AMERICAN HEALTHCARE REIT, INC.

FORM 10-K
(Annual Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended **December 31, 2018**

or

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

For the transition period from to

Commission File Number: **000-55775**

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.

(Exact name of registrant as specified in its charter)

Maryland	**47-2887436**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
18191 Von Karman Avenue, Suite 300, Irvine, California	**92612**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(949) 270-9200**

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

Title of each class	Name of each exchange on which registered
None	**None**

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

Common stock, $0.01 par value per share

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

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

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

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

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

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

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

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

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

There is no established market for the registrant's common stock. As of June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter, the registrant was conducting an ongoing public offering of its shares of Class T common stock and Class I common stock pursuant to a Registration Statement on Form S-11. As of June 30, 2018, there were approximately 51,028,528 shares of Class T common stock and 3,033,069 shares of Class I common stock held by non-affiliates, excluding shares owned by officers of American Healthcare Investors, LLC, the affiliated co-sponsor of the registrant's offering of securities, for an aggregate market value of $512,837,000 and $29,269,000 , respectively, assuming a market value as of that date of $10.05 per Class T share and $9.65 per Class I share, the offering prices per share as of June 30, 2018 in the registrant's initial public offering exclusive of any discounts for certain categories of purchasers.

As of March 15, 2019 , there were 73,119,913 shares of Class T common stock and 5,613,347 shares of Class I common stock of Griffin-American Healthcare REIT IV, Inc. outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant incorporates by reference portions of the Griffin-American Healthcare REIT IV, Inc. definitive proxy statement for the 2019 annual meeting of stockholders (into Items 10, 11, 12, 13 and 14 of Part III).

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.
(A Maryland Corporation)

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PART I

Item 1. Business.

The use of the words "we," "us" or "our" refers to Griffin-American Healthcare REIT IV, Inc. and its subsidiaries, including Griffin-American Healthcare REIT IV Holdings, LP, except where otherwise noted.

Company

Griffin-American Healthcare REIT IV, Inc., a Maryland corporation, was incorporated on January 23, 2015 and therefore we consider that our date of inception. We were initially capitalized on February 6, 2015 . We invest in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities. We also operate healthcare-related facilities utilizing the structure permitted by the REIT Investment Diversification and Empowerment Act of 2007, which is commonly referred to as a "RIDEA" structure (the provisions of the Internal Revenue Code of 1986, as amended, or the Code, authorizing the RIDEA structure were enacted as part of the Housing and Economic Recovery Act of 2008). We may also originate and acquire secured loans and real estate-related investments on an infrequent and opportunistic basis. We generally seek investments that produce current income. We qualified to be taxed as a real estate investment trust, or REIT, under the Code for federal income tax purposes beginning with our taxable year ended December 31, 2016, and we intend to continue to qualify to be taxed as a REIT.

On February 16, 2016, we commenced our initial public offering, or our offering, in which we were initially offering to the public up to $3,150,000,000 in shares of our Class T common stock, consisting of up to $3,000,000,000 in shares of our Class T common stock at a price of $10.00 per share in our primary offering and up to $150,000,000 in shares of our Class T common stock for $9.50 per share pursuant to our distribution reinvestment plan, as amended, or the DRIP. Effective June 17, 2016, we reallocated certain of the unsold shares of Class T common stock being offered and began offering shares of Class I common stock, such that we were offering up to approximately $2,800,000,000 in shares of Class T common stock and $200,000,000 in shares of Class I common stock in our primary offering, and up to an aggregate of $150,000,000 in shares of our Class T and Class I common stock pursuant to the DRIP, aggregating up to $3,150,000,000 , or the maximum offering amount.

The shares of our Class T common stock in our primary offering were being offered at a price of $10.00 per share prior to April 11, 2018. The shares of our Class I common stock in our primary offering were being offered at a price of $9.30 per share prior to March 1, 2017 and $9.21 per share from March 1, 2017 to April 10, 2018. The shares of our Class T and Class I common stock issued pursuant to the DRIP were sold at a price of $9.50 per share prior to January 1, 2017 and $9.40 per share from January 1, 2017 to April 10, 2018. On April 6, 2018, our board of directors, at the recommendation of the audit committee of our board of directors, comprised solely of independent directors, unanimously approved and established an estimated per share net asset value, or NAV, of our common stock of $9.65 . As a result, on April 6, 2018, our board of directors unanimously approved revised offering prices for each class of shares of our common stock to be sold in the primary portion of our initial public offering based on the estimated per share NAV of our Class T and Class I common stock of $9.65 plus any applicable per share up-front selling commissions and dealer manager fees funded by us, effective April 11, 2018. Accordingly, the revised offering price for shares of our Class T common stock and Class I common stock sold pursuant to our primary offering on or after April 11, 2018 was $10.05 per share and $9.65 per share, respectively. Effective April 11, 2018, the shares of our Class T and Class I common stock issued pursuant to the DRIP were sold at a price of $9.65 per share, the most recent estimated per share NAV approved and established by our board of directors.

As of December 31, 2018, we had received and accepted subscriptions in our offering for 66,755,516 aggregate shares of our Class T and Class I common stock, or approximately $665,403,000, and a total of $27,097,000 in distributions were reinvested that resulted in 2,846,786 shares of our common stock being issued pursuant to the DRIP. On February 15, 2019, we terminated our offering. As of February 15, 2019, we had received and accepted subscriptions in our offering for 75,625,285 aggregate shares of our Class T and Class I common stock, or approximately $753,975,000 , and a total of $31,021,000 in distributions were reinvested that resulted in 3,253,543 shares of our common stock being issued pursuant to the DRIP.

On January 18, 2019, we filed a Registration Statement on Form S-3 under the Securities Act of 1933, or the Securities Act, to register a maximum of $100,000,000 of additional shares of our common stock to be issued pursuant to the DRIP, or the 2019 DRIP Offering. The shares of our Class T and Class I common stock issued pursuant to the 2019 DRIP Offering are sold at a price of $9.65 per share, the most recent estimated per share NAV approved and established by our board of directors. The Registration Statement on Form S-3 was automatically effective with the United States Securities and Exchange Commission, or the SEC, upon its filing; we commenced offering shares pursuant to the 2019 DRIP Offering on March 1, 2019.

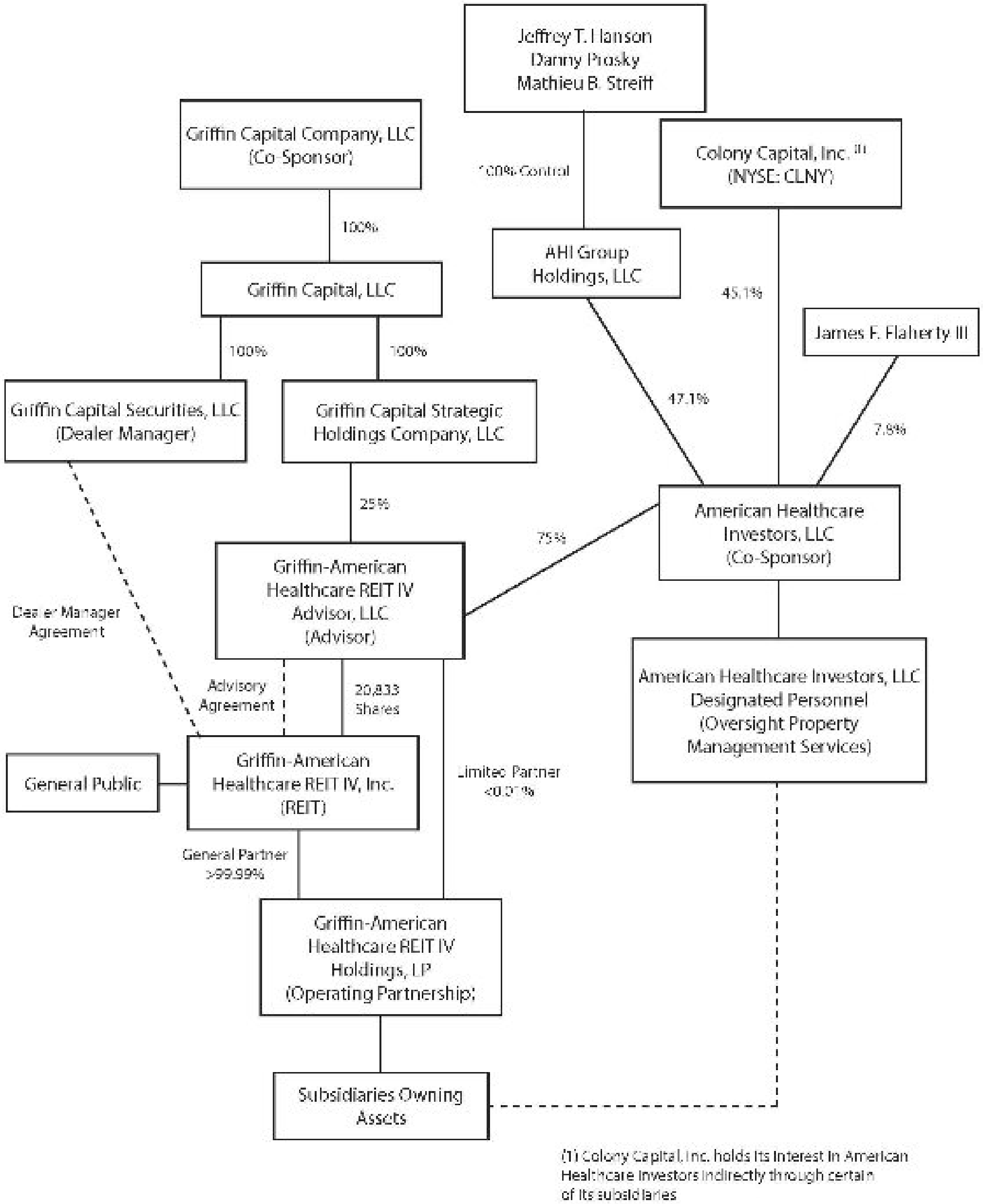
We conduct substantially all of our operations through Griffin-American Healthcare REIT IV Holdings, LP, or our operating partnership. We are externally advised by Griffin-American Healthcare REIT IV Advisor, LLC, or our advisor, pursuant to an advisory agreement, or the Advisory Agreement, between us and our advisor. The Advisory Agreement was effective as of February 16, 2016 and had a one -year term, subject to successive one -year renewals upon the mutual consent of the parties. The Advisory Agreement was last renewed pursuant to the mutual consent of the parties on February 12, 2019 and expires on February 16, 2020. Our advisor uses its best efforts, subject to the oversight and review of our board of directors, to, among other things, research, identify, review and make investments in and dispositions of properties and securities on our behalf consistent with our investment policies and objectives. Our advisor performs its duties and responsibilities under the Advisory Agreement as our fiduciary. Our advisor is 75.0% owned and managed by American Healthcare Investors, LLC, or American Healthcare Investors, and 25.0% owned by a wholly owned subsidiary of Griffin Capital Company, LLC, or Griffin Capital, or collectively, our co-sponsors. American Healthcare Investors is 47.1% owned by AHI Group Holdings, LLC, or AHI Group Holdings, 45.1% indirectly owned by Colony Capital, Inc. (NYSE: CLNY), or Colony Capital, and 7.8% owned by James F. Flaherty III, a former partner of Colony Capital. We are not affiliated with Griffin Capital, Griffin Capital Securities, LLC, or our dealer manager, Colony Capital or Mr. Flaherty; however, we are affiliated with Griffin-American Healthcare REIT IV Advisor, LLC, American Healthcare Investors and AHI Group Holdings.

Key developments

- As of March 18, 2019 , we had completed 34 property acquisitions whereby we owned 67 properties, comprising 70 buildings, or approximately 3,876,000 square feet of gross leasable area, or GLA, for an aggregate contract purchase price of $832,289,000. As of March 18, 2019, we also own an interest in a joint venture which owns and operates a portfolio of integrated senior health campuses and ancillary businesses.
- On February 15, 2019, we terminated our offering. As of February 15, 2019, we had received and accepted subscriptions in our offering for 75,625,285 aggregate shares of our Class T and Class I common stock, or approximately $753,975,000 , and a total of $31,021,000 in distributions were reinvested that resulted in 3,253,543 shares of our common stock being issued pursuant to the DRIP.
- On January 18, 2019, we filed a Registration Statement on Form S-3 under the Securities Act for the 2019 DRIP Offering to register a maximum of $100,000,000 of additional shares of our common stock to be issued pursuant to the DRIP. The Registration Statement on Form S-3 was automatically effective with the SEC upon its filing; we commenced offering shares pursuant to the 2019 DRIP Offering on March 1, 2019.
- On November 20, 2018, we entered into a new credit agreement, or the 2018 Credit Agreement, with Bank of America, N.A., KeyBank, National Association, Citizens Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated and KeyBanc Capital Markets to obtain a credit facility with an aggregate maximum principal amount of $400,000,000, or the 2018 Credit Facility. The 2018 Credit Facility consists of a senior unsecured revolving credit facility in the initial aggregate amount of $150,000,000 and a senior unsecured term loan facility in the initial aggregate amount of $250,000,000. The 2018 Credit Facility matures on November 19, 2021 and may be extended for one 12-month period during the term of the 2018 Credit Agreement subject to satisfaction of certain conditions, including payment of an extension fee. Accordingly, on November 20, 2018, we also terminated our existing $350,000,000 revolving line of credit and term loan credit facility and all related amendments and agreements, or the 2017 Credit Facility. See Note 7, Line of Credit and Term Loan , to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K, for a further discussion.
- On October 1, 2018, we purchased 6.0% of the total membership interests in Trilogy REIT Holdings, LLC, or the Trilogy Joint Venture, from Trilogy Holdings NT-HCI, LLC, a wholly-owned subsidiary of NorthStar Healthcare Income Operating Partnership, LP, the operating partnership of NorthStar Healthcare Income, Inc., or collectively NHI, unaffiliated third parties. The Trilogy Joint Venture, through a 96.7% owned subsidiary, owns and operates purpose-built integrated senior health campuses, including skilled nursing facilities and assisted living facilities, located across several states, as well as certain ancillary businesses, which we believe complement our existing real estate portfolio. In addition to our membership interests, the Trilogy Joint Venture is 70.0% indirectly owned by Griffin-American Healthcare REIT III, Inc., and the remaining 24.0% continues to be owned by NHI.

Our Structure

The following chart indicates the relationship among us, our advisor and certain of its affiliates as of March 18, 2019:



Our principal executive offices are located at 18191 Von Karman Avenue, Suite 300, Irvine, California 92612, and our telephone number is (949) 270-9200. We maintain a website at *http://www.healthcarereitiv.com* , at which there is additional information about us and our affiliates. The contents of that site are not incorporated by reference in, or otherwise a part of, this filing. We make our periodic and current reports, and all amendments to those reports and to our registration statement and supplements to our prospectus, available at *http://www.healthcarereitiv.com* as soon as reasonably practicable after such materials are electronically filed with the SEC. They also are available for printing by any stockholder upon request. In addition, copies of our filings with the SEC may be obtained from the SEC's website, *http://www.sec.gov* . Access to these filings is free of charge.

Investment Objectives

Our investment objectives are:

- to preserve, protect and return our stockholders' capital contributions;
- to pay regular cash distributions; and
- to realize growth in the value of our investments upon our ultimate sale of such investments.

We may not attain these objectives. Our board of directors may change our investment objectives if it determines it is advisable and in the best interest of our stockholders.

During the term of the Advisory Agreement, decisions relating to the purchase or sale of investments will be made by our advisor, subject to oversight by our advisor's investment committee and our board of directors.

Investment Strategy

We have and we may continue to use substantially all of the net proceeds from our offering to invest in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities. On an infrequent and opportunistic basis, we also may originate or acquire real estate-related investments such as mortgage, mezzanine, bridge and other loans, common and preferred stock of, or other interests in, public or private unaffiliated real estate companies, commercial mortgage-backed securities, and certain other securities, including collateralized debt obligations and foreign securities. We generally seek investments that produce current income.

We seek to maximize long-term stockholder value by generating sustainable growth in cash flows and portfolio value. In order to achieve these objectives, we may invest using a number of investment structures which may include direct acquisitions, joint ventures, leveraged investments, issuing securities for property and direct and indirect investments in real estate. In order to maintain our exemption from regulation as an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act, we may be required to limit our investments in certain types of real estate-related investments. See "Investment Company Act Considerations" below for a further discussion.

In addition, when and as determined appropriate by our advisor, our portfolio may also include properties in various stages of development other than those producing current income. These stages would include, without limitation, unimproved land both with and without entitlements and permits, property to be redeveloped and repositioned, newly constructed properties and properties in lease-up or other stabilization, all of which will have limited or no relevant operating histories and no current income. Our advisor will make this determination based upon a variety of factors, including the available risk-adjusted returns for such properties when compared with other available properties, the appropriate diversification of the portfolio, and our objectives of realizing both current income and capital appreciation upon the ultimate sale of properties.

For each of our investments, regardless of property type, we seek to invest in properties with the following attributes:

- *Quality.* We seek to acquire properties that are suitable for their intended use with a quality of construction that is capable of sustaining the property's investment potential for the long-term, assuming funding of budgeted maintenance, repairs and capital improvements.
- *Location.* We seek to acquire properties that are located in established or otherwise appropriate markets for comparable properties, with access and visibility suitable to meet the needs of its occupants. In addition to U.S. properties, we also seek to acquire international properties that meet our investment criteria.
- *Market; Supply and Demand.* We focus on local or regional markets that have potential for stable and growing property level cash flows over the long-term. These determinations are based in part on an evaluation of local and regional economic, demographic and regulatory factors affecting the property. For instance, we favor markets that indicate a growing population and employment base or markets that exhibit potential limitations on additions to supply, such as barriers to new construction. Barriers to new construction include lack of available land and stringent zoning restrictions. In addition, we generally seek to limit our investments in areas that have limited potential for growth.
- *Predictable Capital Needs.* We seek to acquire properties where the future expected capital needs can be reasonably projected in a manner that would enable us to meet our objectives of growth in cash flows and preservation of capital and stability.

- *Cash Flows.* We seek to acquire properties where the current and projected cash flows, including the potential for appreciation in value, would enable us to meet our overall investment objectives. We evaluate cash flows as well as expected growth and the potential for appreciation.

We will not invest more than 10.0% of the proceeds available for investment from our offering in unimproved or non-income producing properties or in other investments relating to unimproved or non-income producing property. A property will be considered unimproved or a non-income producing property for purposes of this limitation if it: (i) is not acquired for the purpose of currently producing rental or other operating income; or (ii) has no development or construction in process at the date of acquisition or planned in good faith to commence within one year of the date of acquisition.

We will not invest more than 10.0% of the proceeds available for investment from our offering in commercial mortgage-backed securities. In addition, we will not invest more than 10.0% of the proceeds available for investment from our offering in equity securities of public or private real estate companies.

We are not limited as to the geographic areas where we may acquire properties and may acquire properties domestically as well as internationally. We are not specifically limited in the number or size of properties we may acquire or on the percentage of our assets that we may invest in a single property or investment. The number and mix of properties and real estate-related investments we will acquire will depend upon real estate and market conditions and other circumstances existing at the time we are acquiring our properties and making our investments, the amount we raised in our offering and any potential future offerings and the amount of debt financing available.

Real Estate Investments

We have invested, and will continue to invest, in a diversified portfolio of real estate investments, focusing primarily on medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities. We generally seek investments that produce current income. Our investments may include:

- medical office buildings;
- hospitals;
- skilled nursing facilities;
- senior housing facilities;
- healthcare-related facilities operated utilizing a RIDEA structure;
- long-term acute care facilities;
- surgery centers;
- memory care facilities;
- specialty medical and diagnostic service facilities;
- laboratories and research facilities;
- pharmaceutical and medical supply manufacturing facilities; and
- offices leased to tenants in healthcare-related industries.

Our advisor generally seeks to acquire real estate on our behalf of the types described above that will best enable us to meet our investment objectives, taking into account the diversification of our portfolio at the time, relevant real estate and financial factors, the location, the income-producing capacity, and the prospects for long-range appreciation of a particular property and other considerations. As a result, we may acquire properties other than the types described above. In addition, we may acquire properties that vary from the parameters described above for a particular property type.

The consideration for each real estate investment must be authorized by a majority of our directors or a duly authorized committee of our board of directors, and ordinarily is based on the fair market value of the investment. If the majority of our independent directors or a duly authorized committee of our board of directors so determines, or if the investment is to be acquired from one of our co-sponsors, our advisor, any of our directors or an affiliate thereof, the fair market value determination must be supported by an appraisal obtained from a qualified, independent appraiser selected by a majority of our independent directors.

Our real estate investments generally take the form of holding fee title or long-term leasehold interests. Our investments may be made either directly through our operating partnership or indirectly through investments in joint ventures, limited liability companies, general partnerships or other co-ownership arrangements with the developers of the properties, affiliates of our advisor or other persons. See “Joint Ventures” below for a further discussion.

In addition, we have and may continue to purchase real estate investments and lease them back to the sellers of such properties. Our advisor will use its best efforts to structure any such sale-leaseback transaction such that the lease will be characterized as a “true lease” and so that we will be treated as the owner of the property for federal income tax purposes.

Our obligation to close a transaction involving the purchase of real estate is generally conditioned upon the delivery and verification of certain documents from the seller or developer, including, where appropriate:

- plans and specifications;
- environmental reports (generally a minimum of a Phase I investigation);
- building condition reports;
- surveys;
- evidence of marketable title subject to such liens and encumbrances as are acceptable to our advisor;
- audited financial statements covering recent operations of real properties having operating histories unless such statements are not required to be filed with the SEC and delivered to stockholders;
- title insurance policies; and
- liability insurance policies.

In determining whether to purchase a particular real estate investment, we may, in circumstances in which our advisor deems it appropriate, obtain an option on such property, including land suitable for development. The amount paid for an option is normally surrendered if the real estate is not purchased, and is normally credited against the purchase price if the real estate is purchased. We also may enter into arrangements with the seller or developer of a real estate investment whereby the seller or developer agrees that if, during a stated period, the real estate investment does not generate specified cash flows, the seller or developer will pay us cash in an amount necessary to reach the specified cash flows level, subject in some cases to negotiated dollar limitations.

