dated July 20, 2022 (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on July 22, 2022).</u>
3.2	<u>Amended and Restated Bylaws of PS Business Parks, Inc., dated July 20, 2022 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on July 22, 2022).</u>
3.3	<u>Articles Supplementary designating shares of the Company's 12% Series A Redeemable Preferred Stock (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on July 22, 2022).</u>
4.1	<u>Deposit Agreement Relating to 5.25% Cumulative Preferred Stock, Series X of PS Business Parks, Inc. dated as of September 12, 2017 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 13, 2017).</u>
4.2	<u>Deposit Agreement Relating to 5.20% Cumulative Preferred Stock, Series Y of PS Business Parks, Inc. dated as of November 30, 2017 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 1, 2017).</u>
4.3	<u>Deposit Agreement Relating to 4.875% Cumulative Preferred Stock, Series Z of PS Business Parks, Inc. dated as of October 24, 2019 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 25, 2019).</u>
10.1	<u>Loan Agreement, dated as of July 20, 2022, among Bank of America, N.A., Citi Real Estate Funding Inc., Barclays Capital Real Estate Inc., Morgan Stanley Bank, N.A., and Societe Generale Financial Corporation, collectively as the lenders, and the borrower entities identified on Exhibit A attached thereto, as the borrowers (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on July 22, 2022).</u>
10.2	<u>Loan Agreement, dated as of July 20, 2022, by and among Citibank, N.A. (as administrative agent and co-lender), Bank of America, N.A., Morgan Stanley Bank, N.A., Barclays Bank PLC and Societe Generale Financial Corporation, collectively as the lenders, and the borrower entities identified on Exhibit A attached thereto, as the borrowers (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on July 22, 2022).</u>
10.3	<u>Master Services Agreement, dated as of July 20, 2022, by and among PS Business Parks, L.P. and Link Logistics Real Estate Holdco LLC (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on July 22, 2022).</u>
10.4	<u>Form of Promissory Note (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on July 22, 2022).</u>
10.5†	<u>Confidential Separation Agreement and General Release, effective March 23, 2022, between the Company and Dan "Mac" Chandler, III (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 23, 2022).</u>
10.6	<u>Support Agreement, dated as of April 24, 2022, by and between Sequoia Parent LP, PS Business Parks, Inc. and Public Storage (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on April 25, 2022).</u>
21*	<u>List of Subsidiaries.</u>
31.1*	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.</u>
31.2*	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.</u>
32.1**	<u>18 U.S.C. § 1350 Certification of Chief Executive Officer and Chief Financial Officer.</u>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Definition Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and with applicable taxonomy extension information contained in Exhibits 101.*)

* Filed herewith.

** Furnished herewith.

† Denotes management contract or compensatory plan agreement or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

PS BUSINESS PARKS, INC.

February 28, 2023	By: <u>/s/ Luke Petherbridge</u> Luke Petherbridge <i>Chief Executive Officer and Secretary</i> (Principal Executive Officer)
February 28, 2023	By: <u>/s/ Matthew L. Ostrower</u> Matthew L. Ostrower <i>Chief Financial Officer, Vice President and Treasurer</i> (Principal Financial and Accounting Officer)

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

<u>Date</u>	<u>Title</u>	<u>Signature</u>
February 28, 2023	Chief Executive Officer and Secretary	<u>/s/ Luke Petherbridge</u> Luke Petherbridge
February 28, 2023	Chief Financial Officer, Vice President and Treasurer (Principal Financial and Accounting Officer)	<u>/s/ Matthew L. Ostrower</u> Matthew L. Ostrower
February 28, 2023	Director	<u>/s/ Timothy J. Beaudin</u> Timothy J. Beaudin
February 28, 2023	Director	<u>/s/ Justin Brown</u> Justin Brown
February 28, 2023	Director	<u>/s/ Andrea Drasites</u> Andrea Drasites
February 28, 2023	Director	<u>/s/ Ernest M. Freedman</u> Ernest M. Freedman
February 28, 2023	Director	<u>/s/ Ryan Ingle</u> Ryan Ingle
February 28, 2023	Director	<u>/s/ David Levine</u> David Levine
February 28, 2023	Director	<u>/s/ Samantha Wallack</u> Samantha Wallack