We will not purchase or lease real estate in which one of our co-sponsors, our advisor, any of our directors or any of their affiliates have an interest without a determination by a majority of our disinterested directors and a majority of our disinterested independent directors that such transaction is fair and reasonable to us and at a price to us no greater than the cost of the real estate investment to the affiliated seller or lessor, unless there is substantial justification for the excess amount and the excess amount is reasonable. In no event will we acquire any such real estate investment at an amount in excess of its current appraised value.

We have obtained and we intend to continue to obtain adequate insurance coverage for all real estate investments in which we invest.

We have acquired and we intend to continue to acquire leased properties with long-term leases and we generally do not intend to operate any healthcare-related facilities directly. As a REIT, we are prohibited from operating healthcare-related facilities directly; however, from time to time we have leased and may continue to lease a healthcare-related facility that we acquire to a wholly-owned taxable REIT subsidiary, or TRS. In such an event, our TRS will engage a third party in the business of operating healthcare-related facilities to manage the property utilizing a RIDEA structure.

Joint Ventures

We have entered into and we may continue to enter into joint ventures, general partnerships and other arrangements with one or more institutions or individuals, including real estate developers, operators, owners, investors and others, some of whom may be affiliates of our advisor, for the purpose of acquiring real estate. Such joint ventures may be leveraged with debt financing or unleveraged. We have entered into and may continue to enter into joint ventures to further diversify our investments or to access investments which meet our investment criteria that would otherwise be unavailable to us. In determining whether to invest in a particular joint venture, our advisor will evaluate the real estate that such joint venture owns or is being formed to own under the same criteria described elsewhere in this Annual Report on Form 10-K for the selection of our other properties. However, we will not participate in tenant in common syndications or transactions.

Joint ventures with unaffiliated third parties may be structured such that the investment made by us and the co-venturer are on substantially different terms and conditions. For example, while we and a co-venturer may invest an equal amount of capital in an investment, the investment may be structured such that we have a right to priority distributions of cash flows up to a certain target return while the co-venturer may receive a disproportionately greater share of cash flows than we are to receive once such target return has been achieved. This type of investment structure may result in the co-venturer receiving more of the cash flows, including appreciation, of an investment than we would receive. See Item 1A, Risk Factors — Risks Related to Joint Ventures, for a further discussion.

We may invest in general partnerships or joint ventures with other Griffin Capital programs or American Healthcare Investors-sponsored programs or affiliates of our advisor to enable us to increase our equity participation in such ventures, so that ultimately we own a larger equity percentage of the property. Our entering into joint ventures with our advisor or any of its affiliates will result in certain conflicts of interest. See Item 1A, Risk Factors — Risks Related to Conflicts of Interest — We have entered into and may continue to enter into joint ventures with affiliates and may face conflicts of interest or disagreements with our joint venture partners that may not be resolved as quickly or on terms as advantageous to us as would be the case if the joint venture had been negotiated at arm's-length with an independent joint venture partner.

We may only enter into joint ventures with other Griffin Capital programs or American Healthcare Investors-sponsored programs, affiliates of our advisor or any of our directors for the acquisition of properties if:

- a majority of our directors, including a majority of our independent directors, not otherwise interested in such transaction, approves the transaction as being fair and reasonable to us; and
- the investment by us and such affiliates are on substantially the same terms and conditions.

Real Estate-Related Investments

In addition to our acquisition of medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities, on an infrequent and opportunistic basis, we also may invest in real estate-related investments, including loans (mortgage, mezzanine, bridge and other loans) and securities investments (common and preferred stock of or other interests in public or private unaffiliated real estate companies, commercial mortgage-backed securities, and certain other securities, including collateralized debt obligations and foreign securities).

Investing In and Originating Loans

Our criteria for making or investing in loans will be substantially the same as those involved in our investment in properties. We do not intend to make loans to other persons, to underwrite securities of other issuers or to engage in the purchase and sale of any types of investments other than those relating to real estate. We will not make or invest in mortgage loans, including a construction loan, on any one property if the aggregate amount of all mortgage loans outstanding on the property, including our loan, would exceed an amount equal to 85.0% of the appraised value of the property, as determined by appraisal, unless we find substantial justification due to other underwriting criteria; however, our policy generally will be that the aggregate amount of all mortgage loans outstanding on the property, including our loan, would not exceed 75.0% of the appraised value of the property. We may find such justification in connection with the purchase of loans in cases in which we believe there is a high probability of our foreclosure upon the property in order to acquire the underlying assets and in which the cost of the loan investment does not exceed the fair market value of the underlying property. We will not invest in or make loans unless an appraisal has been obtained concerning the underlying property, except for those loans insured or guaranteed by a government or government agency. In cases in which a majority of our independent directors so determine and in the event the transaction is with one of our co-sponsors, our advisor, any of our directors or any of their respective affiliates, the appraisal will be obtained from a certified independent appraiser to support its determination of fair market value.

We may invest in first, second and third mortgage loans, mezzanine loans, bridge loans, wraparound mortgage loans, construction mortgage loans on real property, and loans on leasehold interest mortgages. However, we will not make or invest in any loans that are subordinate to any mortgage or equity interest of our advisor, any of our directors, one of our co-sponsors, or any of our affiliates. We also may invest in participations in mortgage loans. A mezzanine loan is a loan made in respect of certain real property but is secured by a lien on the ownership interests of the entity that, directly or indirectly, owns the real property. A bridge loan is short term financing, for an individual or business, until permanent or the next stage of financing can be obtained. Second mortgage and wraparound loans are secured by second or wraparound deeds of trust on real property that is already subject to prior mortgage indebtedness. A wraparound loan is one or more junior mortgage loans having a principal amount equal to the outstanding balance under the existing mortgage loan, plus the amount actually to be advanced under the wraparound mortgage loan. Under a wraparound loan, we would generally make principal and interest payments on behalf of the borrower to the holders of the prior mortgage loans. Third mortgage loans are secured by third deeds of trust on real property that is already subject to prior first and second mortgage indebtedness. Construction loans are loans made for either original development or renovation of property. Construction loans in which we would generally consider an investment would be secured by first deeds of trust on real property for terms generally ranging from six months to two years. Loans on leasehold interests are secured by an assignment of the borrower's leasehold interest in the particular real property. These loans are generally for terms of from six months to 15 years. The leasehold interest loans are either amortized over a period that is shorter than the lease term or have a maturity date prior to the date the lease terminates. These loans would generally permit us to cure any default under the lease. Mortgage participation investments are investments in partial interests of mortgages of the type described above that are made and administered by third-party mortgage lenders.

In evaluating prospective loan investments, our advisor will consider factors such as the following:

- the ratio of the investment amount to the underlying property’s value;
- the property’s potential for capital appreciation;
- expected levels of rental and occupancy rates;
- the condition and use of the property;
- current and projected cash flows of the property;
- potential for rent increases;
- the degree of liquidity of the investment;
- the property’s income-producing capacity;
- the quality, experience and creditworthiness of the borrower;
- general economic conditions in the area where the property is located;
- in the case of mezzanine loans, the ability to acquire the underlying real property; and
- other factors that our advisor believes are relevant.

In addition, we will seek to obtain a customary lender’s title insurance policy or commitment as to the priority of the mortgage or condition of the title. Because the factors considered, including the specific weight we place on each factor, will vary for each prospective loan investment, we do not, and are not able to, assign a specific weight or level of importance to any particular factor.

We may originate loans from mortgage brokers or personal solicitations of suitable borrowers, or may purchase existing loans that were originated by other lenders. We may purchase existing loans from affiliates, and we may make or invest in loans in which the borrower is an affiliate. Our advisor will evaluate all potential loan investments to determine if the security for the loan and the loan-to-value ratio meets our investment criteria and objectives. Most loans that we will consider for investment would provide for monthly payments of interest and some may also provide for principal amortization, although many loans of the nature that we will consider provide for payments of interest only and a payment of principal in full at the end of the loan term. We will not originate loans with negative amortization provisions.

We are not limited as to the amount of our assets that may be invested in construction loans, mezzanine loans, bridge loans, loans secured by leasehold interests and second, third and wraparound mortgage loans. However, we recognize that these types of loans are riskier than first deeds of trust or first priority mortgages on income-producing, fee-simple properties, and we expect to minimize the amount of these types of loans in our portfolio. Our advisor will evaluate the fact that these types of loans are riskier in determining the rate of interest on the loans. We do not have any policy that limits the amount that we may invest in any single loan or the amount we may invest in loans to any one borrower. We are not limited as to the amount of gross offering proceeds that we may use to invest in or originate loans, and we have not established a portfolio turnover policy with respect to such loans.

Our loan investments may be subject to regulation by federal, state and local authorities and subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, including among other things, regulating credit granting activities, establishing maximum interest rates and finance charges, requiring disclosures to customers, governing secured transactions and setting collection, repossession and claims handling procedures and other trade practices. In addition, certain states have enacted legislation requiring the licensing of mortgage bankers or other lenders and these requirements may affect our ability to effectuate our proposed investments in loans. Commencement of operations in these or other jurisdictions may be dependent upon a finding of our financial responsibility, character and fitness. We may determine not to make loans in any jurisdiction in which the regulatory authority determines that we have not complied in all material respects with applicable requirements.

Investing in Securities

We may invest in the following types of securities: (i) equity securities such as common stocks, preferred stocks and convertible preferred securities of public or private unaffiliated real estate companies (including other REITs, real estate operating companies and other real estate companies); (ii) debt securities such as commercial mortgage-backed securities and debt securities issued by other unaffiliated real estate companies; and (iii) certain other types of securities that may help us reach our diversification and other investment objectives. These other securities may include, but are not limited to, various types of collateralized debt obligations and certain non-U.S. dollar denominated securities.

Our advisor has substantial discretion with respect to the selection of specific securities investments. Our charter provides that we may not invest in equity securities unless a majority of our directors, including a majority of our independent directors, not otherwise interested in the transaction, approve such investment as being fair, competitive and commercially reasonable. Consistent with such requirements, in determining the types of securities investments to make, our advisor will adhere to a board-approved asset allocation framework consisting primarily of components such as: (i) target mix of securities across a range of risk/reward characteristics; (ii) exposure limits to individual securities; and (iii) exposure limits to securities subclasses (such as common equities, debt securities and foreign securities). Within this framework, our advisor will evaluate specific criteria for each prospective securities investment including:

- positioning the overall portfolio to achieve an optimal mix of real estate and real estate-related investments;
- diversification benefits relative to the rest of the securities assets within our portfolio;
- fundamental securities analysis;
- quality and sustainability of underlying property cash flows;
- broad assessment of macroeconomic data and regional property level supply and demand dynamics;
- potential for delivering high current income and attractive risk-adjusted total returns; and
- additional factors considered important to meeting our investment objectives.

Commercial mortgage-backed securities are securities that evidence interests in, or are secured by, a single commercial mortgage loan or a pool of commercial mortgage loans. Commercial mortgage-backed securities generally are pass-through certificates that represent beneficial ownership interests in common law trusts whose assets consist of defined portfolios of one or more commercial mortgage loans. They typically are issued in multiple tranches whereby the more senior classes are entitled to priority distributions from the trust’s income. Losses and other shortfalls from expected amounts to be received in the mortgage pool are borne by the most subordinate classes, which receive payments only after the more senior classes have received all principal and/or interest to which they are entitled. Commercial mortgage-backed securities are subject to all of the risks of the underlying mortgage loans. We may invest in investment grade and non-investment grade commercial mortgage-backed securities. However, we will not invest more than 10.0% of the proceeds available for investment from our offering in commercial mortgage-backed securities.

We will not invest more than 10.0% of the proceeds available for investment from our offering in equity securities of public or private real estate companies. The specific number and mix of securities in which we invest will depend upon real estate market conditions, other circumstances existing at the time we are investing in our securities, the amount of any future indebtedness that we may incur and any possible future equity offerings. We will not invest in securities of other issuers for the purpose of exercising control and the first or second mortgages in which we intend to invest will likely not be insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs or otherwise guaranteed or insured. Real estate-related equity securities are generally unsecured and also may be subordinated to other obligations of the issuer. Our investments in real estate-related equity securities will involve special risks relating to the particular issuer of the equity securities, including the financial condition and business outlook of the issuer.

Our Strategies and Policies With Respect to Borrowing

We have used and intend to continue to use secured and unsecured debt as a means of providing additional funds for the acquisition of properties and real estate-related investments. Our ability to enhance our investment returns and to increase our diversification by acquiring assets using additional funds provided through borrowing could be adversely impacted if banks and other lending institutions reduce the amount of funds available for the types of loans we seek. When interest rates are high or financing is otherwise unavailable on a timely basis, we may purchase certain assets for cash with the intention of obtaining debt financing at a later time. We have also utilized and may continue to utilize derivative financial instruments such as fixed interest rate swaps and caps to add stability to interest expense and to manage our exposure to interest rate movements.

We anticipate that our overall leverage will not exceed 50.0% of the combined market value of all of our real estate, real estate-related investments and joint venture interests, as determined at the end of each calendar year. For these purposes, the fair market value of each asset will be equal to the purchase price paid for the asset or, if the asset was appraised subsequent to the date of purchase, then the fair market value will be equal to the value reported in the most recent independent appraisal of the asset. Our borrowing policies do not limit the amount we may borrow with respect to any individual investment. As of December 31, 2018, our aggregate borrowings were 31.7% of the combined market value of all our real estate and joint venture interest.

Our board of directors reviews our aggregate borrowings at least quarterly to ensure that such borrowings are reasonable in relation to our net assets. Our borrowing policies preclude us from borrowing in excess of 300% of our net assets, unless any excess in such borrowing is approved by a majority of our independent directors and is disclosed in our next quarterly report along with justification for such excess. Net assets for purposes of this calculation are defined as our total assets, other than intangibles, valued at cost before deducting depreciation, amortization, bad debt and other similar non-cash reserves, less total liabilities. Generally, the preceding calculation is expected to approximate 75.0% of the aggregate cost of our real estate and real estate-related investments before depreciation, amortization, bad debt and other similar non-cash reserves. However, we may temporarily borrow in excess of these amounts if such excess is approved by a majority of our independent directors and disclosed to stockholders in our next quarterly report, along with justification for such excess. In such event, we will review our debt levels at that time and take action to reduce any such excess as soon as practicable. We are likely to exceed these leverage limitations during the period prior to the investment of all of the net proceeds from our offering and any subsequent offering of our common stock. We may also incur indebtedness to finance improvements to properties and, if necessary, for working capital needs or to meet the distribution requirements applicable to REITs under the federal income tax laws. In addition, if our cash flows from operations are not sufficient to pay the stockholder servicing fee paid with respect to our shares of Class T common stock sold, we will pay the stockholder servicing fee through borrowings in anticipation of future cash flows. As of March 18, 2019 and December 31, 2018, our leverage did not exceed 300% of the value of our net assets.

By operating on a leveraged basis, we have more funds available for our investments. This generally enables us to make more investments than would otherwise be possible, potentially resulting in enhanced investment returns and a more diversified portfolio.

Our advisor uses its best efforts to obtain financing on the most favorable terms available to us and refinances assets during the term of a loan only in limited circumstances, such as when a decline in interest rates makes it beneficial to prepay an existing loan, when an existing loan matures or if an attractive investment becomes available and the proceeds from the refinancing can be used to purchase such investment. The benefits of the refinancing may include increased cash flows resulting from reduced debt service requirements, an increase in distributions from proceeds of the refinancing, and an increase in diversification and assets owned if all or a portion of the refinancing proceeds are reinvested.

Our charter restricts us from borrowing money from one of our co-sponsors, our advisor, any of our directors or any of their respective affiliates unless such loan is approved by a majority of our directors, including a majority of our independent directors, not otherwise interested in the transaction as being fair, competitive and commercially reasonable and no less favorable to us than comparable loans between unaffiliated parties.

When incurring secured debt, we may incur recourse indebtedness, which means that the lenders' rights upon our default generally will not be limited to foreclosure on the property that secured the obligation. If we incur mortgage indebtedness, we will endeavor to obtain level payment financing, meaning that the amount of debt service payable would be substantially the same each year, although some mortgages are likely to provide for one large payment and we may incur floating or adjustable rate financing when our board of directors determines it to be in our best interest.

Our board of directors controls our strategies with respect to borrowing and may change such strategies at any time without stockholder approval, subject to the maximum borrowing limit of 300% of our net assets described above.

Real Estate Acquisitions

Our advisor evaluates various potential investments on our behalf and engage in discussions and negotiations with real property sellers, developers, brokers, lenders, investment managers and others regarding such potential investments. We expect that this will normally occur upon the signing of a purchase agreement for the acquisition of a specific, significant property or real estate-related investment, but may occur before or after such signing or upon the satisfaction or expiration of major contingencies in any such purchase agreement, depending on the particular circumstances surrounding each potential investment.

Sale or Disposition of Assets

Our advisor and our board of directors will determine whether a particular property should be sold or otherwise disposed of after consideration of the relevant factors, including performance or projected performance of the property and market conditions, with a view toward achieving our principal investment objectives.

We intend to hold each property or real estate-related investment we acquire for an extended period. However, circumstances might arise which could result in a shortened holding period for certain investments. In general, the holding period for real estate-related investments other than real property is expected to be shorter than the holding period for real property assets. A property or real estate-related investment may be sold before the end of the expected holding period if:

- diversification benefits exist associated with disposing of the investment and rebalancing our investment portfolio;
- an opportunity arises to pursue a more attractive investment;
- in the judgment of our advisor, the value of the investment might decline;
- with respect to properties, a major tenant involuntarily liquidates or is in default under its lease;
- the investment was acquired as part of a portfolio acquisition and does not meet our general acquisition criteria;
- an opportunity exists to enhance overall investment returns by raising capital through sale of the investment; or
- in the judgment of our advisor, the sale of the investment is in the best interest of our stockholders.

The determination of whether a particular property or real estate-related investment should be sold or otherwise disposed of will be made after consideration of relevant factors, including prevailing economic conditions, with a view toward maximizing our investment objectives. The terms of payment will be affected by custom in the area in which the investment being sold is located and the then-prevailing economic conditions.

Construction and Development Activities

From time to time, we may construct and develop real estate assets or render services in connection with these activities. We may be able to reduce overall purchase costs by constructing and developing property versus purchasing a finished property. We retain and will continue to retain independent contractors to perform the actual construction work on tenant improvements, such as installing heating, ventilation and air conditioning systems.

Additionally, we may engage our advisor or its affiliates to provide development-related services for all or some of the properties that we acquire for development or refurbishment. In those cases, we pay our advisor or its affiliates a development fee that is usual and customary for comparable services rendered for similar projects in the geographic market where the services are provided. However, we do not pay a development fee to our advisor or its affiliates if our advisor or any of its affiliates elect to receive an acquisition fee based on the cost of such development. In the event that our advisor assists with planning and coordinating the construction of any tenant improvements or capital improvements, our advisor may be paid a construction management fee of up to 5.0% of the cost of such improvements.

Terms of Leases

The terms and conditions of any lease we enter into with our tenants may vary substantially from those we describe in this Annual Report on Form 10-K. However, we expect that a majority of our leases will require the tenant to pay or reimburse us for some or all of the operating expenses of the building based on the tenant's proportionate share of rentable space within the building. Operating expenses typically include, but are not limited to, real estate taxes, sales and use taxes, special assessments, utilities, insurance and building repairs, and other building operation and management costs. We expect to be responsible for the replacement of specific structural components of a property such as the roof of the building or the parking lot. We expect that many of our leases will have terms of five or more years, some of which may have renewal options.

Board Review of Our Investment Policies and Report of Independent Directors

Our board of directors has established written policies on investments and borrowing. Our board of directors is responsible for monitoring the administrative procedures, investment operations and performance of our company and our advisor to ensure such policies are carried out. Our charter requires that our independent directors review our investment policies at least annually to determine that the policies we are following are in the best interest of our stockholders. Each determination and the basis therefore is required to be set forth in the minutes of the applicable meetings of our directors. Implementation of our investment policies also may vary as new investment techniques are developed. Our investment policies may not be altered by our board of directors without the approval of our stockholders.

As required by our charter, our independent directors have reviewed our policies outlined above and determined that they are in the best interests of our stockholders because: (i) they increase the likelihood that we will be able to acquire a diversified portfolio of income-producing properties, thereby reducing risk in our portfolio; (ii) there are sufficient property acquisition opportunities with the attributes that we seek; (iii) our executive officers, directors and affiliates of our advisor entities have expertise with the type of real estate investments we seek; and (iv) our borrowings will enable us to purchase assets and earn real estate revenue more quickly, thereby increasing our likelihood of generating income for our stockholders and preserving stockholder capital.

Tax Status

We qualified and elected to be taxed as a REIT under the Code beginning with our taxable year ended December 31, 2016. To maintain our qualification as a REIT, we must meet certain organizational and operational requirements, including our requirement to currently distribute at least 90.0% of our annual taxable income, excluding net capital gains, to our stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders.

Distribution Policy

In order to maintain our qualification as a REIT for federal income tax purposes, among other things, we are required to distribute at least 90.0% of our annual taxable income, excluding net capital gains, to our stockholders. We cannot predict if we will generate sufficient cash flows to continue to pay cash distributions to our stockholders on an ongoing basis or at all. The amount of any cash distributions is determined by our board of directors and depends on the amount of distributable funds, current and projected cash requirements, tax considerations, any limitations imposed by the terms of indebtedness we may incur and other factors. If our investments produce sufficient cash flows, we expect to continue to pay distributions to our stockholders on a monthly basis. Because our cash available for distribution in any year may be less than 90.0% of our annual taxable income, excluding net capital gains, for the year, we may be required to borrow money, use proceeds from the issuance of securities (in subsequent offerings, if any) or sell assets to pay out enough of our taxable income to satisfy the distribution requirement. These methods of obtaining funds could affect future distributions by increasing operating costs. We did not establish any limit on the amount of net proceeds from our offering, and we have not established any limit on the amount of net proceeds from any future offerings, that may be used to fund distributions, except that, in accordance with our organizational documents and Maryland law, we may not make distributions that would: (i) cause us to be unable to pay our debts as they become due in the usual course of business; or (ii) cause our total assets to be less than the sum of our total liabilities plus senior liquidation preferences.

To the extent that distributions to our stockholders are paid out of our current or accumulated earnings and profits, such distributions are taxable as ordinary income. To the extent that our distributions exceed our current and accumulated earnings and profits, such amounts constitute a return of capital to our stockholders for federal income tax purposes, to the extent of their basis in their stock and thereafter will constitute capital gain. Any portion of distributions to our stockholders paid from net offering proceeds constitutes a return of capital to our stockholders.

Monthly distributions are calculated with daily record dates so distribution benefits begin to accrue immediately upon becoming a stockholder. However, our board of directors could, at any time, elect to pay distributions quarterly to reduce administrative costs. Subject to applicable REIT rules, we generally intend to reinvest proceeds from the sale, financing, refinancing or other disposition of our properties through the purchase of additional properties, although we cannot assure our stockholders that we will be able to do so.

The amount of distributions we pay to our stockholders is determined by our board of directors and is dependent on a number of factors, including funds available for the payment of distributions, our financial condition, capital expenditure requirements, annual distribution requirements needed to maintain our status as a REIT under the Code and restrictions imposed by our organizational documents and Maryland Law.

See Part II, Item 5, Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Distributions, for a further discussion of distributions.

Competition

We compete with many other entities engaged in real estate investment activities for acquisitions of medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities, including international, national, regional and local operators, acquirers and developers of healthcare real estate properties. The competition for healthcare real estate properties may significantly increase the price we must pay for medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities or other assets we seek to acquire, and our competitors may succeed in acquiring those properties or assets themselves. In addition, our potential acquisition targets may find our competitors to be more attractive because they may have greater resources, may be willing to pay more for the properties or may have a more compatible operating philosophy. In particular, larger healthcare REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Further, the number of entities and the amount of funds competing for suitable investment properties may increase. This competition will result in increased demand for these assets, and therefore, increased prices paid for them. If there is an increased interest in single-property acquisitions among tax-motivated individual purchasers, we may pay higher prices per property if we purchase single properties in comparison with portfolio acquisitions. If we pay higher prices per property for medical office buildings, hospitals, skilled nursing facilities, senior housing or other healthcare-related facilities, our business, financial condition, results of operations and our ability to pay distributions to our stockholders may be materially and adversely affected and our stockholders may experience a lower return on their investment.

In addition, income from our investments is dependent on the ability of our tenants and operators to compete with other healthcare operators. These operators compete on a local and regional basis for residents and patients and the operators' ability to successfully attract and retain residents and patients depends on key factors such as the number of facilities in the local market, the types of services available, the quality of care, reputation, age and appearance of each facility and the cost of care in each locality. Private, federal and state payment programs and the effect of other laws and regulations may also have a significant impact on the ability of our tenants and operators to compete successfully for residents and patients at the properties. For additional information on the risks associated with our business, please see Item 1A, Risk Factors.

Government Regulations

Many laws and governmental regulations are applicable to our properties and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently.

Costs of Compliance with the Americans with Disabilities Act. Under the Americans with Disabilities Act of 1990, as amended, or the ADA, all public accommodations must meet federal requirements for access and use by disabled persons. Although we believe that we are in substantial compliance with present requirements of the ADA, none of our properties have been audited, nor have investigations of our properties been conducted to determine compliance. Additional federal, state and local laws also may require modifications to our properties or restrict our ability to renovate our properties. We cannot predict the cost of compliance with the ADA or other legislation. We may incur substantial costs to comply with the ADA or any other legislation.

Costs of Government Environmental Regulation and Private Litigation. Environmental laws and regulations hold us liable for the costs of removal or remediation of certain hazardous or toxic substances which may be on our properties. These laws could impose liability without regard to whether we are responsible for the presence or release of the hazardous materials. Government investigations and remediation actions may have substantial costs and the presence of hazardous substances on a property could result in personal injury or similar claims by private plaintiffs. Various laws also impose liability on a person who arranges for the disposal or treatment of hazardous or toxic substances and such person often must incur the cost of removal or remediation of hazardous substances at the disposal or treatment facility. These laws often impose liability whether or not the person arranging for the disposal ever owned or operated the disposal facility. As the owner of our properties, we may be deemed to have arranged for the disposal or treatment of hazardous or toxic substances.

Other Federal, State and Local Regulations. Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these various requirements, we may incur governmental fines or private damage awards. While we believe that our properties are and will be in substantial compliance with all of these regulatory requirements, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely affect our ability to make distributions to our stockholders. We believe, based in part on engineering reports which are generally obtained at the time we acquire the properties, that all of our properties comply in all material respects with current regulations. However, if we were required to make significant expenditures under applicable regulations, our financial condition, results of operations, cash flows and ability to satisfy our debt service obligations and to pay distributions could be adversely affected.

Issuing Securities for Property

Subject to limitations contained in our organizational and governance documents, we may issue, or cause to be issued, shares of our stock or limited partnership units in our operating partnership in any manner (and on such terms and for such consideration) in exchange for real estate. Our existing stockholders have no preemptive rights to purchase such shares of our stock or limited partnership units in any such offering, and any such offering might cause a dilution of a stockholder's initial investment.

In order to induce the contributors of such properties to accept units in our operating partnership, rather than cash, in exchange for their properties, it may be necessary for us to provide them additional incentives. For instance, our operating partnership's partnership agreement provides that any holder of units may exchange limited partnership units on a one-for-one basis for shares of our common stock, or, at our option, cash equal to the value of an equivalent number of shares of our common stock. We may, however, enter into additional contractual arrangements with contributors of property under which we would agree to repurchase a contributor's units for shares of our common stock or cash, at the option of the contributor, at set times. In order to allow a contributor of a property to defer taxable gain on the contribution of property to our operating partnership, we might agree not to sell a contributed property for a defined period of time or until the contributor exchanged the contributor's units for cash or shares of our common stock. Such an agreement would prevent us from selling those properties, even if market conditions made such a sale favorable to us. Such transactions are subject to the risks described in Item 1A, Risk Factors — Risks Related to Our Business — We may structure acquisitions of property in exchange for limited partnership units in our operating partnership on terms that could limit our liquidity or our flexibility. Although we may enter into such transactions with other existing or future American Healthcare Investors or Griffin Capital programs, we do not currently intend to do so. If we were to enter into such a transaction with an entity managed by one of our co-sponsors or its affiliates, we would be subject to the risks described in Item 1A, Risk Factors — Risks Related to Conflicts of Interest. We may acquire assets from, or dispose of assets to, affiliates of our advisor, which could result in us entering into transactions on less favorable terms than we would receive from a third party or that negatively affect the public's perception of us.

Significant Tenants

As of December 31, 2018 , we had one tenant that accounted for 10.0% or more of our total property portfolio's annualized base rent or annualized net operating income, or NOI, as follows:

Tenant	Annualized Base Rent(1)	Percentage of Annualized Base Rent	Acquisition	Reportable Segment	GLA (Sq Ft)	Lease Expiration Date
RC Tier Properties, LLC	$ 7,629,000	12.5%	Missouri SNF Portfolio	Skilled Nursing	385,000	09/30/33

(1) Annualized base rent is based on contractual base rent from leases in effect as of December 31, 2018 . The loss of this tenant or its inability to pay rent could have a material adverse effect on our business and results of operations.

Geographic Concentration

Based on leases in effect as of December 31, 2018 , three states in the United States accounted for 10.0% or more of our total property portfolio's annualized base rent or annualized NOI. Properties located in Missouri, Michigan and Florida accounted for 14.0% , 10.6% and 10.3% , respectively, of our total property portfolio's annualized base rent or annualized NOI. Accordingly, there is a geographic concentration of risk subject to fluctuations in each state's economy. For a further discussion, see Item 2, Properties — Geographic Diversification/Concentration Table.

Employees

We have no employees and our executive officers are all employees of one of our co–sponsors. Our day-to-day management is performed by our advisor and its affiliates. We cannot determine at this time if or when we might hire any employees, although we do not anticipate hiring any employees during the next twelve months. We do not directly compensate our executive officers for services rendered to us. However, our executive officers, consultants and the executive officers and key employees of our advisor and its affiliates are eligible for awards pursuant to the 2015 Incentive Plan, or our incentive plan. As of December 31, 2018 , no awards had been granted to our executive officers, consultants or the executive officers or key employees of our advisor or its affiliates under this plan.

Investment Company Act Considerations

We conduct and intend to continue to conduct our operations, and the operations of our operating partnership and any other subsidiaries, so that no such entity meets the definition of an "investment company" under Section 3(a)(1) of the Investment Company Act. We primarily engage in the business of investing in real estate assets; however, our portfolio may include, to a much lesser extent, other real estate-related investments. We also have acquired and may continue to acquire real estate assets through investments in joint venture entities, including joint venture entities in which we may not own a controlling interest. We anticipate that our assets generally will be held in wholly and majority-owned subsidiaries of the company, each formed to hold a particular asset. We monitor our operations and our assets on an ongoing basis in order to ensure that neither we, nor any of our subsidiaries, meet the definition of "investment company" under Section 3(a)(1) of the Investment Company Act. Among other things, we monitor the proportion of our portfolio that is placed in investments in securities.

Financial Information About Industry Segments

Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 280, *Segment Reporting* , establishes standards for reporting financial and descriptive information about a public entity's reportable segments. We segregate our operations into reporting segments in order to assess the performance of our business in the same way that management reviews our performance and makes operating decisions. Accordingly, when we acquired our first medical office building in June 2016; senior housing facility in December 2016; senior housing — RIDEA facility in November 2017; and skilled nursing facility in March 2018, we added a new reportable segment at each such time. As of December 31, 2018, we operated through four reportable business segments — medical office buildings, senior housing, senior housing — RIDEA and skilled nursing facilities.

Medical Office Buildings. As of December 31, 2018, we owned 29 medical office buildings, or MOBs. These properties typically contain physicians' offices and examination rooms and may also include pharmacies, hospital ancillary service space and outpatient services such as diagnostic centers, rehabilitation clinics and day-surgery operating rooms. While these properties are similar to commercial office buildings, they require additional parking spaces as well as plumbing, electrical and mechanical systems to accommodate multiple exam rooms that may require sinks in every room and special equipment such as x-ray machines. In addition, MOBs are often built to accommodate higher structural loads for certain equipment and may contain "vaults" or other specialized construction. Our MOBs are typically multi-tenant properties leased to healthcare providers (hospitals and physician practices). Based on GLA, approximately 42.5% of our MOBs are located on hospital campuses and 19.8% are affiliated with hospital systems. Our medical office buildings segment accounted for approximately 40.7%, 67.0% and 96.0% of total revenues for the years ended December 31, 2018, 2017 and 2016, respectively.

Senior Housing. As of December 31, 2018, we owned 18 senior housing facilities. Senior housing facilities cater to different segments of the elderly population based upon their personal needs. Services provided by our tenants in these facilities are primarily paid for by the residents directly or through private insurance and are less reliant on government reimbursement programs such as Medicaid and Medicare. Our senior housing facilities are leased to single tenants under triple-net lease structures. Our senior housing segment accounted for approximately 10.6%, 16.4% and 4.0% of total revenues for the years ended December 31, 2018, 2017 and 2016, respectively.

Senior Housing — RIDEA . As of December 31, 2018, we owned and operated 12 senior housing facilities utilizing a RIDEA structure. Such facilities are of a similar property type as our senior housing segment discussed above; however, we have entered into agreements with healthcare operators to manage the facilities on our behalf utilizing a RIDEA structure. Substantially all of our leases with residents in the senior housing facilities are for a term of one year or less. Our senior housing — RIDEA segment accounted for approximately 43.6% and 16.6% of total revenues for the years ended December 31, 2018 and 2017, respectively. We did not own and operate any senior housing facilities utilizing a RIDEA structure for the year ended December 31, 2016.

Skilled Nursing Facilities. As of December 31, 2018, we owned 10 skilled nursing facilities, or SNFs. SNFs offer restorative, rehabilitative and custodial nursing care for people not requiring the more extensive and sophisticated treatment available at hospitals. Ancillary revenues and revenues from sub-acute care services are derived from providing services to residents beyond room and board and include occupational, physical, speech, respiratory and intravenous therapy, wound care, oncology treatment, brain injury care and orthopedic therapy as well as sales of pharmaceutical products and other services. Certain SNFs provide some of the foregoing services on an out-patient basis. Skilled nursing services provided by our tenants in these SNFs are primarily paid for either by private sources or through the Medicare and Medicaid programs. Our SNFs are leased to a single tenant under a triple-net lease structure. Our skilled nursing facilities segment accounted for approximately 5.1% of total revenues for the year ended December 31, 2018. We did not own any skilled nursing facilities for the years ended December 31, 2017 and 2016.

For a further discussion of our segment reporting for the years ended December 31, 2018, 2017 and 2016, see Note 17, Segment Reporting , to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

Item 1A. Risk Factors.

Investment Risks

There is no public market for the shares of our common stock. Therefore, it will be difficult for our stockholders to sell their shares of our common stock and, if our stockholders are able to sell their shares of our common stock, they will likely sell them at a substantial discount.

There currently is no public market for the shares of our common stock. We do not expect a public market for our stock to develop prior to the listing of the shares of our common stock on a national securities exchange, which we do not expect to occur in the near future and which may not occur at all. Additionally, our charter contains restrictions on the ownership and transfer of shares of our stock, and these restrictions may inhibit our stockholders' ability to sell their shares of our common stock. Our charter provides that no person may own more than 9.9% in value of our issued and outstanding shares of capital stock or more than 9.9% in value or in number of shares, whichever is more restrictive, of the issued and outstanding shares of our common stock. Any purported transfer of the shares of our common stock that would result in a violation of either of these limits will result in such shares being transferred to a trust for the benefit of a charitable beneficiary or such transfer being declared null and void. We have adopted a share repurchase plan, but it is limited in terms of the amount of shares of our common stock which may be repurchased annually and is subject to our board of directors' discretion. Our board of directors may also amend, suspend, or terminate our share repurchase plan at any time upon 30 days' written notice. Therefore, it will be difficult for our stockholders to sell their shares of our common stock promptly or at all. If our stockholders are able to sell their shares of our common stock, our stockholders may only be able to sell them at a substantial discount from the price they paid. This may be the result, in part, of the fact that, at the time we make our investments, the amount of funds available for investment may be reduced by up to 4.0% of the gross offering proceeds (excluding the 2.0% of the gross offering proceeds portion of the dealer manager fee funded by our advisor), which was used to pay selling commissions and a dealer manager fee. We also will be required to use gross offering proceeds to pay acquisition fees, acquisition expenses and asset management fees. Unless our aggregate investments increase in value to compensate for these fees and expenses, which may not occur, it is unlikely that our stockholders will be able to sell their shares of our common stock, whether pursuant to our share repurchase plan or otherwise, without incurring a substantial loss. We cannot assure our stockholders that their shares of our common stock will ever appreciate in value to equal the price our stockholders paid for their shares of our common stock. Therefore, our stockholders should consider the purchase of shares of our common stock as illiquid and a long-term investment, and our stockholders must be prepared to hold their shares of our common stock for an indefinite length of time.

Our stockholders may not be able to adequately evaluate our ability to achieve our investment objectives, and the prior performance of other programs sponsored or co-sponsored by American Healthcare Investors and Griffin Capital may not be an accurate predictor of our future results.

We were formed in January 2015 and did not engage in any material business operations prior to our offering. As a result, an investment in shares of our common stock may entail more risks than the shares of common stock of a REIT with a more substantial operating history. In addition, our stockholders should not rely on the past performance of other American Healthcare Investors or Griffin Capital-sponsored or co-sponsored programs to predict our future results. Our stockholders should consider our prospects in light of the risks, uncertainties and difficulties frequently encountered by companies like ours that do not have a substantial operating history, many of which may be beyond our control. For example, due to challenging economic conditions in the past, distributions to stockholders of several private real estate programs sponsored by Griffin Capital were suspended. Therefore, to be successful in this market, we must, among other things:

- identify and acquire investments that further our investment strategy;
- rely on our dealer manager to build, expand and maintain its network of licensed securities brokers and other agents in order to sell shares of our common stock;
- attract, integrate, motivate and retain qualified personnel to manage our day-to-day operations;
- respond to competition both for investment opportunities and potential investors' investment in us; and
- build and expand our operational structure to support our business.

We cannot guarantee that we will succeed in achieving these goals, and our failure to do so could cause our stockholders to lose all or a portion of their investment.

Our co-sponsors and certain of their key personnel will face competing demands relating to their time, and this may cause our operating results to suffer.

Griffin Capital and certain of its key personnel and its respective affiliates serve as key personnel, advisors, managers and sponsors or co-sponsors of 12 other Griffin Capital-sponsored programs, including Griffin-American Healthcare REIT III, Inc., or GA Healthcare REIT III, Griffin Institutional Access Real Estate Fund, or GIA Real Estate, and Griffin Institutional Access Credit Fund, or GIA Credit Fund, and may have other business interests as well. In addition, American Healthcare Investors and its key personnel serve as key personnel and co-sponsor of GA Healthcare REIT III, may sponsor or co-sponsor additional real estate programs in the future, and provide certain asset management and property management services to certain of Colony Capital's managed companies. Because these persons have competing demands on their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and fewer resources to our business than is necessary or appropriate. If this occurs, the returns on their investment may suffer.

In addition, executive officers of Griffin Capital also are officers of Griffin Capital Securities, LLC and other affiliated entities. As a result, these individuals owe fiduciary duties to these other entities and their owners, which fiduciary duties may conflict with the duties that they owe to our stockholders and us. Their loyalties to these other entities could result in actions or inactions that are detrimental to our business, which could harm the implementation of our investment objectives. Conflicts with our business and interests are most likely to arise from involvement in activities related to allocation of management time and services between us and the other entities. Griffin Capital Securities, LLC currently serves as dealer manager for our company and a private REIT offering, and as the exclusive wholesale marketing agent for GIA Real Estate and GIA Credit Fund. If Griffin Capital Securities, LLC is unable to devote sufficient time and effort to the distribution of shares of our common stock, we may not be able to raise significant additional proceeds for investment in real estate. Accordingly, competing demands of Griffin Capital personnel may cause us to be unable to successfully implement our investment objectives or generate cash needed to make distributions to our stockholders, and to maintain or increase the value of our assets.

If we are unable to find suitable investments, we may not have sufficient cash flows available for distributions to our stockholders.

Our ability to achieve our investment objectives and to pay distributions to our stockholders is dependent upon the performance of our advisor in selecting investments for us to acquire, selecting tenants for our properties and securing financing arrangements. Except for investments identified in this annual report, our stockholders generally will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments. Investors must rely entirely on the management ability of our advisor and the oversight of our board of directors. Our advisor may not be successful in identifying suitable investments on financially attractive terms or that, if they identify suitable investments, our investment objectives will be achieved. If we, through our advisor, are unable to find suitable investments, we will hold the net proceeds of our offering in an interest-bearing account or invest the net proceeds in short-term, investment-grade investments. In such an event, our ability to pay distributions to our stockholders would be adversely affected.

We have not had sufficient cash available from operations to pay distributions, and therefore, we have paid a portion of distributions from the net proceeds of our offering, and in the future, may pay distributions from borrowings in anticipation of future cash flows or from other sources. Any such distributions may reduce the amount of capital we ultimately invest in assets, may negatively impact the value of our stockholders' investment and may cause subsequent investors to experience dilution.

Distributions payable to our stockholders may include a return of capital, rather than a return on capital, and we have paid a portion of our distributions from the net proceeds of our offering. We have not established any limit on the amount of net proceeds from our offering that may be used to fund distributions, except that, in accordance with our organizational documents and Maryland law, we may not make distributions that would: (i) cause us to be unable to pay our debts as they become due in the usual course of business; or (ii) cause our total assets to be less than the sum of our total liabilities plus senior liquidation preferences. The actual amount and timing of distributions will be determined by our board of directors in its sole discretion and typically will depend on the amount of funds available for distribution, which will depend on items such as our financial condition, current and projected capital expenditure requirements, tax considerations and annual distribution requirements needed to maintain our qualification as a REIT. As a result, our distribution rate and payment frequency vary from time to time.

We have used the net proceeds from our offering and our advisor has waived certain fees payable to it as discussed below, and in the future, may use the net proceeds from our offering, borrowed funds, or other sources, to pay cash distributions to our stockholders in order to maintain our qualification as a REIT, which may reduce the amount of proceeds available for investment and operations, cause us to incur additional interest expense as a result of borrowed funds or cause subsequent investors to experience dilution. Further, if the aggregate amount of cash distributed in any given year exceeds the amount of our current and accumulated earnings and profits, the excess amount will be deemed a return of capital.

On April 13, 2016, our board of directors authorized a daily distribution to our Class T stockholders of record as of the close of business on each day of the period from May 1, 2016 through June 30, 2016. Our advisor agreed to waive certain asset management fees that may otherwise have been due to our advisor pursuant to the Advisory Agreement until such time as the amount of such waived asset management fees was equal to the amount of distributions payable to our stockholders for the period beginning on May 1, 2016 and ending on the date of the acquisition of our first property or real estate-related investment, as such terms are defined in the Advisory Agreement. Having raised the minimum offering in April 2016, the distributions declared for each record date in the May 2016 and June 2016 periods were paid in June 2016 and July 2016, respectively, from legally available funds. The daily distributions were calculated based on 365 days in the calendar year and were equal to $0.001643836 per share of our Class T common stock. These distributions were aggregated and paid in cash or shares of our common stock pursuant to the DRIP monthly in arrears. We acquired our first property on June 28, 2016, and as such, our advisor waived $80,000 in asset management fees equal to the amount of distributions paid from May 1, 2016 through June 27, 2016. Our advisor did not receive any additional securities, shares of our stock, or any other form of consideration or any repayment as a result of the waiver of such asset management fees.

On June 28, 2016, our board of directors authorized a daily distribution to our Class T stockholders of record as of the close of business on each day of the period commencing on July 1, 2016 and ending on September 30, 2016 and to our Class I stockholders of record as of the close of business on each day of the period commencing on the date that the first Class I share was sold and ending on September 30, 2016. Subsequently, our board of directors authorized on a quarterly basis a daily distribution to our Class T and Class I stockholders of record as of the close of business on each day of the quarterly periods commencing on October 1, 2016 and ending on June 30, 2019. The daily distributions were or will be calculated based on 365 days in the calendar year and are equal to $0.001643836 per share of our Class T and Class I common stock, which is equal to an annualized distribution of $0.60 per share. These distributions were or will be aggregated and paid in cash or shares of our common stock pursuant to the DRIP monthly in arrears, only from legally available funds.