List of Subsidiaries

The following sets forth the subsidiaries of the Registrant and their respective states of incorporation or organization:

Name	State
B9 Sequoia TRS LLC	Delaware
PS Business Parks, L.P.	California
B9 Sequoia C Holdco LLC	Delaware
B9 Sequoia 1 Mezz C LLC	Delaware
B9 Sequoia 3 Mezz C LLC	Delaware
B9 Sequoia 5 Mezz C LLC	Delaware
B9 Sequoia 1 Mezz B LLC	Delaware
B9 Sequoia 3 Mezz B LLC	Delaware
B9 Sequoia 5 Mezz B LLC	Delaware
B9 Sequoia 1 Mezz A LLC	Delaware
B9 Sequoia 3 Mezz A LLC	Delaware
B9 Sequoia 5 Mezz A LLC	Delaware
B9 Sequoia 1 CA GP LLC	Delaware
B9 Sequoia 3 CA GP LLC	Delaware
B9 Sequoia 1 TX Member GP LLC	Delaware
B9 Sequoia 1 TX GP LLC	Delaware
B9 Sequoia 3 TX Member GP LLC	Delaware
B9 Sequoia 3 TX GP LLC	Delaware
B9 Sequoia 5 TX Member GP LLC	Delaware
B9 Sequoia Royal Lane Owner GP LLC	Delaware
B9 Sequoia Carson Center Owner LP	Delaware
B9 Sequoia Las Plumas Owner LP	Delaware
B9 Sequoia Canada Center Owner LP	Delaware
B9 Sequoia Parkway Center Owner LP	Delaware
B9 Sequoia Santa Clara Tech Park Owner LP	Delaware
B9 Sequoia Rogers Owner LP	Delaware
B9 Sequoia Bay Center Owner LP	Delaware
B9 Sequoia Concord Owner LP	Delaware
B9 Sequoia Diablo Owner LP	Delaware
B9 Sequoia Wiegman Owner LP	Delaware
B9 Sequoia Charcot Owner LP	Delaware
B9 Sequoia Cadillac Owner LP	Delaware
B9 Sequoia Bayshore Owner LP	Delaware
B9 Sequoia Hathaway Owner LP	Delaware
B9 Sequoia Torrance Owner LP	Delaware
B9 Sequoia Monterey Owner LP	Delaware
B9 Sequoia Buena Park Owner LP	Delaware
B9 Sequoia Cerritos Industrial Owner LP	Delaware
B9 Sequoia Santa Clara Owner LP	Delaware
B9 Sequoia Signal Hill 3 Owner LP	Delaware
B9 Sequoia Christopher Owner LLC	Delaware
B9 Sequoia Ammendale LLC	Delaware