The amount of distributions paid to our stockholders is determined quarterly by our board of directors and is dependent on a number of factors, including funds available for payment of distributions, our financial condition, capital expenditure requirements and annual distribution requirements needed to maintain our qualification as a REIT under the Code. We have not established any limit on the amount of net offering proceeds that may be used to fund distributions, except that, in accordance with our organizational documents and Maryland law, we may not make distributions that would: (i) cause us to be unable to pay our debts as they become due in the usual course of business; or (ii) cause our total assets to be less than the sum of our total liabilities plus senior liquidation preferences.

The distributions paid for the years ended December 31, 2018 and 2017, along with the amount of distributions reinvested pursuant to the DRIP and the sources of distributions as compared to cash flows from operations were as follows:

	Years Ended December 31,			
	2018		2017	
Distributions paid in cash	$ 13,989,000		$ 6,398,000	
Distributions reinvested	17,612,000		8,689,000	
	$ 31,601,000		$ 15,087,000	
Sources of distributions:				
Cash flows from operations	$ 15,423,000	48.8%	$ 12,404,000	82.2%
Offering proceeds	16,178,000	51.2	2,683,000	17.8
	$ 31,601,000	100%	$ 15,087,000	100%

Under accounting principles generally accepted in the United States of America, or GAAP, certain acquisition related expenses, such as expenses incurred in connection with property acquisitions accounted for as business combinations, are expensed, and therefore, subtracted from cash flows from operations. However, these expenses may be paid from offering proceeds or debt.

Any distributions of amounts in excess of our current and accumulated earnings and profits have resulted in a return of capital to our stockholders, and all or any portion of a distribution to our stockholders may be paid from net offering proceeds. The payment of distributions from our net offering proceeds could reduce the amount of capital we ultimately invest in assets and negatively impact the amount of income available for future distributions.

As of December 31, 2018 , we had an amount payable of $8,570,000 to our advisor or its affiliates primarily for the 2.25% contingent advisor payment, or Contingent Advisor Payment, portion of the total acquisition fee payable to our advisor or its affiliates, which will be paid from cash flows from operations in the future as it becomes due and payable by us in the ordinary course of business consistent with our past practice. See Note 12, Related Party Transactions — Acquisition and Development Stage — Acquisition Fee, to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

As of December 31, 2018 , no amounts due to our advisor or its affiliates had been deferred, waived or forgiven other than the $80,000 in asset management fees waived by our advisor, as discussed above. Other than the waiver of asset management fees by our advisor to provide us with additional funds to pay initial distributions to our stockholders through June 27, 2016, our advisor and its affiliates, including our co-sponsors, have no obligation to defer or forgive fees owed by us to our advisor or its affiliates or to advance any funds to us. In the future, if our advisor or its affiliates do not defer or continue to defer, waive or forgive amounts due to them, this would negatively affect our cash flows from operations, which could result in us paying distributions, or a portion thereof, using borrowed funds. As a result, the amount of proceeds available for investment and operations would be reduced, or we may incur additional interest expense as a result of borrowed funds.

The distributions paid for the years ended December 31, 2018 and 2017, along with the amount of distributions reinvested pursuant to the DRIP and the sources of our distributions as compared to funds from operations attributable to controlling interest, or FFO, were as follows:

	Years Ended December 31,			
	2018		2017	
Distributions paid in cash	$ 13,989,000		$ 6,398,000	
Distributions reinvested	17,612,000		8,689,000	
	$ 31,601,000		$ 15,087,000	
Sources of distributions:				
FFO attributable to controlling interest	$ 24,923,000	78.9%	$ 14,134,000	93.7%
Offering proceeds	6,678,000	21.1	953,000	6.3
	$ 31,601,000	100%	$ 15,087,000	100%

The payment of distributions from sources other than FFO may reduce the amount of proceeds available for investment and operations or cause us to incur additional interest expense as a result of borrowed funds. For a further discussion of FFO, a non-GAAP financial measure, including a reconciliation of our GAAP net income (loss) to FFO, see Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations — Funds from Operations and Modified Funds from Operations, for a further discussion.

The estimated per share NAV may not be an accurate reflection of the fair value of our assets and liabilities and likely will not represent the amount of net proceeds that would result if we were liquidated or dissolved or completed a merger or other sale of our company.

On April 6, 2018, our board of directors, at the recommendation of the audit committee, which is comprised solely of independent directors, unanimously approved and established an estimated per share NAV of our common stock of $9.65. We are providing this estimated per share NAV to assist broker-dealers in connection with their obligations under National Association of Securities Dealers Conduct Rule 2340, as required by the Financial Industry Regulatory Authority, or FINRA, with respect to customer account statements. The valuation was performed in accordance with the methodology provided in Practice Guideline 2013-01, *Valuations of Publicly Registered Non-Listed REITs* , issued by the IPA in April 2013, in addition to guidance from the SEC.

The estimated per share NAV was determined after consultation with our advisor and an independent third-party valuation firm, the engagement of which was approved by the audit committee. FINRA rules provide no guidance on the methodology an issuer must use to determine its estimated per share NAV. As with any valuation methodology, our independent valuation firm's methodology is based upon a number of estimates and assumptions that may not be accurate or complete. Different parties with different assumptions and estimates could derive a different estimated per share NAV, and these differences could be significant.

The estimated per share NAV is not audited or reviewed by our independent registered public accounting firm and does not represent the fair value of our assets or liabilities according to GAAP. Accordingly, with respect to the estimated per share NAV, we can give no assurance that:

- a stockholder would be able to resell his or her shares at our estimated per share NAV;
- a stockholder would ultimately realize distributions per share equal to our estimated per share NAV upon liquidation of our assets and settlement of our liabilities or a sale of the company;
- our shares of common stock would trade at our estimated per share NAV on a national securities exchange;
- an independent third-party appraiser or other third-party valuation firm, other than the third-party valuation firm engaged by our board of directors to assist in its determination of the estimated per share NAV, would agree with our estimated per share NAV; or
- the methodology used to estimate our per share NAV would be acceptable to FINRA or comply with the Employee Retirement Income Security Act of 1974, or ERISA, the Code, other applicable law, or the applicable provisions of a retirement plan or individual retirement account, or IRA.

Further, the estimated per share NAV is based on the estimated value of our assets less the estimated value of our liabilities, divided by the number of shares outstanding on a fully diluted basis, calculated as of December 31, 2017. The value of our shares may fluctuate over time in response to developments related to individual assets in the portfolio and the management of those assets and in response to the real estate and finance markets. Going forward, we intend to engage an independent valuation firm to assist us with publishing an updated estimated per share NAV on at least an annual basis.

For a full description of the methodologies used to value our assets and liabilities in connection with the calculation of the estimated per share NAV, see our Current Report on Form 8-K filed with the SEC on April 9, 2018.

It may be difficult to accurately reflect material events that may impact our estimated per share NAV between valuations and accordingly, we may be repurchasing shares at too high or too low a price.

Our independent valuation firm will calculate estimates of the market value of our real estate investments, and our board of directors will determine the net value of our real estate investments and liabilities taking into consideration such estimate provided by the independent valuation firm. Our board of directors is ultimately responsible for determining the estimated per share NAV. Since our board of directors will determine our estimated per share NAV at least annually, there may be changes in the value of our assets that are not fully reflected in the most recent estimated per share NAV. As a result, the published estimated per share NAV may not fully reflect changes in value that may have occurred since the prior valuation. Furthermore, our advisor will monitor our portfolio, but it may be difficult to reflect changing market conditions or material events that may impact the value of our portfolio between valuations, or to obtain timely or complete information regarding any such events. Therefore, the estimated per share NAV published before the announcement of an extraordinary event may differ significantly from our actual per share NAV until such time as sufficient information is available and analyzed, the financial impact is fully evaluated, and the appropriate adjustment is made to our estimated per share NAV, as determined by our board of directors. Any resulting disparity may be to the detriment of a stockholder selling shares pursuant to our share repurchase plan.

Our results of operations, our ability to pay distributions to our stockholders and our ability to dispose of our investments are subject to international, national and local economic factors we cannot control or predict.

Our results of operations are subject to the risks of an international or national economic slowdown or downturn and other changes in international, national and local economic conditions. The following factors may affect income from our properties, our ability to acquire and dispose of properties, and yields from our properties:

- poor economic times may result in defaults by tenants of our properties due to bankruptcy, lack of liquidity, or operational failures. We may also be required to provide rent concessions or reduced rental rates to maintain or increase occupancy levels;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans;
- the value and liquidity of our short-term investments and cash deposits could be reduced as a result of a deterioration of the financial condition of the institutions that hold our cash deposits or the institutions or assets in which we have made short-term investments, the dislocation of the markets for our short-term investments, increased volatility in market rates for such investment or other factors;
- our lenders under our line of credit and term loan could refuse to fund its financing commitment to us or could fail and we may not be able to replace the financing commitment of such lender on favorable terms, or at all;
- one or more counterparties to our interest rate swaps could default on their obligations to us or could fail, increasing the risk that we may not realize the benefits of these instruments;
- increases in supply of competing properties or decreases in demand for our properties may impact our ability to maintain or increase occupancy levels and rents;
- constricted access to credit may result in tenant defaults or non-renewals under leases;
- job transfers and layoffs may cause vacancies to increase and a lack of future population and job growth may make it difficult to maintain or increase occupancy levels;
- governmental actions and initiatives, including risks associated with the impact of a prolonged government shutdown or budgetary reductions or impasses; and
- increased insurance premiums, real estate taxes or utilities or other expenses may reduce funds available for distribution or, to the extent such increases are passed through to tenants, may lead to tenant defaults. Also, any such increased expenses may make it difficult to increase rents to tenants on turnover, which may limit our ability to increase our returns.

The length and severity of any economic slowdown or downturn cannot be predicted. Our results of operations, our ability to pay distributions to our stockholders and our ability to dispose of our investments may be negatively impacted to the extent an economic slowdown or downturn is prolonged or becomes more severe.

We have not identified all of the real estate or real estate-related investments to acquire with the net proceeds from our offering.

We have not identified all of the real estate or real estate-related investments to acquire with the net proceeds of our offering. As a result, our stockholders are unable to evaluate the manner in which our net proceeds are invested and the economic merits of our investments. Additionally, our stockholders will not have the opportunity to evaluate the transaction terms or other financial or operational data concerning the real estate or real estate-related investments we acquire in the future.

We face competition for the acquisition of medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities, which may impede our ability to make acquisitions or may increase the cost of these acquisitions and may reduce our profitability and could cause our stockholders to experience a lower return on their investment.

We compete with many other entities engaged in real estate investment activities for acquisitions of medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities, including international, national, regional and local operators, acquirers and developers of healthcare real estate properties, as well as GA Healthcare REIT III. The competition for healthcare real estate properties may significantly increase the price we must pay for medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities or other assets we seek to acquire, and our competitors may succeed in acquiring those properties or assets themselves. In addition, our potential acquisition targets may find our competitors to be more attractive because they may have greater resources, may be willing to pay more for the properties or may have a more compatible operating philosophy. In particular, larger healthcare REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Further, the number of entities and the amount of funds competing for suitable investment properties may increase. This competition will result in increased demand for these assets, and therefore, increased prices paid for them. If there is an increased interest in single-property acquisitions among tax-motivated individual purchasers, we may pay higher prices per property if we purchase single properties in comparison with portfolio acquisitions. If we pay higher prices per property for medical office buildings, hospitals, skilled nursing facilities, senior housing or other healthcare-related facilities, our business, financial condition, results of operations and our ability to pay distributions to our stockholders may be materially and adversely affected and our stockholders may experience a lower return on their investment.

Our stockholders may be unable to sell their shares of our common stock because their ability to have their shares of our common stock repurchased pursuant to our share repurchase plan is subject to significant restrictions and limitations.

Our share repurchase plan includes significant restrictions and limitations. Except in cases of death or qualifying disability, our stockholders must hold their shares of our common stock for at least one year. Our stockholders must present at least 25.0% of their shares of our common stock for repurchase and until they have held their shares of our common stock for at least four years, repurchases will be made for less than our stockholders paid for their shares of our common stock. Shares of our common stock may be repurchased quarterly, at our discretion, on a pro rata basis, and are limited during any calendar year to 5.0% of the weighted average number of shares of our common stock outstanding during the prior calendar year; provided however, that shares of our common stock subject to a repurchase requested upon the death of a stockholder will not be subject to this cap. Funds for the repurchase of shares of our common stock will come exclusively from the cumulative proceeds we receive from the sale of shares of our common stock pursuant to the DRIP. In addition, our board of directors may reject share repurchase requests in its sole discretion and reserves the right to amend, suspend or terminate our share repurchase plan at any time upon 30 days' written notice. Therefore, in making a decision to purchase shares of our common stock, our stockholders should not assume that they will be able to sell any of their shares of our common stock back to us pursuant to our share repurchase plan and our stockholders also should understand that the repurchase price will not necessarily correlate to the value of our real estate holdings or other assets. If our board of directors terminates our share repurchase plan, our stockholders may not be able to sell their shares of our common stock even if our stockholders deem it necessary or desirable to do so.

Our advisor may be entitled to receive significant compensation in the event of our liquidation or in connection with a termination of the Advisory Agreement, even if such termination is the result of poor performance by our advisor.

We are externally advised by our advisor pursuant to the Advisory Agreement between us and our advisor which has a one-year term that expires on February 16, 2020 and is subject to successive one-year renewals upon the mutual consent of us and our advisor. In the event of a partial or full liquidation of our assets, our advisor will be entitled to receive an incentive distribution equal to 15.0% of the net proceeds of the liquidation, after we have received and paid to our stockholders the sum of the gross proceeds from the sale of shares of our common stock, and any shortfall in an annual 6.0% cumulative, non-compounded return to stockholders in the aggregate. In the event of a termination of the Advisory Agreement in connection with the listing of our common stock on a national securities exchange, the partnership agreement provides that our advisor will receive an incentive distribution in redemption of its limited partnership units equal to 15.0% of the amount, if any, by which (i) the market value of our outstanding common stock at listing plus distributions paid by us prior to the listing of the shares of our common stock on a national securities exchange, exceeds (ii) the sum of the gross proceeds from the sale of shares of our common stock (less amounts paid to repurchase shares of our common stock) plus an annual 6.0% cumulative, non-compounded return on the gross proceeds from the sale of shares of our common stock. Upon our advisor's receipt of the incentive distribution in redemption of its limited partnership units, our advisor will not be entitled to receive any further incentive distributions upon sales of our properties. Further, in connection with the termination or non-renewal of the Advisory Agreement other than due to a listing of the shares of our common stock on a national securities exchange, our advisor shall be entitled to receive a distribution in redemption of its limited partnership units equal to the amount that would be payable as an incentive distribution upon sales of properties, which equals 15.0% of the net proceeds if we liquidated all of our assets at fair market value, after we have received and paid to our stockholders the sum of the gross proceeds from the sale of shares of our common stock and an annual 6.0% cumulative, non-compounded return to our stockholders in the aggregate. Such distribution upon termination of the Advisory Agreement is payable to our advisor even upon termination or non-renewal of the Advisory Agreement as a result of poor performance by our advisor. Upon our advisor's receipt of this distribution in redemption of its limited partnership units, our advisor will not be entitled to receive any further incentive distributions upon sales of our properties. Any amounts to be paid to our advisor in connection with the termination of the Advisory Agreement cannot be determined at the present time, but such amounts, if paid, will reduce the cash available for distribution to our stockholders.

We may not effect a liquidity event within our targeted time frame of five years after the completion of our offering stage, or at all. If we do not effect a liquidity event, our stockholders may have to hold their investment in shares of our common stock for an indefinite period of time.

On a limited basis, our stockholders may be able to sell shares of our common stock to us through our share repurchase plan. However, in the future we may also consider various forms of liquidity events, including but not limited to: (i) the listing of the shares of our common stock on a national securities exchange; (ii) our sale or merger in a transaction that provides our stockholders with a combination of cash and/or securities of a publicly traded company; and (iii) the sale of all or substantially all of our real estate and real estate-related investments for cash or other consideration. We presently intend to effect a liquidity event within five years after the completion of our offering stage, which we deem to be the completion of our offering and any subsequent public offerings, excluding any offerings pursuant to the DRIP or that is limited to any benefit plans. However, we are not obligated, through our charter or otherwise, to effectuate a liquidity event and may not effect a liquidity event within such time or at all. If we do not effect a liquidity event, it will be very difficult for our stockholders to have liquidity for their investment in the shares of our common stock other than limited liquidity through our share repurchase plan.

Because a portion of the offering price from the sale of shares of our common stock is used to pay expenses and fees, the full offering price paid by our stockholders is not invested in real estate investments. As a result, our stockholders will only receive a full return of their invested capital if we either (i) sell our assets or our company for a sufficient amount in excess of the original purchase price of our assets, or (ii) list the shares of our common stock on a national securities exchange and the market value of our company after we list is substantially in excess of the original purchase price of our assets.

Our board of directors may change our investment objectives without seeking our stockholders' approval.

Our board of directors may change our investment objectives without seeking our stockholders' approval if our directors, in accordance with their fiduciary duties to our stockholders, determine that a change is in their best interest. A change in our investment objectives could reduce our payment of cash distributions to our stockholders or cause a decline in the value of our investments.

Risks Related to Our Business

We may suffer from delays in locating suitable investments, which could reduce our ability to pay distributions to our stockholders and reduce their return on their investment.

There may be a substantial period of time before the proceeds of our offering are invested in suitable investments, particularly as a result of the current economic environment and capital constraints. If we are delayed or unable to find suitable investments, we may not be able to achieve our investment objectives or pay distributions to our stockholders.

The availability and timing of cash distributions to our stockholders is uncertain. If we fail to pay distributions, their investment in shares of our common stock could suffer.

We will bear all expenses incurred in our operations, which are deducted from cash flows generated by operations prior to computing the amount of cash distributions to our stockholders. In addition, our board of directors, in its discretion, may retain any portion of such funds for working capital. We cannot assure our stockholders that sufficient cash will be available to pay monthly distributions to our stockholders or at all. Should we fail for any reason to distribute at least 90.0% of our annual taxable income, excluding net capital gains, we would not qualify for the favorable tax treatment accorded to REITs.

We are uncertain of all of our sources of debt or equity for funding our capital needs. If we cannot obtain funding on acceptable terms, our ability to acquire, and make necessary capital improvements to, properties may be impaired or delayed.

To maintain our qualification as a REIT, we generally must distribute to our stockholders at least 90.0% of our annual taxable income, excluding net capital gains. Because of this distribution requirement, it is not likely that we will be able to fund a significant portion of our capital needs from retained earnings. We have not identified all of our sources of debt or equity for funding, and such sources of funding may not be available to us on favorable terms or at all. If we do not have access to sufficient funding in the future, we may not be able to acquire, and make necessary capital improvements to, properties, pay other expenses or expand our business. We anticipate that tenant improvements required at the time of our acquisition of a property will be funded from our net offering proceeds and cash from operations. However, at such time as a tenant of one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract new tenants, we will be required to expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. Since we do not anticipate maintaining permanent working capital reserves, we may not have access to funds required in the future for tenant improvements and tenant refurbishments in order to attract new tenants to lease vacated space.

We use mortgage indebtedness and other borrowings, which may increase our business risks, could hinder our ability to pay distributions and could decrease the value of our stockholders' investment.

We have financed, and will continue to finance, a portion of the purchase price of our investments in real estate and real estate-related investments by borrowing funds. We anticipate that our overall leverage will not exceed 50.0% of the combined market value of our real estate and real estate-related investments, as determined at the end of each calendar year. Under our charter, we have a limitation on borrowing that precludes us from borrowing in excess of 300% of our net assets without the approval of a majority of our independent directors. Net assets for purposes of this calculation are defined to be our total assets (other than intangibles), valued at cost prior to deducting depreciation, amortization, bad debt and other non-cash reserves, less total liabilities. Generally speaking, the preceding calculation is expected to approximate 75.0% of the aggregate cost of our real estate and real estate-related investments before depreciation, amortization, bad debt and other similar non-cash reserves. In addition, we may incur mortgage debt and pledge some or all of our real properties as security for that debt to obtain funds to acquire additional real properties or for working capital. We may also borrow funds to satisfy the REIT tax qualification requirement that we distribute at least 90.0% of our annual taxable income, excluding net capital gains, to our stockholders. Furthermore, we may borrow if we otherwise deem it necessary or advisable to ensure that we maintain our qualification as a REIT for federal income tax purposes.

High debt levels may cause us to incur higher interest charges, which would result in higher debt service payments and could be accompanied by restrictive covenants. If there is a shortfall between the cash flows from a property and the cash flows needed to service mortgage debt on that property, then the amount available for distributions to our stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default, thus reducing the value of their investment. In addition, lenders may have recourse to assets other than those specifically securing the repayment of indebtedness. For tax purposes, a foreclosure on any of our properties will be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we will recognize taxable income on foreclosure, but we would not receive any cash proceeds. We may give full or partial guarantees to lenders of mortgage debt to the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgage contains cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties. If any of our properties are foreclosed upon due to a default, our ability to pay cash distributions to our stockholders will be adversely affected.

Higher mortgage rates may make it more difficult for us to finance or refinance properties, which could reduce the number of properties we can develop or acquire and the amount of cash available for distribution to our stockholders.

If mortgage debt is unavailable on reasonable terms as a result of increased interest rates or other factors, we may not be able to finance the development or initial purchase of properties. In addition, if we place mortgage debt on properties, we run the risk of being unable to refinance such debt when the loans come due, or of being unable to refinance on favorable terms. If interest rates are higher when we refinance debt, our income could be reduced. We may be unable to refinance debt at appropriate times, which may require us to sell properties on terms that are not advantageous to us, or could result in the foreclosure of such properties. If any of these events occur, our cash flows would be reduced. This, in turn, would reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing securities or by borrowing more money.

The market environment may adversely affect our operating results, financial condition and ability to pay distributions to our stockholders.

Any deterioration of financial conditions could have the potential to materially adversely affect the value of our properties and other investments, the availability or the terms of financing that we may anticipate utilizing, our ability to make principal and interest payments on, or refinance, certain property acquisitions or refinance any debt at maturity, and/or, for our leased properties, the ability of our tenants to enter into new leasing transactions or satisfy rental payments under existing leases. The market environment also could affect our operating results and financial condition as follows:

- *Debt Markets* — The debt market remains sensitive to the macro environment, such as Federal Reserve policy, market sentiment or regulatory factors affecting the banking and commercial mortgage-backed securities industries. Should overall borrowing costs increase, due to either increases in index rates or increases in lender spreads, our operations may generate lower returns.
- *Real Estate Markets* — Changes in property values may fluctuate as a result of increases or decreases in construction activity, supply and demand, occupancies and rental rates. As a result, the properties we acquire could substantially decrease in value after we purchase them. Consequently, we may not be able to recover the carrying amount of our properties, which may require us to recognize an impairment charge or record a loss on sale in earnings.

Increasing vacancy rates for commercial real estate may result from any increased disruptions in the financial markets and deterioration in economic conditions, which could reduce revenue and the resale value of our properties.

We depend upon tenants for a majority of our revenue from real property investments. Future disruptions in the financial markets and deterioration in economic conditions may result in increased vacancy rates for commercial real estate, including medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities, due to generally lower demand for rentable space, as well as potential oversupply of rentable space. Increased unemployment rates may lead to reduced demand for medical services, causing physician groups and hospitals to delay expansion plans, leaving a growing number of vacancies in new buildings. Reduced demand for medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities could require us to increase concessions, tenant improvement expenditures or reduce rental rates to maintain occupancies beyond those anticipated at the time we acquire the property. In addition, the market value of a particular property could be diminished by prolonged vacancies. Future disruptions in the financial markets and deterioration in economic conditions could impact certain properties we acquire and such properties could experience higher levels of vacancy than anticipated at the time we acquire them. The value of our real estate investments could decrease below the amounts we paid for the investments. Revenues from properties could decrease due to lower occupancy rates, reduced rental rates and potential increases in uncollectible rent. We will incur expenses, such as for maintenance costs, insurance costs and property taxes, even though a property is vacant. The longer the period of significant vacancies for a property, the greater the potential negative impact on our revenues and results of operations.

We are dependent on tenants for our revenue, and lease terminations could reduce our distributions to our stockholders.

The successful performance of our real estate investments is materially dependent on the financial stability of our tenants. Lease payment defaults by tenants would cause us to lose the revenue associated with such leases and could cause us to reduce the amount of distributions to our stockholders. If a property is subject to a mortgage, a default by a significant tenant on its lease payments to us may result in a foreclosure on the property if we are unable to find an alternative source of revenue to meet mortgage payments. In the event of a tenant default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-leasing our property. Further, we cannot assure our stockholders that we will be able to re-lease the property for the rent previously received, if at all, or that lease terminations will not cause us to sell the property at a loss.

If a tenant declares bankruptcy, we may be unable to collect balances due under relevant leases.

Any of our current or future tenants, or any guarantor of one of our current or future tenant's lease obligations, could be subject to a bankruptcy proceeding pursuant to Title 11 of the bankruptcy laws of the U.S. Such a bankruptcy filing would bar us from attempting to collect pre-bankruptcy debts from the bankrupt tenant or its properties unless we receive an enabling order from the bankruptcy court. Post-bankruptcy debts would be paid currently. If we assume a lease, all pre-bankruptcy balances owing under it must be paid in full. If a lease is rejected by a tenant in bankruptcy, we would have a general unsecured claim for damages. If a lease is rejected, it is unlikely we would receive any payments from the tenant because our claim would be capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15.0% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid. This claim could be paid only in the event funds were available, and then only in the same percentage as that realized on other unsecured claims.

The bankruptcy of a tenant or lease guarantor could delay our efforts to collect past due balances under the relevant lease, and could ultimately preclude full collection of these sums. Such an event also could cause a decrease or cessation of current rental payments, reducing our cash flows and the amounts available for distributions to our stockholders. In the event a tenant or lease guarantor declares bankruptcy, the tenant or its trustee may not assume our lease or its guaranty. If a given lease or guaranty is not assumed, our cash flows and the amounts available for distributions to our stockholders may be adversely affected.

Long-term leases may not result in fair market lease rates over time; therefore, our income and our distributions could be lower than if we did not enter into long-term leases.

We may enter into long-term leases with tenants of certain of our future properties. Our long-term leases would likely provide for rent to increase over time. However, if we do not accurately judge the potential for increases in market rental rates, we may set the terms of these long-term leases at levels such that even after contractual rental increases, the rent under our long-term leases is less than then-current market rental rates. Further, we may have no ability to terminate those leases or to adjust the rent to then-prevailing market rates. As a result, our income and distributions could be lower than if we did not enter into long-term leases.

We may incur additional costs in acquiring or re-leasing properties, which could adversely affect the cash available for distribution to our stockholders.

We may invest in properties designed or built primarily for a particular tenant of a specific type of use known as a single-user facility. If the tenant fails to renew its lease or defaults on its lease obligations, we may not be able to readily market a single-user facility to a new tenant without making substantial capital improvements or incurring other significant re-leasing costs. We also may incur significant litigation costs in enforcing our rights as a landlord against the defaulting tenant. These consequences could adversely affect our revenues and reduce the cash available for distribution to our stockholders.

Our success is dependent on the performance of our advisor and certain key personnel.

Our ability to achieve our investment objectives and to conduct our operations is dependent upon the performance of our advisor in identifying and acquiring investments, the determination of any financing arrangements, the asset management of our investments and the management of our day-to-day activities. Our advisor has broad discretion over the use of proceeds from our offering and our stockholders have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments that are not described in this annual report or other periodic filings with the SEC. We rely on the management ability of our advisor, subject to the oversight and approval of our board of directors. Accordingly, investors should not purchase shares of our common stock unless they are willing to entrust all aspects of our day-to-day management to our advisor. If our advisor suffers or is distracted by adverse financial or operational problems in connection with their own operations or the operations of American Healthcare Investors or Griffin Capital unrelated to us, our advisor may be unable to allocate time and/or resources to our operations. If our advisor is unable to allocate sufficient resources to oversee and perform our operations for any reason, we may be unable to achieve our investment objectives or to pay distributions to our stockholders. In addition, our success depends to a significant degree upon the continued contributions of our advisor’s officers and certain of the managing directors, officers and employees of American Healthcare Investors, in particular Jeffrey T. Hanson, Danny Prosky and Mathieu B. Streiff, each of whom would be difficult to replace. Messrs. Hanson, Prosky and Streiff currently serve as our executive officers and Mr. Hanson also serves as Chairman of our Board of Directors. We currently do not have an employment agreement with any of Messrs. Hanson, Prosky or Streiff. In the event that Messrs. Hanson, Prosky or Streiff are no longer affiliated with American Healthcare Investors, for any reason, it could have a material adverse effect on our success and American Healthcare Investors may not be able to attract and hire as capable individuals to replace Messrs. Hanson, Prosky and/or Streiff. We do not have key man life insurance on any of our co-sponsors’ key personnel. If our advisor or American Healthcare Investors were to lose the benefit of the experience, efforts and abilities of one or more of these individuals, our operating results could suffer.

Our advisor may terminate the Advisory Agreement, which could require us to pay substantial fees and may require us to find a new advisor.

Either we or our advisor will be able to terminate the Advisory Agreement subject to a 60-day transition period with respect to certain provisions of the Advisory Agreement. However, if the Advisory Agreement is terminated in connection with the listing of shares of our common stock on a national securities exchange, the partnership agreement provides that our advisor will receive an incentive distribution in redemption of its limited partnership units equal to 15.0% of the amount, if any, by which (i) the market value of the outstanding shares of our common stock at listing plus distributions paid by us prior to listing, exceeds (ii) the sum of the gross proceeds from the sale of shares of our common stock (less amounts paid to repurchase shares of our common stock) plus an annual 6.0% cumulative, non-compounded return on the gross proceeds from the sale of shares of our common stock. Upon our advisor’s receipt of the incentive distribution in redemption of its limited partnership units, our advisor will not be entitled to receive any further incentive distributions upon sales of our properties. Further, in connection with the termination of the Advisory Agreement other than due to a listing of the shares of our common stock on a national securities exchange, our advisor shall be entitled to receive a distribution in redemption of its limited partnership units equal to the amount that would be payable to our advisor pursuant to the incentive distribution upon sales if we liquidated all of our assets for their fair market value. Upon our advisor's receipt of this distribution in redemption of its limited partnership units, our advisor will not be entitled to receive any further incentive distributions upon sales of our properties. Any amounts to be paid to our advisor upon termination of the Advisory Agreement cannot be determined at the present time.

If our advisor was to terminate the Advisory Agreement, we would need to find another advisor to provide us with day-to-day management services or have employees to provide these services directly to us. There can be no assurances that we would be able to find new advisors or employees or enter into agreements for such services on acceptable terms.

If we internalize our management functions, we could incur significant costs associated with being self-managed.

Our strategy may involve internalizing our management functions. If we internalize our management functions, we would no longer bear the costs of the various fees and expenses we expect to pay to our advisor under the Advisory Agreement; however, our direct expenses would include general and administrative costs, including legal, accounting, and other expenses related to corporate governance, SEC reporting and compliance. We would also incur the compensation and benefits costs of our officers and other employees and consultants that are now paid by our advisor or its affiliates. In addition, we may issue equity awards to officers, employees and consultants, which awards would decrease net income and FFO, and may further dilute our stockholders' investment. We cannot reasonably estimate the amount of fees to our advisor we would save and the costs we would incur if we became self-managed. If the expenses we assume as a result of an internalization are higher than the expenses we no longer pay to our advisor, our net income per share and FFO per share may be lower as a result of the internalization than they otherwise would have been, potentially decreasing the amount of funds available to distribute to our stockholders.

As currently organized, we do not directly have any employees. If we elect to internalize our operations, we would employ personnel and would be subject to potential liabilities commonly faced by employers, such as worker's disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances. Upon any internalization of our advisor, certain key personnel of our advisor or American Healthcare Investors may not be employed by us, but instead may remain employees of our co-sponsors or their affiliates.

If we internalize our management functions, we could have difficulty integrating these functions as a stand-alone entity. Currently, our advisor and its affiliates perform asset management and general and administrative functions, including accounting and financial reporting, for multiple entities. They have a great deal of know-how and can experience economies of scale. We may fail to properly identify the appropriate mix of personnel and capital needs to operate as a stand-alone entity. An inability to manage an internalization transaction effectively could, therefore, result in our incurring additional costs and/or experiencing deficiencies in our disclosure controls and procedures or our internal control over financial reporting. Such deficiencies could cause us to incur additional costs, and our management's attention could be diverted from most effectively managing our properties.

Our success is dependent on the performance of our co-sponsors.

Our ability to achieve our investment objectives and to conduct our operations is dependent upon the performance of our advisor. Our advisor is a joint venture between our two co-sponsors, in which American Healthcare Investors owns a 75.0% interest and Griffin Capital indirectly owns a 25.0% interest. Our advisor's and co-sponsors' ability to manage our operations successfully is impacted by trends in the general economy, as well as the commercial real estate and credit markets. The current macroeconomic environment may negatively impact the value of commercial real estate assets and contribute to a general slow-down in our industry, which could put downward pressure on our co-sponsors' revenues and operating results.

Additionally, American Healthcare Investors is 47.1% owned by AHI Group Holdings and 45.1% indirectly owned by Colony Capital. American Healthcare Investors and its sponsored programs, including our company, may not realize the anticipated benefits of the relationship with Colony Capital due to, among other things, the economic and overall conditions of the healthcare real estate industry, Colony Capital's ability to source healthcare real estate investments with the returns anticipated by American Healthcare Investors or at all, or American Healthcare Investors and Colony Capital having overlapping interests that could exacerbate potential conflicts or disputes.

To the extent that any of these factors may cause a decline in our co-sponsors' operating results or revenues, the performance of our advisor may be impacted and in turn, our results of operations and financial condition could also suffer.

Our advisor and its affiliates will have no obligation to defer or forgive fees or loans or advance any funds to us, which could reduce our ability to acquire investments or pay distributions.

Our advisor and its affiliates, including our co-sponsors, will have no obligation to defer or forgive fees owed by us to our advisor or its affiliates or to advance any funds to us. As a result, we may have less cash available to acquire investments or pay distributions.

We may structure acquisitions of property in exchange for limited partnership units in our operating partnership on terms that could limit our liquidity or our flexibility.

We may acquire properties by issuing limited partnership units in our operating partnership in exchange for a property owner contributing property to the partnership. If we enter into such transactions, in order to induce the contributors of such properties to accept units in our operating partnership, rather than cash, in exchange for their properties, it may be necessary for us to provide them additional incentives. For instance, our operating partnership's limited partnership agreement provides that any holder of units may exchange limited partnership units on a one-for-one basis for shares of our common stock, or, at our option, cash equal to the value of an equivalent number of shares of our common stock. We may, however, enter into additional contractual arrangements with contributors of property under which we would agree to redeem a contributor's units for shares of our common stock or cash, at the option of the contributor, at set times. If the contributor required us to redeem units for cash pursuant to such a provision, it would limit our liquidity and thus our ability to use cash to make other investments, satisfy other obligations or pay distributions to our stockholders. Moreover, if we were required to redeem units for cash at a time when we did not have sufficient cash to fund the redemption, we might be required to sell one or more properties to raise funds to satisfy this obligation. Furthermore, we might agree that if distributions the contributor received as a limited partner in our operating partnership did not provide the contributor with a defined return, then upon redemption of the contributor's units we would pay the contributor an additional amount necessary to achieve that return. Such a provision could further negatively impact our liquidity and flexibility. Finally, in order to allow a contributor of a property to defer taxable gain on the contribution of property to our operating partnership, we might agree not to sell a contributed property for a defined period of time or until the contributor exchanged the contributor's units for cash or shares of our common stock. Such an agreement would prevent us from selling those properties, even if market conditions made such a sale favorable to us.

The failure of any bank in which we deposit our funds could reduce the amount of cash we have available to pay distributions and acquire investments.

We expect that we will have cash and cash equivalents and restricted cash deposited in certain financial institutions in excess of federally insured levels. If any banking institution in which we have deposited funds ultimately fails, we may lose the amount of our deposits over any federally-insured amount. The loss of our deposits could reduce the amount of cash we have available to distribute or invest and could result in a decline in the value of our stockholders' investment.

Because not all REITs calculate MFFO the same way, our use of MFFO may not provide meaningful comparisons with other REITs.

We use modified funds from operations attributable to controlling interest, or MFFO, and the adjustments used to calculate it in order to evaluate our performance against other publicly registered, non-listed REITs which intend to have limited lives with short and defined acquisition periods and targeted exit strategies shortly thereafter. However, not all REITs calculate MFFO the same way. If REITs use different methods of calculating MFFO, it may not be possible for investors to meaningfully compare the performance of certain REITs.

Our use of derivative financial instruments to hedge against foreign currency exchange rate fluctuations could expose us to risks that may adversely affect our results of operations, financial condition and ability to pay distributions to our stockholders.

We may use derivative financial instruments to hedge against foreign currency exchange rate fluctuations, in which case we would be exposed to credit risk and legal enforceability risks. In this context, credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. Legal enforceability risks encompass general contractual risks, including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract. If we are unable to manage these risks effectively, our results of operations, financial condition and ability to pay distributions to our stockholders will be adversely affected.

Many states and local jurisdictions are facing severe budgetary problems which may have an adverse impact on our business and financial results.

Many states and jurisdictions are facing severe budgetary problems. Action that may be taken in response to these problems, such as increases in property taxes on commercial properties, changes to sales taxes or other governmental efforts, including mandating medical insurance for employees, could adversely impact our business and results of operations.

Legislative actions and changes may cause our general and administrative costs and compliance costs to increase.

In order to comply with laws adopted by federal, state or local government or regulatory bodies, we may be required to increase our expenditures and hire additional personnel and additional outside legal, accounting and advisory services, all of which may cause our general and administrative and compliance costs to increase. Significant workforce-related legislative changes could increase our expenses and adversely affect our operations. Examples of possible workforce-related legislative changes include changes to an employer's obligation to recognize collective bargaining units, the process by which collective bargaining agreements are negotiated or imposed, minimum wage requirements, and health care and medical and family leave mandates. In addition, changes in the regulatory environment affecting health care reimbursements, and increased compliance costs related to enforcement of federal and state wage and hour statutes and common law related to overtime, among others, could cause our expenses to increase without an ability to pass through any increased expenses through higher rents.

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

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our tenant and investor relationships. As our reliance on technology increases, so will the risks posed to our information systems, both internal and those we outsource. There is no guarantee that any processes, procedures and internal controls we have implemented or will implement will prevent cyber intrusions, which could have a negative impact on our financial results, operations, business relationships or confidential information.

We face system security risks as we depend upon automated processes and the Internet and we could damage our reputation, incur substantial additional costs and become subject to litigation if our systems are penetrated.

We are increasingly dependent upon automated information technology processes and Internet commerce. Moreover, the nature of our business involves the receipt and retention of certain information about our tenants, operators and stockholders. We also rely extensively on third-party vendors to retain data, process transactions and provide other systems and services. These systems, and our systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, malware, and other destructive or disruptive security breaches and catastrophic events, such as a natural disaster or a terrorist event or cyber-attack. In addition, experienced computer programmers and hackers may be able to penetrate our security systems and misappropriate our confidential information, create system disruptions, or cause shutdowns. Such data security breaches as well as system disruptions and shutdowns could result in additional costs to repair or replace such networks or information systems and possible legal liability, including government enforcement actions and private litigation.

The expansion of social media platforms presents new risks and challenges.

The inappropriate use of certain social media vehicles could cause brand damage or information leakage or could lead to legal implications from the improper collection and/or dissemination of personally identifiable information or the improper dissemination of material non-public information. In addition, negative posts or comments about us on any social networking website could seriously damage our reputation. Further, the disclosure of non-public company sensitive information through external media channels could lead to information loss as there might not be structured processes in place to secure and protect information. If our non-public sensitive information is disclosed or if our reputation is seriously damaged through social media, it could have a material adverse effect on our business and/or financial condition.

Risks Related to Conflicts of Interest

We are subject to conflicts of interest arising out of relationships among us, our officers, our co-sponsors, our advisor and its affiliates, including the material conflicts discussed below.

The conflicts of interest faced by our officers may cause us not to be managed solely in our stockholders' best interest, which may adversely affect our results of operations and the value of their investment.

All of our officers also are managing directors, officers or employees of American Healthcare Investors or other affiliated entities that will receive fees in connection with our offering and our operations. These persons are not precluded from working with, being employed by, or investing in, any program American Healthcare Investors sponsors or may sponsor in the future. Their loyalties to these other entities could result in actions or inactions that are detrimental to our business, which could harm the implementation of our investment strategy and our investment opportunities. Furthermore, they may have conflicts of interest in allocating their time and resources between our business and these other activities. During times of intense activity in other programs, the time they devote to our business may decline and be less than we require. If our officers, for any reason, are not able to provide sufficient resources to manage our business, our business will suffer and this may adversely affect our results of operations and the value of our stockholders' investment.

American Healthcare Investors' officers face conflicts of interest relating to the allocation of their time and other resources among the various entities that they serve or have interests in, and such conflicts may not be resolved in our favor.

Certain of the officers of American Healthcare Investors face competing demands relating to their time and resources because they are also or may become affiliated with entities with investment programs similar to ours, and they may have other business interests as well, including business interests that currently exist and business interests they develop in the future. Because these persons have competing interests for their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities. Further, during times of intense activity in other programs, those executives may devote less time and fewer resources to our business than are necessary or appropriate to manage our business. Poor or inadequate management of our business would adversely affect our results of operations and the ownership value of shares of our common stock.

Our co-sponsors and their affiliates also sponsor and/or advise other real estate programs that use investment strategies that are similar to ours; therefore our executive officers and the officers and key personnel of our co-sponsors and their affiliates may face conflicts of interest relating to the purchase and leasing of properties, and such conflicts may not be resolved in our favor.

We rely on our advisor as a source for all or a portion of our investment opportunities. Our advisor is jointly owned by our co-sponsors, American Healthcare Investors and Griffin Capital. Griffin Capital, through its indirect wholly-owned subsidiary, Griffin Capital Asset Management Company, LLC, indirectly owns 25.0% of our advisor. American Healthcare Investors is the managing member and owns 75.0% of our advisor, and Colony Capital is the indirect owner of approximately 45.1% of American Healthcare Investors. Our co-sponsors currently are the co-sponsors of GA Healthcare REIT III, and Colony Capital and its affiliates serve as the advisor and/or sponsor to other programs, including NorthStar Healthcare Income, Inc., or NHI, that invests in healthcare real estate and healthcare real estate-related assets. As a result, we may be seeking to acquire properties at the same time as one or more other real estate programs sponsored by one or both of our co-sponsors or advised or sponsored by Colony Capital or its affiliates, including GA Healthcare REIT III and NHI and these other programs may use investment strategies and have investment objectives that are similar to ours. Officers and key personnel of our co-sponsors and Colony Capital and its affiliates may face conflicts of interest relating to the allocation of properties that may be acquired. American Healthcare Investors and Colony Capital have adopted allocation policies to allocate healthcare real estate investment opportunities among such real estate programs. However, we are not a party to the allocation policies adopted by American Healthcare Investors and Colony Capital and therefore, we do not have any ability to directly enforce the application of such policies to investment opportunities that are sourced by Colony Capital. Thus, there is no guarantee that Colony Capital will allocate any investment opportunities to us. Furthermore, because we are not a party to these allocation policies, such policies may be changed at any time without our input or consent, and there is no guarantee that any such changes would benefit us. Moreover, there is a risk that the allocation of investment opportunities may result in our acquiring a property that provides lower returns to us than a property purchased by another real estate program sponsored by one or both of our co-sponsors or advised or sponsored by Colony Capital or its affiliates. In addition, we may acquire properties in geographic areas where a real estate program sponsored by one or both of our co-sponsors or advised or sponsored by Colony Capital or its affiliates own properties. If one of these other real estate programs attracts a tenant that we are competing for, we could suffer a loss of revenue due to delays in locating another suitable tenant.

Our advisor faces conflicts of interest relating to its compensation structure, including the payment of acquisition fees and asset management fees, which could result in actions that are not necessarily in our stockholders' long-term best interest.