Name	State
B9 Sequoia Parklawn Owner LLC	Delaware
B9 Sequoia Grove Owner LLC	Delaware
B9 Sequoia Bren Mar Owner LLC	Delaware
B9 Sequoia Alban Road Owner LLC	Delaware
B9 Sequoia Gude Owner LLC	Delaware
B9 Sequoia 212 Owner LLC	Delaware
B9 Sequoia Overlake Owner LLC	Delaware
B9 Sequoia 1 TX Member LP	Delaware
B9 Sequoia Mopac Owner LP	Delaware
B9 Sequoia McNeil Owner LP	Delaware
B9 Sequoia Springlake Owner LP	Delaware
B9 Sequoia Northway Plaza Owner LP	Delaware
B9 Sequoia Freeport Industrial Owner LP	Delaware
B9 Sequoia Waterford Owner LP	Delaware
B9 Sequoia Rutland Owner LP	Delaware
B9 Sequoia Freeport Business Owner LP	Delaware
B9 Sequoia Westwood Owner LP	Delaware
B9 Sequoia Arapaho Owner LP	Delaware
B9 Sequoia Valwood Owner LP	Delaware
B9 Sequoia La Prada Owner LP	Delaware
B9 Sequoia Eastgate Owner LP	Delaware
B9 Sequoia Richardson Owner LP	Delaware
B9 Sequoia The Summit Owner LP	Delaware
B9 Sequoia 3 TX Member LP	Delaware
B9 Sequoia Braker Owner LP	Delaware
B9 Sequoia Southpark Owner LP	Delaware
B9 Sequoia McKalla Owner LP	Delaware
B9 Sequoia Port America Owner LP	Delaware
B9 Sequoia Jupiter Owner LP	Delaware
B9 Sequoia Ben White Owner LP	Delaware
B9 Sequoia Lamar Owner LP	Delaware
B9 Sequoia 5 TX Member LP	Delaware
B9 Sequoia Royal Lane Owner LP	Delaware
American Office Park Properties, TPGP, Inc.	California
AOPP Acquisition Corp. Two	California
PSB Amherst Investors, LLC	Delaware
Amherst JV LLC	Delaware
Amherst Property LLC	Delaware
PSB Amherst, LLC	Delaware
PSB Amherst Finance LLC	Delaware
B9 Sequoia Freeport Business Owner LP	Delaware
Tenant Advantage, Inc.	California
PSBP QRS, Inc.	California
Hernmore Corporation	Maryland
PSBP Springing Member LLC	Delaware

Name	State
PSBP Westwood GP, LLC	Delaware
PSB Brentford, LLC	Delaware
Brentford JV, LLC	Delaware
Brentford Property, LLC	Delaware
The Mile, LLC	Delaware
B9 Sequoia Christopher Owner LLC	Delaware
B9 Sequoia Alban Road Owner LLC	Delaware
B9 Sequoia Bren Mar Owner LLC	Delaware
REVX-098, LLC	Delaware
Arapaho Investors, LLC	Delaware
PSB Bayshore LLC	Delaware
PS Rose Canyon LLC	Delaware
PSB Shady Grove LLC	Maryland
PSB San Tomas BC, LLC	California
PSB Hathaway I & II, LLC	Delaware
PSB Walnut BP, LLC	California
PSB Northpointe D L.L.C.	Virginia
PSB Pickett IP, LLC	Virginia
PS Metro Park LLC	Maryland
PSBP Industrial, L.L.C.	Delaware
PSB MICC 2323, LLC	Delaware
PSB Wellington Commerce Park II, LLC	Delaware
PSB Wellington Commerce Park I, LLC	Delaware
PSB Wellington Commerce Park III, LLC	Delaware
PSB Boca Commerce Park LLC	Delaware
PSB Northern California Industrial Portfolio LLC	Delaware

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Luke Petherbridge, certify that:

1. I have reviewed this annual report on Form 10-K of PS Business Parks, Inc. for the fiscal year ended December 31, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Luke Petherbridge
 Name: Luke Petherbridge
 Title: Chief Executive Officer
 Dated: February 28, 2023

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew L. Ostrower, certify that:

1. I have reviewed this annual report on Form 10-K of PS Business Parks, Inc. for the fiscal year ended December 31, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Matthew L. Ostrower
Name: Matthew L. Ostrower
Title: Chief Financial Officer
Dated: February 28, 2023

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of PS Business Parks, Inc. (“the Company”) for the fiscal year ending December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Luke Petherbridge, as Chief Executive Officer of the Company, and Matthew L. Ostrower, as Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

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

/s/ Luke Petherbridge

Luke Petherbridge
Chief Executive Officer
Dated: February 28, 2023

/s/ Matthew L. Ostrower

Matthew L. Ostrower
Chief Financial Officer
Dated: February 28, 2023