Under the Advisory Agreement and pursuant to the subordinated participation interest our advisor holds in our operating partnership, our advisor will be entitled to fees and distributions that are structured in a manner intended to provide incentives to our advisor to perform in both our and our stockholders' long-term best interests. The fees to which our advisor or its affiliates will be entitled include acquisition fees, asset management fees, property management fees, disposition fees and other fees as provided for under the Advisory Agreement and agreement of limited partnership of our operating partnership. The distributions our advisor may become entitled to receive would be payable upon distribution of net sales proceeds to our stockholders, the listing of the shares of our common stock on a national securities exchange, certain merger transactions or the termination of the Advisory Agreement. However, because our advisor will be entitled to receive substantial minimum compensation regardless of our performance, our advisor's interests may not be wholly aligned with theirs. In that regard, our advisor or its affiliates will receive an asset management fee with respect to the ongoing operation and management of properties based on the amount of our initial investment and capital expenditures and not the performance of those investments, which could result in our advisor not having adequate incentive to manage our portfolio to provide profitable operations during the period we hold our investments. On the other hand, our advisor could be motivated to recommend riskier or more speculative investments in order to increase the fees payable to our advisor or for us to generate the specified levels of performance or net sales proceeds that would entitle our advisor to fees or distributions. Furthermore, our advisor or its affiliates will receive an acquisition fee that is based on the contract purchase price of each property acquired or the origination or acquisition price of any real estate-related investment, rather than the performance of those investments. Therefore, our advisor or its affiliates may have an incentive to recommend investments more quickly or with a higher purchase price or investments that may not produce the maximum risk adjusted returns in order to receive such acquisition fees.

Our advisor may receive economic benefits from its status as a limited partner without bearing any of the investment risk.

Our advisor is a limited partner in our operating partnership. Our advisor is entitled to receive an incentive distribution equal to 15.0% of net sales proceeds of properties after we have received and paid to our stockholders a return of their invested capital and an annual 6.0% cumulative, non-compounded return on the gross proceeds of the sale of shares of our common stock. We will bear all of the risk associated with the properties but, as a result of the incentive distributions to our advisor, we are not entitled to all of our operating partnership's proceeds from property dispositions.

The distribution payable to our advisor may influence our decisions about listing the shares of our common stock on a national securities exchange, merging our company with another company and acquisition or disposition of our investments.

Our advisor's entitlement to fees upon the sale of our assets and to participate in net sales proceeds could result in our advisor recommending sales of our investments at the earliest possible time at which sales of investments would produce the level of return which would entitle our advisor to compensation relating to such sales, even if continued ownership of those investments might be in our stockholders' long-term best interest. The subordinated participation interest may require our operating partnership to make a distribution to our advisor in redemption of its limited partnership units upon the listing of the shares of our common stock on a national securities exchange or the merger of our company with another company in which our stockholders receive shares that are traded on a national securities exchange if our advisor meets the performance thresholds included in our operating partnership's limited partnership agreement, even if our advisor is no longer serving as our advisor. To avoid making this distribution, our independent directors may decide against listing the shares of our common stock or merging with another company even if, but for the requirement to make this distribution, such listing or merger would be in our stockholders' best interest. In addition, the requirement to pay these fees could cause our independent directors to make different investment or disposition decisions than they would otherwise make, in order to satisfy our obligation to our advisor.

We may acquire assets from, or dispose of assets to, affiliates of our advisor, which could result in us entering into transactions on less favorable terms than we would receive from a third party or that negatively affect the public's perception of us.

We may acquire assets from affiliates of our advisor. Further, we may also dispose of assets to affiliates of our advisor. Affiliates of our advisor may make substantial profits in connection with such transactions and may owe fiduciary and/or other duties to the selling or purchasing entity in these transactions, and conflicts of interest between us and the selling or purchasing entities could exist in such transactions. Because our independent directors would rely on our advisor in identifying and evaluating any such transaction, these conflicts could result in transactions based on terms that are less favorable to us than we would receive from a third party. Also, the existence of conflicts, regardless of how they are resolved, might negatively affect the public's perception of us.

We have entered into and may continue to enter into joint ventures with affiliates and may face conflicts of interest or disagreements with our joint venture partners that may not be resolved as quickly or on terms as advantageous to us as would be the case if the joint venture had been negotiated at arm's-length with an independent joint venture partner.

We have entered into and may continue to enter into joint ventures with other programs sponsored or advised by one of our co-sponsors or one of their affiliates and may face certain additional risks and potential conflicts of interest. For example, securities issued by the other Griffin Capital programs or future American Healthcare Investors programs may never have an active trading market. Therefore, if we were to become listed on a national securities exchange, we may no longer have similar goals and objectives with respect to the resale of properties in the future. Joint ventures between us and other Griffin Capital programs, American Healthcare Investors programs or future American Healthcare Investors programs will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers. Under these joint venture agreements, none of the co-venturers may have the power to control the venture, and an impasse could occur regarding matters pertaining to the joint venture, including determining when and whether to buy or sell a particular property and the timing of a liquidation, which might have a negative impact on the joint venture and decrease returns to our stockholders.

Risks Related to Our Organizational Structure

Several potential events could cause our stockholders' investment in us to be diluted, which may reduce the overall value of their investment.

Our stockholders' investment in us could be diluted by a number of factors, including:

- future offerings of our securities, including issuances pursuant to the DRIP and up to 200,000,000 shares of any class or series of preferred stock that our board of directors may authorize;
- private issuances of our securities to other investors, including institutional investors;
- issuances of our securities pursuant to our incentive plan; or
- redemptions of units of limited partnership interest in our operating partnership in exchange for shares of our common stock.

To the extent we issue additional equity interests after our stockholders purchase shares of our common stock in our offering, their percentage ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our real estate and real estate-related investments, our stockholders may also experience dilution in the book value and fair market value of their shares of our common stock.

Our ability to issue preferred stock may include a preference in distributions superior to our common stock and also may deter or prevent a sale of shares of our common stock in which our stockholders could profit.

Our charter authorizes our board of directors to issue up to 200,000,000 shares of preferred stock. Our board of directors has the discretion to establish the preferences and rights, including a preference in distributions superior to our common stockholders, of any issued preferred stock. If we authorize and issue preferred stock with a distribution preference over our common stock, payment of any distribution preferences of outstanding preferred stock would reduce the amount of funds available for the payment of distributions on our common stock. Further, holders of preferred stock are normally entitled to receive a preference payment in the event we liquidate, dissolve or wind up before any payment is made to our common stockholders, likely reducing the amount our common stockholders would otherwise receive upon such an occurrence. In addition, under certain circumstances, the issuance of preferred stock or a separate class or series of common stock may render more difficult or tend to discourage:

- a merger, tender offer or proxy contest;
- assumption of control by a holder of a large block of our securities; or
- removal of incumbent management.

The limit on the percentage of shares of our common stock that any person may own may discourage a takeover or business combination that may have benefited our stockholders.

Our charter restricts the direct or indirect ownership by one person or entity to no more than 9.9% of the value of shares of our then outstanding capital stock (which includes common stock and any preferred stock we may issue) and no more than 9.9% of the value or number of shares, whichever is more restrictive, of our then outstanding common stock. This restriction may discourage a change of control of us and may deter individuals or entities from making tender offers for shares of our stock on terms that might be financially attractive to our stockholders or which may cause a change in our management. This ownership restriction may also prohibit business combinations that would have otherwise been approved by our board of directors and our stockholders. In addition to deterring potential transactions that may be favorable to our stockholders, these provisions may also decrease their ability to sell their shares of our common stock.

Our stockholders' ability to control our operations is severely limited.

Our board of directors determines our major strategies, including our strategies regarding investments, financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other strategies without a vote of the stockholders. Our charter sets forth the stockholder voting rights required to be set forth therein under the the North American Securities Administrators Association, or the NASAA Guidelines. Under our charter and Maryland law, our stockholders have a right to vote only on the following matters:

- the election or removal of directors;
- the amendment of our charter, except that our board of directors may amend our charter without stockholder approval to change our name or the name of other designation or the par value of any class or series of our stock and the aggregate par value of our stock, increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have the authority to issue, or effect certain reverse stock splits;
- our dissolution; and
- certain mergers, consolidations, conversions, statutory share exchanges and sales or other dispositions of all or substantially all of our assets.

All other matters are subject to the discretion of our board of directors.

Limitations on share ownership and transfer may deter a sale of our common stock in which our stockholders could profit.

The limits on ownership and transfer of our equity securities in our charter may have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our stockholders' common stock. The ownership limits and restrictions on transferability will continue to apply until our board of directors determines that it is no longer in our best interest to continue to maintain our qualification as a REIT or that compliance is no longer required for REIT qualification.

Maryland takeover statutes may deter others from seeking to acquire us and prevent our stockholders from making a profit in such transaction.

The Maryland General Corporation Law, or the MGCL, contains many provisions, such as the business combination statute and the control share acquisition statute, that are designed to prevent, or have the effect of preventing, someone from acquiring control of us. Our bylaws exempt us from the control share acquisition statute (which eliminates voting rights for certain levels of shares that could exercise control over us) and our board of directors has adopted a resolution opting out of the business combination statute (which, among other things, prohibits a merger or consolidation with a 10.0% stockholder for a period of time) with respect to any person, provided that any business combination with such person is first approved by our board of directors. However, if the bylaw provisions exempting us from the control share acquisition statute or our board resolution opting out of the business combination statute were repealed, these provisions of Maryland law could delay or prevent offers to acquire us and increase the difficulty of consummating any such offers, even if such a transaction would be in our stockholders' best interest.

The MGCL and our organizational documents limit our stockholders' right to bring claims against our officers and directors.

The MGCL provides that a director will not have any liability as a director so long as he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interest, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter provides that, subject to the applicable limitations set forth therein or under the MGCL, no director or officer will be liable to us or our stockholders for monetary damages. Our charter also provides that we will generally indemnify our directors, our officers, our advisor and its affiliates for losses they may incur by reason of their service in those capacities unless: (i) their act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty; (ii) they actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, they had reasonable cause to believe the act or omission was unlawful. Moreover, we have entered into separate indemnification agreements with each of our directors and executive officers and intend to enter into indemnification agreements with each of our future directors and executive officers. As a result, we and our stockholders may have more limited rights against these persons than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by these persons in some cases. However, our charter also provides that we may not indemnify our directors, our advisor and its affiliates for any loss or liability suffered by them or hold them harmless for any loss or liability suffered by us unless they have determined that the course of conduct that caused the loss or liability was in our best interest, they were acting on our behalf or performing services for us, the liability was not the result of negligence or misconduct by our non-independent directors, our advisor and its affiliates or gross negligence or willful misconduct by our independent directors, and the indemnification is recoverable only out of our net assets or the proceeds of insurance and not from our stockholders.

Maryland law prohibits certain business combinations, which may make it more difficult for us to be acquired and may limit our stockholders' ability to dispose of their shares of our common stock.

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns, directly or indirectly, 10.0% or more of the voting power of the corporation's outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10.0% or more of the voting power of the then outstanding stock of the corporation.

A person is not an interested stockholder under the statute if our board of directors approved in advance the transaction by which he or she otherwise would have become an interested stockholder. However, in approving a transaction, our board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by our board of directors.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by our board of directors of the corporation and approved by the affirmative vote of at least:

- 80.0% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares of stock held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares of our common stock in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares of our common stock. The business combination statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution providing that any business combination between us and any other person is exempted from this statute, provided that such business combination is first approved by our board of directors. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed or our board of directors fails to first approve the business combination, the business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Our charter includes a provision that may discourage a stockholder from launching a tender offer for shares of our common stock.

Our charter requires that any tender offer made by a person, including any "mini-tender" offer, must comply with most of the provisions of Regulation 14D of the Securities Exchange Act of 1934, as amended. The offeror must provide us notice of the tender offer at least ten business days before initiating the tender offer. If the offeror does not comply with these requirements, we will have the first right to purchase the shares of our stock at the tender offer price offered in such non-compliant tender offer. In addition, the non-complying offeror shall be responsible for all of our expenses in connection with that stockholder's noncompliance. This provision of our charter may discourage a person from initiating a tender offer for shares of our common stock and prevent our stockholders from receiving a premium price for their shares of our common stock in such a transaction.

Our stockholders' investment return may be reduced if we are required to register as an investment company under the Investment Company Act. To avoid registration as an investment company, we may not be able to operate our business successfully. If we become subject to registration under the Investment Company Act, we may not be able to continue our business.

We conduct and intend to continue to conduct our operations, and the operations of our operating partnership and any other subsidiaries, so that no such entity meets the definition of an "investment company" under Section 3(a)(1) of the Investment Company Act. Under the Investment Company Act, in relevant part, a company is an "investment company" if:

- pursuant to Section 3(a)(1)(A), it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- pursuant to Section 3(a)(1)(C), it is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire "investment securities" having a value exceeding 40.0% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, or the 40.0% test. "Investment securities" excludes U.S. government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We monitor our operations and our assets on an ongoing basis in order to ensure that neither we, nor any of our subsidiaries, meet the definition of "investment company" under Section 3(a)(1) of the Investment Company Act. If we were obligated to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act imposing, among other things:

- limitations on capital structure;
- restrictions on specified investments;
- prohibitions on transactions with affiliates;
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations; and
- potentially, compliance with daily valuation requirements.

In order for us to not meet the definition of an "investment company" and avoid regulation under the Investment Company Act, we must engage primarily in the business of buying real estate, and these investments must be made within one year after the offering period ends. If we are unable to invest a significant portion of the proceeds of our offering in properties within one year after the offering period, we may avoid being required to register as an investment company by temporarily investing any unused proceeds in certificates of deposit or other cash items with low returns. This would reduce the cash available for distribution to investors and possibly lower our stockholders' returns.

To avoid meeting the definition of an "investment company" under Section 3(a)(1) of the Investment Company Act, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. Similarly, we may have to acquire additional income- or loss-generating assets that we might not otherwise have acquired or may have to forgo opportunities to acquire interests in companies that we would otherwise want to acquire and would be important to our investment strategy. Accordingly, our board of directors may not be able to change our investment policies as our board of directors may deem appropriate if such change would cause us to meet the definition of an "investment company." In addition, a change in the value of any of our assets could negatively affect our ability to avoid being required to register as an investment company. If we were required to register as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court were to require enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

As part of our advisor's obligations under the Advisory Agreement, our advisor agrees to refrain from taking any action which, in its sole judgment made in good faith, would subject us to regulation under the Investment Company Act. Failure to maintain an exclusion from registration under the Investment Company Act would require us to significantly restructure our business plan. For example, because affiliate transactions generally are prohibited under the Investment Company Act, we would not be able to enter into transactions with any of our affiliates if we are required to register as an investment company, and we may be required to terminate the Advisory Agreement and any other agreements with affiliates, which could have a material adverse effect on our ability to operate our business and pay distributions.

We are an "emerging growth company" under the federal securities laws and will be subject to reduced public company reporting requirements.

In April 2012, President Obama signed into law the JOBS Act. We are an "emerging growth company," as defined in the JOBS Act, and are eligible to take advantage of certain exemptions from, or reduced disclosure obligations relating to, various reporting requirements that are normally applicable to public companies.

We could remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which we have total annual gross revenue of $1 billion or more, (ii) December 31 of the fiscal year that we become a "large accelerated filer," as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (which would occur if the market value of our common stock held by non-affiliates exceeds $700 million, measured as of the last business day of our most recently completed second fiscal quarter, and we have been publicly reporting for at least 12 months), or (iii) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three-year period.

Under the JOBS Act, emerging growth companies are not required to (i) provide an auditor's attestation report on management's assessment of the effectiveness of internal control over financial reporting, pursuant to Section 404 of the Sarbanes-Oxley Act, (ii) comply with new requirements adopted by the Public Company Accounting Oversight Board, or PCAOB, which may require a supplement to the auditor's report in which the auditor must provide additional information about the audit and the issuer's financial statements, (iii) comply with new audit rules adopted by the PCAOB after April 5, 2012 (unless the SEC determines otherwise), (iv) provide certain disclosures relating to executive compensation generally required for larger public companies, or (v) hold stockholder advisory votes on executive compensation. Other than as set forth in the following paragraph, we have not yet made a decision as to whether to take advantage of any or all of the JOBS Act exemptions that are applicable to us. If we do take advantage of any of the remaining exemptions, we do not know if some investors will find our common stock less attractive as a result.

Additionally, the JOBS Act provides that an "emerging growth company" may take advantage of an extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies. This means that an "emerging growth company" can delay adopting certain accounting standards until such standards are otherwise applicable to private companies. However, we elected to "opt out" of such extended transition period, and will therefore comply with new or revised accounting standards on the applicable dates on which the adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of such extended transition period for compliance with new or revised accounting standards is irrevocable.

Risks Related to Investments in Real Estate

Changes in national, international, regional or local economic, demographic or real estate market conditions, including a rise in interest rates, may adversely affect our results of operations and our ability to pay distributions to our stockholders or reduce the value of their investment.

We are subject to risks generally incidental to the ownership of real estate, including changes in national, international, regional or local economic, demographic or real estate market conditions. We are unable to predict future changes in national, international, regional or local economic, demographic or real estate market conditions. For example, a recession or rise in interest rates could make it more difficult for us to lease real properties or dispose of them. In addition, rising interest rates could also make alternative interest-bearing and other investments more attractive, and therefore, potentially lower the relative value of our existing real estate investments. Furthermore, rising interest rates could cause non-traded public real estate investment trusts, such as our company, to be looked upon less favorably by potential investors, which would reduce the amount of proceeds that we are able to raise in our offering and thus reduce the number of investments that we are able to make. These conditions, or others we cannot predict, may adversely affect our results of operations, our ability to pay distributions to our stockholders or reduce the value of their investment.

If we acquire real estate at a time when the real estate market is experiencing substantial influxes of capital investment and competition for income-producing properties, such real estate investments may not appreciate or may decrease in value.

The real estate market may experience a substantial influx of capital from investors. Any substantial flow of capital, combined with significant competition for income producing real estate, may result in inflated purchase prices for such assets. To the extent we purchase real estate in such an environment in the future, we will be subject to the risk that the value of such investments may not appreciate or may decrease significantly below the amount we paid for such investment.

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

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

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

From time to time, we may attempt to acquire multiple properties in a single transaction. Portfolio acquisitions are more complex and expensive than single property acquisitions, and the risk that a multiple-property acquisition does not close may be greater than in a single-property acquisition. Portfolio acquisitions may also result in us owning investments in geographically dispersed markets, placing additional demands on our ability to manage the properties in the portfolio. In addition, a seller may require that a group of properties be purchased as a package even though we may not want to purchase one or more properties in the portfolio. In these situations, if we are unable to identify another person or entity to acquire the unwanted properties, we may be required to operate or attempt to dispose of these properties. To acquire multiple properties in a single transaction, we may be required to accumulate a large amount of cash. We would expect the returns that we earn on such cash to be less than the ultimate returns on real property; therefore, accumulating such cash could reduce our funds available for distributions to our stockholders. Any of the foregoing events may have an adverse effect on our operations.

Uninsured losses relating to real estate and lender requirements to obtain insurance may reduce our stockholders’ returns.

There are types of losses relating to real estate, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, for which we do not intend to obtain insurance unless we are required to do so by mortgage lenders. If any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by any such uninsured loss. In addition, other than any reserves we may establish, we have no source of funding to repair or reconstruct any uninsured damaged property, and we cannot assure our stockholders that any such sources of funding will be available to us for such purposes in the future. Also, to the extent we must pay unexpectedly large amounts for uninsured losses, we could suffer reduced earnings that would result in less cash to be distributed to our stockholders. In cases where we are required by mortgage lenders to obtain casualty loss insurance for catastrophic events or terrorism, such insurance may not be available, or may not be available at a reasonable cost, which could inhibit our ability to finance or refinance our properties. Additionally, if we obtain such insurance, the costs associated with owning a property would increase and could have a material adverse effect on the net income from the property, and, thus, the cash available for distribution to our stockholders.

A significant portion of our annual base rent may be concentrated in a small number of tenants. Therefore, non-renewals, terminations or lease defaults by any of these significant tenants could reduce our net income and have a negative effect on our ability to pay distributions to our stockholders.

As of March 18, 2019 , rental payments by our tenant, RC Tier Properties, LLC, accounted for approximately 12.3% of our total property portfolio’s annualized base rent or annualized NOI. The success of our investments materially depends upon the financial stability of the tenants leasing the properties we own. Therefore, a non-renewal after the expiration of a lease term, termination, default or other failure to meet rental obligations by significant tenants, such as RC Tier Properties, LLC, would significantly lower our net income. These events could cause us to reduce the amount of distributions to our stockholders.

A high concentration of our properties in a particular geographic area would magnify the effects of downturns in that geographic area.

To the extent that we have a concentration of properties in any particular geographic area, any adverse situation that disproportionately effects that geographic area would have a magnified adverse effect on our portfolio. As of March 18, 2019 , our properties located in Missouri, Michigan and Florida accounted for approximately 13.8%, 10.2% and 10.1%, respectively, of our total property portfolio’s annualized base rent or annualized NOI. Accordingly, there is a geographic concentration of risk subject to fluctuations in each state’s economy.

Terrorist attacks and other acts of violence or war may affect the markets in which we operate and have a material adverse effect on our financial condition, results of operations and ability to pay distributions to our stockholders.

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

More generally, any terrorist attack, other act of violence or war, including armed conflicts, could result in increased volatility in, or damage to, the U.S. and worldwide financial markets and economy, all of which could adversely affect our tenants' ability to pay rent on their leases or our ability to borrow money or issue capital stock at acceptable prices, which could have a material adverse effect on our financial condition, results of operations and ability to pay distributions to our stockholders.

Dramatic increases in insurance rates could adversely affect our cash flows and our ability to pay distributions to our stockholders.

We may not be able to obtain insurance coverage at reasonable rates due to high premium and/or deductible amounts. As a result, our cash flows could be adversely impacted due to these higher costs, which would adversely affect our ability to pay distributions to our stockholders.

Delays in the acquisition, development and construction of real properties may have adverse effects on our results of operations and our ability to pay distributions to our stockholders.

Delays we encounter in the selection, acquisition and development of real properties could adversely affect our stockholders' returns. Where properties are acquired prior to the start of construction or during the early stages of construction, it will typically take several months to complete construction and rent available space. If we engage in development or construction projects, we will be subject to uncertainties associated with re-zoning for development, environmental concerns of governmental entities and/or community groups, and our builder's ability to build in conformity with plans, specifications, budgeted costs, and timetables. If a builder fails to perform, we may resort to legal action to rescind the purchase or the construction contract or to compel performance. A builder's performance may also be affected or delayed by conditions beyond the builder's control. Therefore, our stockholders could suffer delays in the receipt of cash distributions attributable to those particular real properties. Delays in completion of construction could give tenants the right to terminate preconstruction leases for space at a newly developed project. We may incur additional risks if we make periodic progress payments or other advances to builders prior to completion of construction. These and other such factors can result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. We also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction when agreeing upon a price at the time we acquire the property. If our projections are inaccurate, we may pay too much for a property, and our return on our investment could suffer.

We are permitted to invest in a limited amount of unimproved real property. Returns from development of unimproved properties are also subject to risks associated with re-zoning the land for development and environmental concerns of governmental entities and/or community groups. If we invest in unimproved real property that we intend to develop, our stockholders' investment would be subject to the risks associated with investments in unimproved real property.

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

We may acquire one or more properties under development. We anticipate that if we do acquire properties that are under development, we will be obligated to pay a substantial earnest money deposit at the time of contracting to acquire such properties, and that we will be required to close the purchase of the property upon completion of the development of the property. We may enter into such a contract with the development company even if at the time we enter into the contract, we have not yet raised sufficient proceeds in our offering to enable us to close the purchase of such property. However, we may not be required to close a purchase from the development company, and may be entitled to a refund of our earnest money, in the following circumstances:

- the development company fails to develop the property;
- all or a specified portion of the pre-leased tenants fail to take possession under their leases for any reason; or
- we are unable to raise sufficient proceeds from our offering to pay the purchase price at closing.

The obligation of the development company to refund our earnest money deposit will be unsecured, and we may not be able to obtain a refund of such earnest money deposit from it under these circumstances since the development company may be an entity without substantial assets or operations.

Uncertain market conditions relating to the future disposition of properties could cause us to sell our properties at a loss in the future.

Our advisor, subject to the oversight of our board of directors, may exercise its discretion as to whether and when to sell a property, and we will have no obligation to sell properties at any particular time. We cannot predict with any certainty the various market conditions affecting real estate investments that will exist at any particular time in the future. Because of the uncertainty of market conditions that may affect the future disposition of our properties, we cannot assure our stockholders that we will be able to sell our properties at a profit in the future. Additionally, we may incur prepayment penalties in the event we sell a property subject to a mortgage earlier than we otherwise had planned. Accordingly, the extent to which our stockholders will receive cash distributions and realize potential appreciation on our real estate investments will, among other things, be dependent upon fluctuating market conditions.

Our inability to sell a property when we desire to do so could adversely impact our ability to pay cash distributions to our stockholders.

The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates, supply and demand, and other factors that are beyond our control. We cannot predict whether we will be able to sell any property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We may be required to expend funds to correct defects or to make improvements before a property can be sold. We may not have adequate funds available to correct such defects or to make such improvements. Moreover, in acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Our inability to sell a property when we desire to do so may cause us to reduce our selling price for the property. Any delay in our receipt of proceeds, or diminishment of proceeds, from the sale of a property could adversely impact our ability to pay distributions to our stockholders.

If we sell properties by providing financing to purchasers, defaults by the purchasers would adversely affect our cash flows from operations.

If we decide to sell any of our properties, in some instances we may provide financing to purchasers. When we provide financing to purchasers, we will bear the risk that the purchaser may default on its obligations under the financing, which could negatively impact cash flows from operations. Even in the absence of a purchaser default, the distribution of sale proceeds, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon the sale are actually paid, sold, refinanced or otherwise disposed of. In some cases, we may receive initial down payments in cash and other property in the year of sale in an amount less than the selling price, and subsequent payments will be spread over a number of years. If any purchaser defaults under a financing arrangement with us, it could negatively impact our ability to pay cash distributions to our stockholders.

Our stockholders may not receive any profits resulting from the sale of one of our properties, or receive such profits in a timely manner, because we may provide financing to the purchaser of such property.

If we sell one of our properties during liquidation, our stockholders may experience a delay before receiving their share of the proceeds of such liquidation. In a forced or voluntary liquidation, we may sell our properties either subject to or upon the assumption of any then outstanding mortgage debt or, alternatively, may provide financing to purchasers. We may take a purchase money obligation secured by a mortgage as partial payment. We do not have any limitations or restrictions on our taking such purchase money obligations. To the extent we receive promissory notes or other property instead of cash from sales, such proceeds, other than any interest payable on those proceeds, will not be included in net sale proceeds until and to the extent the promissory notes or other property are actually paid, sold, refinanced or otherwise disposed of. In many cases, we will receive initial down payments in the year of sale in an amount less than the selling price and subsequent payments will be spread over a number of years. Therefore, our stockholders may experience a delay in the distribution to our stockholders of the proceeds of a sale until such time.

Characterization of our sale-leaseback transactions may be challenged.

We have and may continue to purchase real estate investments and lease them back to the sellers of such properties. Our advisor will use its best efforts to structure any of our sale-leaseback transactions such that the lease will be characterized as a "true lease" and so that we will be treated as the owner of the property for federal income tax purposes. However, we cannot assure our stockholders that the Internal Revenue Service, or the IRS, will not challenge such characterization. In the event that any such sale-leaseback transaction is re-characterized as a financing transaction for federal income tax purposes, deductions for depreciation and cost recovery relating to such real estate investment would be disallowed or significantly reduced.

We face possible liability for environmental cleanup costs and damages for contamination related to properties we acquire, which could substantially increase our costs and reduce our liquidity and cash distributions to our stockholders.

Because we own and operate real estate, we will be subject to various federal, state and local environmental laws, ordinances and regulations. Under these laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. The costs of removal or remediation could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including the release of asbestos-containing materials into the air, and third parties may seek recovery from owners or operators of real estate for personal injury or property damage associated with exposure to released hazardous substances. In addition, new or more stringent laws or stricter interpretations of existing laws could change the cost of compliance or liabilities and restrictions arising out of such laws. The cost of defending against these claims, complying with environmental regulatory requirements, conducting remediation of any contaminated property, or of paying personal injury claims could be substantial, which would reduce our liquidity and cash available for distribution to our stockholders. In addition, the presence of hazardous substances on a property or the failure to meet environmental regulatory requirements may materially impair our ability to use, lease or sell a property, or to use the property as collateral for borrowing.

Our real estate investments may be concentrated in medical office buildings, hospitals, skilled nursing facilities, senior housing or other healthcare-related facilities, making us more vulnerable economically than if our investments were diversified.

As a REIT, we will invest primarily in real estate. Within the real estate industry, we have acquired and intend to continue to acquire or selectively develop and own medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities. We are subject to risks inherent in concentrating investments in real estate. These risks resulting from a lack of diversification become even greater as a result of our business strategy to invest to a substantial degree in healthcare-related facilities.

A downturn in the commercial real estate industry generally could significantly adversely affect the value of our properties. A downturn in the healthcare industry could negatively affect our lessees' ability to make lease payments to us and our ability to pay distributions to our stockholders. These adverse effects could be more pronounced than if we diversified our investments outside of real estate or if our portfolio did not include a substantial concentration in medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities.

Certain of our properties may not have efficient alternative uses, so the loss of a tenant may cause us not to be able to find a replacement or cause us to spend considerable capital to adapt the property to an alternative use.

Some of the properties we will seek to acquire are healthcare properties that may only be suitable for similar healthcare-related tenants. If we or our tenants terminate the leases for these properties or our tenants lose their regulatory authority to operate such properties, we may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Alternatively, we may be required to spend substantial amounts to adapt the properties to other uses. Any loss of revenues or additional capital expenditures required as a result may have a material adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Our current and future medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities and tenants may be unable to compete successfully, which could result in lower rent payments, reduce our cash flows from operations and amount available for distributions.

Our current and future medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities often will face competition from nearby medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities that provide comparable services. Some of those competing facilities are owned by governmental agencies and supported by tax revenues, and others are owned by nonprofit corporations and may be supported to a large extent by endowments and charitable contributions. These types of support are not available to our buildings.

Similarly, our tenants will face competition from other medical practices in nearby hospitals and other medical facilities. Our tenants' failure to compete successfully with these other practices could adversely affect their ability to make rental payments, which could adversely affect our rental revenues. Further, from time to time and for reasons beyond our control, referral sources, including physicians and managed care organizations, may change their lists of hospitals or physicians to which they refer patients or that are permitted to participate in the payer program. This could adversely affect our tenants' ability to make rental payments, which could adversely affect our rental revenues.

Any reduction in rental revenues resulting from the inability of our medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities and our tenants to compete successfully may have a material adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

The change in accounting standards in the United States for leases could reduce the overall demand to lease our properties.

Prior to January 1, 2019, the existing accounting standards for leases required lessees to classify their leases as either capital or operating leases. Under a capital lease, both the leased asset, which represented the tenant's right to use the property, and the contractual lease obligation were recorded on the tenant's balance sheet if one of the following criteria are met: (i) the lease transferred ownership of the property to the lessee by the end of the lease term; (ii) the lease contained a bargain purchase option; (iii) the non-cancelable lease term was more than 75.0% of the useful life of the asset; or (iv) if the present value of the minimum lease payments equaled 90.0% or more of the leased property's fair value. If the terms of the lease did not meet these criteria, the lease was considered an operating lease, and no leased asset or contractual lease obligation was recorded by the tenant.

In order to address concerns raised by the SEC regarding the transparency of contractual lease obligations under the existing accounting standards for operating leases, the FASB issued Accounting Standards Update, or ASU, 2016-02, *Leases* , or ASU 2016-02, in February 2016, which substantially changed the current lease accounting standards, primarily by eliminating the concept of operating lease accounting. As a result, a lease asset and obligation is recorded on the tenant's balance sheet for all lease arrangements. In addition, ASU 2016-02 and its amendments impact the method in which contractual lease payments are recorded. In order to mitigate the effect of the lease accounting, tenants may seek to negotiate certain terms within new lease arrangements or modify terms in existing lease arrangements, such as shorter lease terms or fewer extension options, which would generally have less impact on tenant balance sheets. Also, tenants may reassess their lease-versus-buy strategies. This could result in a greater renewal risk or shorter lease terms, which may negatively impact our operations and ability to pay distributions. On January 1, 2019, we adopted ASU 2016-02 and its amendments. See Note 2, Summary of Significant Accounting Policies — Recently Issued or Adopted Accounting Pronouncements, to the Consolidated Financial Statements that are part of this Annual Report on Form 10-K for a further discussion.

Our costs associated with complying with the Americans with Disabilities Act may reduce our cash available for distributions.

The properties we will acquire may be subject to the ADA. Under the ADA, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The ADA has separate compliance requirements for "public accommodations" and "commercial facilities" that generally require that buildings and services be made accessible and available to people with disabilities. The ADA's requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. We will attempt to acquire properties that comply with the ADA or place the burden on the seller or other third party, such as a tenant, to ensure compliance with the ADA. However, we cannot assure our stockholders that we will be able to acquire properties or allocate responsibilities in this manner. If we cannot, our funds used for ADA compliance may reduce cash available for distributions and the amount of distributions to our stockholders.

Increased operating expenses could reduce cash flows from operations and funds available to acquire investments or pay distributions.

Any property that we have acquired or may acquire will be subject to operating risks common to real estate in general, any or all of which may negatively affect us. If any property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, we could be required to expend funds with respect to that property for operating expenses. The properties will be subject to increases in tax rates, utility costs, insurance costs, repairs and maintenance costs, administrative costs and other operating expenses. Some of our property leases or future leases may not require the tenants to pay all or a portion of these expenses, in which event we may have to pay these costs. If we are unable to lease properties on terms that require the tenants to pay all or some of the properties' operating expenses, if our tenants fail to pay these expenses as required or if expenses we are required to pay exceed our expectations, we could have less funds available for future acquisitions or cash available for distributions to our stockholders.

Our operating properties will be subject to real and personal property taxes that may increase in the future, which could adversely affect our cash flows.

Our operating properties will be subject to real and personal property taxes that may increase as tax rates change and as the operating properties are assessed or reassessed by taxing authorities. As the owner of the properties, we will be ultimately responsible for payment of the taxes to the applicable government authorities. If real property taxes increase, our tenants may be unable to make the required tax payments, ultimately requiring us to pay the taxes even if otherwise stated under the terms of the lease. If we fail to pay any such taxes, the applicable taxing authority may place a lien on the operating property and the operating property may be subject to a tax sale. In addition, we are generally responsible for real property taxes related to any vacant space.

Costs of complying with governmental laws and regulations related to environmental protection and human health and safety may be high.

All real property investments and the operations conducted in connection with such investments are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Some of these laws and regulations may impose joint and several liability on customers, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such real property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of hazardous substances, or the failure to properly remediate those substances, may adversely affect our ability to sell, rent or pledge such real property as collateral for future borrowings. Environmental laws also may impose restrictions on the manner in which real property may be used or businesses may be operated. Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Additionally, our tenants' operations, the existing condition of land when we buy it, operations in the vicinity of our real properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our real properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply, and which may subject us to liability in the form of fines or damages for noncompliance. In connection with the acquisition and ownership of our real properties, we may be exposed to such costs in connection with such regulations. The cost of defending against environmental claims, of any damages or fines we must pay, of compliance with environmental regulatory requirements or of remediating any contaminated real property could materially and adversely affect our business, lower the value of our assets or results of operations and, consequently, lower the amounts available for distribution to our stockholders.

Ownership of property outside the United States may subject us to different or greater risks than those associated with our domestic operations.

We will seek to acquire properties outside the United States. International development, ownership, and operating activities involve risks that are different from those we face with respect to our domestic properties and operations. These risks include, but are not limited to, any international currency gain recognized with respect to changes in exchange rates may not qualify under the 75.0% gross income test or the 95.0% gross income test that we must satisfy annually in order to maintain our status as a REIT; challenges with respect to the repatriation of foreign earnings and cash; changes in foreign political, regulatory, and economic conditions, including regionally, nationally, and locally; challenges in managing international operations; challenges of complying with a wide variety of foreign laws and regulations, including those relating to real estate, corporate governance, operations, taxes, employment and legal proceedings; foreign ownership restrictions with respect to operations in countries; diminished ability to legally enforce our contractual rights in foreign countries; differences in lending practices and the willingness of domestic or foreign lenders to provide financing; regional or country-specific business cycles and economic instability; and changes in applicable laws and regulations in the United States that affect foreign operations. In addition, we have limited investing experience in international markets. If we are unable to successfully manage the risks associated with international expansion and operations, our results of operations and financial condition may be adversely affected.

Investments in properties or other real estate-related investments outside the United States would subject us to foreign currency risks, which may adversely affect distributions and our REIT status.

We expect to generate a portion of our revenue in foreign currencies. Revenues generated from any properties or other real estate-related investments we acquire or ventures we enter into relating to transactions involving assets located in markets outside the United States likely will be denominated in the local currency. Therefore, any investments we make outside the United States may subject us to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. Dollar. As a result, changes in exchange rates of any such foreign currency to U.S. Dollars may affect our revenues, operating margins and distributions and may also affect the book value of our assets and the amount of stockholders' equity.

Changes in foreign currency exchange rates used to value a REIT's foreign assets may be considered changes in the value of the REIT's assets. These changes may adversely affect our status as a REIT. Further, bank accounts in foreign currency that are not considered cash or cash equivalents may adversely affect our status as a REIT.

We cannot assure our stockholders that our goal to maximize our investment objectives will be realized.

Our advisor and our board determine whether a particular property or real estate-related investment should be sold or otherwise disposed of after consideration of relevant factors, including prevailing economic conditions, with a view toward maximizing our investment objectives. We cannot assure our stockholders that this objective will be realized. The selling price of a property which is net leased will be determined in large part by the amount of rent payable under the lease(s) for such property. If a tenant has a repurchase option at a formula price, we may be limited in realizing any appreciation. In connection with our sales of properties, we may lend the purchaser all or a portion of the purchase price. In these instances, our taxable income may exceed the cash received in the sale.

Representations and warranties made by us in connection with sales of our properties may subject us to liability that could result in losses and could harm our operating results and, therefore distributions we make to our stockholders.

When we sell a property, we may be required to make representations and warranties regarding the property and other customary items. In the event of a breach of such representations or warranties, the purchaser of the property may have claims for damages against us, rights to indemnification from us or otherwise have remedies against us. In any such case, we may incur liabilities that could result in losses and could harm our operating results and, therefore distributions we make to our stockholders.

Risks Related to the Healthcare Industry

The healthcare industry is heavily regulated and new laws or regulations, changes to existing laws or regulations, loss of licensure or failure to obtain licensure could result in the inability of our tenants to make rent payments to us.

The healthcare industry is heavily regulated by federal, state and local governmental bodies. The tenants in our healthcare properties generally will be subject to laws and regulations covering, among other things, licensure, certification for participation in government programs, and relationships with physicians and other referral sources. Changes in these laws and regulations or our tenants' failure to comply with these laws and regulations could negatively affect the ability of our tenants to make lease payments to us and our ability to pay distributions to our stockholders.

Many of our healthcare properties and their tenants may require a license or certificate of need, or CON, to operate. Failure to obtain a license or CON, or loss of a required license or CON, would prevent a facility from operating in the manner intended by the tenant. These events could materially adversely affect our tenants' ability to make rent payments to us. State and local laws also may regulate expansion, including the addition of new beds or services or acquisition of medical equipment, and the construction of healthcare-related facilities, by requiring a CON or other similar approval. State CON laws and other similar laws are not uniform throughout the U.S. and are subject to change; therefore, this may adversely impact our tenants' ability to provide services in different states. We cannot predict the impact of state CON laws or similar laws on our development of facilities or the operations of our tenants.

In addition, state CON laws often materially impact the ability of competitors to enter into the marketplace of our facilities. The repeal of CON laws could allow competitors to freely operate in previously closed markets. This could negatively affect our tenants' abilities to make rent payments to us.

In limited circumstances, loss of state licensure or certification or closure of a facility could ultimately result in loss of authority to operate the facility or provide services at the facility and require new CON authorization licensure and/or authorization or potential authorization from the Centers for Medicare and Medicaid Services to re-institute operations. As a result, a portion of the value of the facility may be reduced, which would adversely impact our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Reductions in reimbursement from third-party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenants and hinder their ability to make rental payments to us, and comprehensive healthcare reform legislation could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Sources of revenue for our tenants may include the federal Medicare program, state Medicaid programs, private insurance carriers and health maintenance organizations, among others. Efforts by such payors to reduce healthcare costs will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. In addition, the healthcare billing rules and regulations are complex, and the failure of any of our tenants to comply with various laws and regulations could jeopardize their ability to continue participating in Medicare, Medicaid and other government sponsored payment programs. Moreover, the state and federal governmental healthcare programs are subject to reductions by state and federal legislative actions. The American Taxpayer Relief Act of 2012 prevented the reduction in physician reimbursement of Medicare from being implemented in 2013. The Protecting Access to Medicare Act of 2014 prevented the reduction of 24.4% in the physician fee schedule by replacing the scheduled reduction with a 0.5% increase to the physician fee schedule through December 31, 2014, and no increase from January 1, 2015 through March 31, 2015. The potential 21.0% cut in reimbursement that was to be effective April 1, 2015 was removed by the Medicare Access & CHIP Reauthorization Act of 2015, or MACRA, and replaced with two new methodologies that will focus upon payment based upon quality outcomes. The first model is the Merit-Based Incentive Payment System, or MIPS, which combines the Physician Quality Reporting System, or PQRS, and Meaningful Use program with the Value Based Modifier program to provide for one payment model based upon (i) quality, (ii) resource use, (iii) clinical practice improvement and (iv) advancing care information through the use of certified Electronic Health Record, or EHR, technology. The second model is the Advanced Alternative Payment Models, or APM, which requires the physician to participate in a risk share arrangement for reimbursement related to his or her patients while utilizing a certified health record and reporting on specific quality metrics. There are a number of physicians that will not qualify for the APM payment method. Therefore, this change in reimbursement models may impact our tenants' payments and create uncertainty in the tenants' financial condition.

The healthcare industry continues to face various challenges, including increased government and private payor pressure on healthcare providers to control or reduce costs. It is possible that our tenants will continue to experience a shift in payor mix away from fee-for-service payors, resulting in an increase in the percentage of revenues attributable to reimbursement based upon value-based principles and quality driven managed care programs, and general industry trends that include pressures to control healthcare costs. The federal government's goal is to move approximately 90.0% of its reimbursement for providers to be based upon quality outcome models. Pressures to control healthcare costs and a shift away from traditional health insurance reimbursement based upon a fee for service payment to payment based upon quality outcomes have increased the uncertainty of payments.

In addition, the Patient Protection and Affordable Care Act of 2010, or the Healthcare Reform Act, is intended to reduce the number of individuals in the U.S. without health insurance and effect significant other changes to the ways in which healthcare is organized, delivered and reimbursed. Included within the legislation is a limitation on physician-owned hospitals from expanding, unless the facility satisfies very narrow federal exceptions to this limitation. Therefore, if our tenants are physicians that own and refer to a hospital, the hospital would be limited in its operations and expansion potential, which may limit the hospital's services and resulting revenues and may impact the owner's ability to make rental payments.

Furthermore, the healthcare legislation passed in 2010 included new payment models with new shared savings programs and demonstration programs that include bundled payment models and payments contingent upon reporting on satisfaction of quality benchmarks. The new payment models will likely change how physicians are paid for services. These changes could have a material adverse effect on the financial condition of some of our tenants. Also, on December 22, 2017, the Tax Cuts and Jobs Act of 2017 was signed into law and repeals the individual mandate portion of the Healthcare Reform Act beginning in 2019. Therefore, our tenants may have more patients that do not have insurance coverage, which may adversely impact the tenants' collections and revenues. The financial impact on our tenants could restrict their ability to make rent payments to us, which would have a material adverse effect on our business, financial condition and results of operations and our ability to pay distributions to stockholders.

Furthermore, beginning in 2016, the Centers for Medicare and Medicaid Services, or CMS, has applied a negative payment adjustment to individual eligible professionals, Comprehensive Primary Care practice sites, and group practices participating in the PQRS group practice reporting option (including Accountable Care Organizations) that do not satisfactorily report PQRS in 2014. Program participation during a calendar year will affect payments two years after the reporting cycle, such that individuals and groups that do not satisfy the PQRS reporting metrics in 2016 will be impacted by a two percent negative payment adjustment in 2018. Providers can appeal the determination, but if the provider is not successful, the provider’s reimbursement may be adversely impacted, which could adversely impact a tenant’s ability to make rent payments to us. CMS is transitioning from PQRS to other quality payment methods.

For 2019, CMS implemented changes to its outpatient prospective payment system, or OPPS, which will result in reduced reimbursement for certain outpatient services furnished by “provider-based” clinicians. The OPPS payment reductions are intended to equalize amounts that the government pays for similar clinical services, regardless of the clinical setting in which they are provided. Healthcare providers and certain provider organizations, including the American Hospital Association, have filed a lawsuit alleging that the payment reductions are ill-advised and unlawful. Additionally, for 2019, CMS reduced the add-on amount that providers may charge for certain medications covered by Medicare Part B from 6% to 3%. These payment adjustments may impact the amount of reimbursement our tenants receive for the medical services they provide.

In 2014, state insurance exchanges were implemented, which provide a new mechanism for individuals to obtain insurance. At this time, the number of payers that are participating in the state insurance exchanges varies, and in some regions there are very limited insurance plans available for individuals to choose from when purchasing insurance. In addition, not all healthcare providers will maintain participation agreements with the payers that are participating in the state health insurance exchange. Therefore, it is possible that our tenants may incur a change in their reimbursement if the tenant does not have a participation agreement with the state insurance exchange payers and a large number of individuals elect to purchase insurance from the state insurance exchange. Further, the rates of reimbursement from the state insurance exchange payers to healthcare providers will vary greatly. The rates of reimbursement will be subject to negotiation between the healthcare provider and the payer, which may vary based upon the market, the healthcare provider’s quality metrics, the number of providers participating in the area and the patient population, among other factors. Therefore, it is uncertain whether healthcare providers will incur a decrease in reimbursement from the state insurance exchange, which may impact a tenant’s ability to pay rent.

The insurance plans that participated on the health insurance exchanges created by the Healthcare Reform Act were expecting to receive risk corridor payments to address the high risk claims that they paid through the exchange product. However, the federal government currently owes the insurance companies approximately $12.3 billion under the risk corridor payment program that is currently disputed by the federal government. In addition, the health insurance exchange program included risk adjustment payments that allocated payments to insurers that had the most complex patients. Effective July 7, 2018, the federal government suspended $10.4 billion of the risk adjustment payments based upon a court order that the payment methodology was flawed. However, on July 24, 2018, the federal government reissued a previous rule regarding risk adjustment payments, including as part of the reissuance additional explanation regarding the methodology used in determining risk adjustment payments. As part of the reissuance, the federal government resumed its operation of the risk adjustment program. In 2018, the federal government won a lawsuit regarding risk corridor payments, with a federal appellate court finding that the government was not obligated to make the payments. The Court of Appeals for the Federal Circuit, which rendered the 2018 ruling, subsequently refused the insurance companies’ request to rehear the litigation in front of a full judge panel. Several of the insurers involved in the litigation are seeking an appeal in front of the U.S. Supreme Court. Despite reversing its suspension of risk adjustment payments, the federal government is subject to pending litigation regarding the risk adjustment payments, including the government’s appeal of a federal judge’s ruling that the government’s formula for calculating risk adjustment payments is arbitrary and capricious. If the insurance companies do not receive payments, the insurance companies may also cease to participate on the insurance exchange, which limits insurance options for patients. If patients do not have access to insurance coverage, it may adversely impact the tenants’ revenues and the tenants’ ability to pay rent.

The federal government also ceased to provide the cost-share subsidies to the insurance companies that offered the silver plan benefits on the Health Information Exchange. The termination of the cost-share subsidies would impact the subsidy payments due in 2017 and will likely adversely impact the insurance companies, causing an increase in the premium payments for the individual beneficiaries in 2018. Nineteen State Attorneys General filed suit to force the Trump Administration to reinstate the cost share subsidy payments. On October 25, 2017, a California Judge ruled in favor of the Trump Administration and found that the federal government was not required to immediately reinstate payment for the cost shares subsidy. The injunction sought by the Attorneys’ General lawsuit was denied. Subsequently, several insurers filed suit in the U.S. Court of Federal Claims to recover cost-share reduction payments, and in several of the matters, the Court of Federal Claims ruled in favor of the insurers. Nevertheless, because of the government’s refusal to make cost-share reduction payments, our tenants will likely see an increase in individuals who are self-pay or have a lower health benefit plan due to the increase in the premium payments. Our tenants' collections and revenues may be adversely impacted by the change in the payor mix of their patients and it may adversely impact the tenants' ability to make rent payments.

Multiple lawsuits have been brought by qualified health plans, or QHPs, to recover the prior risk corridor payments that were anticipated to be paid as part of the health insurance exchange program. In June 2018, the Court of Appeals for the Federal Circuit issued an opinion in *Moda Health Plan v. United States* , concluding that the government does not have to pay health insurers that offered QHPs the full amount owed to them in risk corridors payments. In November of 2018, the Court of Appeals for the Federal Circuit refused Moda's request for an *en banc* review in front of a full judge panel. Several insurers have sought review of the decision by the U.S. Supreme Court. At this time, at least two key cases have been determined in favor of the government withholding payment of the risk corridor payment. If the court system decisions that risk corridor payments are not required to be paid to the QHPs offering insurance coverage on the health insurance exchange program remain in effect and binding, the insurance companies may cease offering the Health Insurance Exchange product to the current beneficiaries. Therefore, our tenants may have an increase of self-pay patients and collections may decline, adversely impacting the tenants' ability to pay rent.

In 2017, Congressional activities to attempt to repeal the Healthcare Reform Act failed. However, President Trump signed several Executive Orders that address different aspects of the Healthcare Reform Act. First, on January 20, 2017 an Executive Order was signed to "ease the burden of Obamacare." Furthermore, on October 12, 2017, President Trump signed an Executive Order the purpose of which was to, among other things, (i) cut healthcare cost-sharing reduction subsidies, (ii) allow more small businesses to join together to purchase insurance coverage, (iii) extend short-term coverage policies, and (iv) expand employers' ability to provide workers cash to buy coverage elsewhere. The Executive Order required the government agencies to draft regulations for consideration related to Associated Health Plans (AHP), short term limited duration insurance (STLDI) and health reimbursement arrangements (HRA). Some, but not all, of the required regulations have been drafted. Several states have brought a lawsuit challenging regulations that were implemented pursuant to the Executive Order. If the Healthcare Reform Act is modified through Executive Orders, the healthcare industry will continue to change and new regulations may further modify payment models, jeopardizing our tenants' ability to remit the rental payments.

On January 11, 2018, CMS issued guidance to support state efforts to improve Medicaid enrollee health outcomes by incentivizing community engagement among able-bodied, working-age Medicaid beneficiaries. The policy excludes individuals eligible for Medicaid due to a disability, elderly beneficiaries, children and pregnant women. Thus far, CMS has received proposals from several states seeking requirements for able bodied Medicaid beneficiaries to engage in employment and community engagement initiatives. Kentucky, Indiana, Arkansas, New Hampshire, Arizona, Michigan and Wisconsin have been granted a waiver for their programs and require Medicaid beneficiaries to work or get ready for employment, and work requirement waiver requests from other states are currently pending before CMS. However, in June 2018, the Federal District Court in the District of Columbia vacated the CMS approval of the Kentucky waiver, finding the approval was arbitrary and capricious and the Court referred it back to CMS. In response to CMS's willingness to entertain Medicaid program waivers, states are seeking waivers to impose other Medicaid eligibility requirements, such as drug testing and eligibility time limits. If the "work requirement" and other eligibility requirements expand to the states' Medicaid programs, it may decrease the number of patients eligible for Medicaid. The patients that are no longer eligible for Medicaid may become self-pay patients, which may adversely impact our tenant's ability to receive reimbursement. If our tenants' patient payor mix becomes more self-pay patients, it may impact our tenants' ability to collect revenues and pay rent. In addition, beginning in 2018, CMS cut funding to the 340B Program, which is intended to lower drug costs for certain healthcare providers. The cuts in the 340B Program may result in some of our tenants having less money available to cover operational costs.

In February of 2018, Congress passed the Bipartisan Balanced Budget Act of 2018. Some of the most notable provisions of the Bipartisan Balanced Budget Act include: (i) the permanent extension of Medicare Special Needs Plans, or SNPs, which provide tailored care for certain qualifying Medicare beneficiaries; (ii) guaranteed funding for the Children's Health Insurance Program, or CHIP, through 2027; (iii) expansion of Medicare coverage for tele-medicine services; and (iv) expanded testing of certain value-based care models. The extension of SNPs and funding for CHIP secure coverage for patients of our tenants and may reduce the number of uninsured patients treated by our tenants. The expansion of coverage for tele-medicine services could impact the demand for medical properties. If more patients can be treated remotely, providers may have less demand for real property.

Events that adversely affect the ability of seniors and their families to afford resident fees at our senior housing facilities could cause our occupancy rates, resident fee revenues and results of operations to decline.

Costs to seniors associated with independent and assisted living services are generally not reimbursable under government reimbursement programs such as Medicare and Medicaid. Only seniors with income or assets meeting or exceeding the comparable median in the regions where our facilities are located typically will be able to afford to pay the entrance fees and monthly resident fees, and a weak economy, depressed housing market or changes in demographics could adversely affect their continued ability to do so. If our tenants and operators are unable to retain and attract seniors with sufficient income, assets or other resources required to pay the fees associated with independent and assisted living services and other services provided by our tenants and operators at our healthcare facilities, our occupancy rates and resident fee revenues could decline, which could, in turn, materially adversely affect our business, results of operations and financial condition and our ability to make distributions to stockholders.

Some tenants of our current and future medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities will be subject to fraud and abuse laws, the violation of which by a tenant may jeopardize the tenant's ability to make rent payments to us.

There are various federal and state laws prohibiting fraudulent and abusive business practices by healthcare providers who participate in, receive payments from or are in a position to make referrals in connection with government-sponsored healthcare programs, including the Medicare and Medicaid programs. Our lease arrangements with certain current and future tenants may also be subject to these fraud and abuse laws. In order to support compliance with the fraud and abuse laws, our lease agreements may be required to satisfy individual state law requirements that vary from state to state, the Stark Law exception and the Anti-Kickback Statute safe harbor for lease arrangements, which impacts the terms and conditions that may be negotiated in the lease arrangements.

These federal laws include:

- the Federal Anti-Kickback Statute, which prohibits, among other things, the offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, the referral of any item or service reimbursed by state or federal healthcare programs;
- the Federal Physician Self-Referral Prohibition, which, subject to specific exceptions, restricts physicians from making referrals for specifically designated health services for which payment may be made under federal healthcare programs to an entity with which the physician, or an immediate family member, has a financial relationship;
- the False Claims Act, which prohibits any person from knowingly presenting false or fraudulent claims for payment to the federal government, including claims paid by the Medicare and Medicaid programs;
- the Civil Monetary Penalties Law, which authorizes the U.S. Department of Health and Human Services to impose monetary penalties or exclusion from participating in state or federal healthcare programs for certain fraudulent acts;
- the Health Insurance Portability and Accountability Act of 1996, as amended, or HIPAA, Fraud Statute, which makes it a federal crime to defraud any health benefit plan, including private payers; and
- the Exclusions Law, which authorizes the U.S. Department of Health and Human Services to exclude someone from participating in state or federal healthcare programs for certain fraudulent acts.

Each of these laws includes criminal and/or civil penalties for violations that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments and/or exclusion from the Medicare and Medicaid programs. Monetary penalties associated with violations of these laws have been increased in recent years. Certain laws, such as the False Claims Act, allow for individuals to bring whistleblower actions on behalf of the government for violations thereof. Additionally, states in which the facilities are located may have similar fraud and abuse laws. Investigation by a federal or state governmental body for violation of fraud and abuse laws or imposition of any of these penalties upon one of our tenants could jeopardize that tenant's ability to operate or to make rent payments, which may have a material adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Adverse trends in healthcare provider operations may negatively affect our lease revenues and our ability to pay distributions to our stockholders.

The healthcare industry is currently experiencing:

- changes in the demand for and methods of delivering healthcare services;
- changes in third-party reimbursement policies;
- significant unused capacity in certain areas, which has created substantial competition for patients among healthcare providers in those areas;
- increased expense for uninsured patients;
- increased competition among healthcare providers;
- increased liability insurance expense;
- continued pressure by private and governmental payers to reduce payments to providers of services;
- increased scrutiny of billing, referral and other practices by federal and state authorities;
- changes in federal and state healthcare program payment models;
- increased emphasis on compliance with privacy and security requirements related to personal health information; and
- increased instability in the Health Insurance Exchange market and lack of access to insurance plans participating in the exchange.

Moreover, the fines and penalties of HIPAA privacy and security rules increased in 2013. If a tenant breaches a patient's protected health information and is fined by the federal government, the tenant's ability to operate and pay rent may be adversely impacted.

These factors may adversely affect the economic performance of some or all of our tenants and, in turn, our lease revenues and our ability to pay distributions to our stockholders.

Operators/managers of healthcare properties that we may acquire may be affected by the financial deterioration, insolvency and/or bankruptcy of other significant operators/managers in the healthcare industry.

Certain companies in the healthcare industry, including some key senior housing operators/managers, are experiencing considerable financial, legal and/or regulatory difficulties which have resulted or may result in financial deterioration and, in some cases, insolvency and/or bankruptcy. The adverse effects on these companies could have a significant impact on the industry as a whole, including but not limited to negative public perception by investors, lenders and consumers. As a result, lessees of healthcare facilities that we may acquire could experience the damaging financial effects of a weakened industry sector driven by negative headlines, ultimately making them unable to meet their obligations to us, and our business could be adversely affected.

Our healthcare-related tenants may be subject to significant legal actions that could subject them to increased operating costs and substantial uninsured liabilities, which may affect their ability to pay their rent payments to us.

As is typical in the healthcare industry, our healthcare-related tenants may often become subject to claims that their services have resulted in patient injury or other adverse effects. Many of these tenants may have experienced an increasing trend in the frequency and severity of professional liability and general liability insurance claims and litigation asserted against them. The insurance coverage maintained by these tenants may not cover all claims made against them nor continue to be available at a reasonable cost, if at all. In some states, insurance coverage for the risk of punitive damages arising from professional liability and general liability claims and/or litigation may not, in certain cases, be available to these tenants due to state law prohibitions or limitations of availability. As a result, these types of tenants of our medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities operating in these states may be liable for punitive damage awards that are either not covered or are in excess of their insurance policy limits. We also believe that there has been, and will continue to be, an increase in governmental investigations of certain healthcare providers, particularly in the area of Medicare/Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Insurance may not always be available to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, whether currently asserted or arising in the future, could have a material adverse effect on a tenant's financial condition. If a tenant is unable to obtain or maintain insurance coverage, if judgments are obtained in excess of the insurance coverage, if a tenant is required to pay uninsured punitive damages, or if a tenant is subject to an uninsurable government enforcement action, the tenant could be exposed to substantial additional liabilities, which may affect the tenant's ability to pay rent, which in turn could have a material adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

We, our tenants and our operators for our senior housing and future skilled nursing facilities are subject to various government reviews, audits and investigations that could adversely affect our business, including an obligation to refund amounts previously paid to us, potential criminal charges, the imposition of fines, and/or the loss of the right to participate in Medicare and Medicaid programs.

As a result of our tenants' participation in the Medicaid and Medicare programs, we, our tenants and our operators for our senior housing and future skilled nursing facilities are subject to various governmental reviews, audits and investigations to verify compliance with these programs and applicable laws and regulations. We, our tenants and our operators for our senior housing and future skilled nursing facilities are also subject to audits under various government programs, including Recovery Audit Contractors, Zone Program Integrity Contractors, Program Safeguard Contractors, Medicaid Integrity Contractors and Unified Program Integrity Contractor programs, in which third-party firms engaged by CMS conduct extensive reviews of claims data and medical and other records to identify potential improper payments under the Medicare and Medicaid programs. Private pay sources also reserve the right to conduct audits. Billing and reimbursement errors and disagreements occur in the healthcare industry. We, our tenants and our operators for our senior housing and future skilled nursing facilities may be engaged in reviews, audits and appeals of claims for reimbursement due to the subjectivities inherent in the process related to patient diagnosis and care, record keeping, claims processing and other aspects of the patient service and reimbursement processes, and the errors and disagreements those subjectivities can produce. An adverse review, audit or investigation could result in:

- an obligation to refund amounts previously paid to us, our tenants or our operators pursuant to the Medicare or Medicaid programs or from private payors, in amounts that could be material to our business;
- state or federal agencies imposing fines, penalties and other sanctions on us, our tenants or our operators;
- loss of our right, our tenants' right or our operators' right to participate in the Medicare or Medicaid programs or one or more private payor networks;
- an increase in private litigation against us, our tenants or our operators; and
- damage to our reputation in various markets.

While we, our tenants and our operators for our senior housing and future skilled nursing facilities have always been subject to post-payment audits and reviews, more intensive "probe reviews" appear to be a permanent procedure with our fiscal intermediaries. Generally, findings of overpayment from CMS contractors are eligible for appeal through the CMS defined continuum, but there may be rare instances that are not eligible for appeal. We, our tenants and our operators for our senior housing and future skilled nursing facilities utilize all defenses at our disposal to demonstrate that the services provided meet all clinical and regulatory requirements for reimbursement.

If the government or a court were to conclude that such errors, deficiencies or disagreements constituted criminal violations, or were to conclude that such errors, deficiencies or disagreements resulted in the submission of false claims to federal healthcare programs, or if the government were to discover other problems in addition to the ones identified by the probe reviews that rose to actionable levels, we and certain of our officers, and our tenants and operators for our senior housing and future skilled nursing facilities and certain of their officers, might face potential criminal charges and/or civil claims, administrative sanctions and penalties for amounts that could be material to our business, results of operations and financial condition. In addition, we and/or some of the key personnel of our operating subsidiaries, or those of our tenants and operators for our senior housing and future skilled nursing facilities, could be temporarily or permanently excluded from future participation in state and federal healthcare reimbursement programs such as Medicaid and Medicare. In any event, it is likely that a governmental investigation alone, regardless of its outcome, would divert material time, resources and attention from our management team and our staff, or those of our tenants and our operators for our senior housing and future skilled nursing facilities and could have a materially detrimental impact on our results of operations during and after any such investigation or proceedings.

In cases where claim and documentation review by any CMS contractor results in repeated poor performance, a facility can be subjected to protracted oversight. This oversight may include repeat education and re-probe, extended pre-payment review, referral to recovery audit or integrity contractors, or extrapolation of an error rate to other reimbursement outside of specifically reviewed claims. Sustained failure to demonstrate improvement towards meeting all claim filing and documentation requirements could ultimately lead to Medicare and Medicaid decertification, which could have a materially detrimental impact on our results of operations. Adverse actions by CMS may also cause third-party payer or licensure authorities to audit our tenants. These additional audits could result in termination of third-party payer agreements or licensure of the facility, which would also adversely impact our operations.

Risks Related to Debt Financing

Increases in interest rates could increase the amount of our debt payments, and therefore, negatively impact our operating results.

Interest we pay on our debt obligations will reduce cash available for distributions. Whenever we incur variable rate debt, increases in interest rates would increase our interest costs, which would reduce our cash flows and our ability to pay distributions to our stockholders. If we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments.

In addition, our variable-rate debt instruments use London Interbank Offering Rate, or LIBOR, as a benchmark for establishing the interest rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. Such reforms may cause LIBOR to be replaced entirely or to perform differently than in the past. The consequences of these developments are uncertain, but could include an increase in the cost of our variable-rate debt instruments. If LIBOR is no longer widely available, or otherwise at our option, we may need to renegotiate with our lenders that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established. As such, the potential phase-out of LIBOR may have a material adverse effect on the interest rates on our current and future borrowings.

To the extent we borrow at fixed rates or enter into fixed interest rate swaps, we will not benefit from reduced interest expense if interest rates decrease.

We are exposed to the effects of interest rate changes primarily as a result of borrowings we will use to maintain liquidity and fund expansion and refinancing of our real estate investment portfolio and operations. To limit the impact of interest rate changes on earnings, prepayment penalties and cash flows and to lower overall borrowing costs while taking into account variable interest rate risk, we may borrow at fixed rates or variable rates depending upon prevailing market conditions. We may also enter into derivative financial instruments such as interest rate swaps and caps in order to mitigate our interest rate risk on a related financial instrument.

Hedging activity may expose us to risks.

We have and may continue to use derivative financial instruments to hedge our exposure to changes in exchange rates and interest rates on loans secured by our assets. If we use derivative financial instruments to hedge against interest rate fluctuations, we will be exposed to credit risk and legal enforceability risks. In this context, credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. Legal enforceability risks encompass general contractual risks, including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract. These derivative instruments are speculative in nature and there is no guarantee that they will be effective. If we are unable to manage these risks effectively, our results of operations, financial condition and ability to pay distributions to our stockholders will be adversely affected.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to pay distributions to our stockholders.

When providing financing, a lender may impose restrictions on us that affect our ability to incur additional debt and affect our distribution and operating strategies. We may enter into loan documents that contain covenants that limit our ability to further mortgage the property, discontinue insurance coverage, or replace our advisor. These or other limitations may adversely affect our flexibility and our ability to achieve our investment objectives.

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

We may finance or refinance our properties using interest-only mortgage indebtedness. During the interest-only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest-only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum or "balloon" payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans.

If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to refinance or sell properties on favorable terms, and to pay distributions to our stockholders.

Some of our current and future financing arrangements may require us to make a lump-sum or "balloon" payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the particular property. At the time the balloon payment is due, we may or may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the particular property at a price sufficient to make the balloon payment. The refinancing or sale could affect the rate of return to our stockholders and the projected time of disposition of our assets. In an environment of increasing mortgage rates, if we place mortgage debt on properties, we run the risk of being unable to refinance such debt if mortgage rates are higher at a time a balloon payment is due. In addition, payments of principal and interest made to service our debts, including balloon payments, may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT. Any of these results would have a significant, negative impact on our stockholders' investment.

If we are required to make payments under any "bad boy" carve-out guaranties that we may provide in connection with certain mortgages and related loans, our business and financial results could be materially adversely affected.

In obtaining certain nonrecourse loans, we may provide standard carve-out guaranties. These guaranties are only applicable if and when the borrower directly, or indirectly through agreement with an affiliate, joint venture partner or other third party, voluntarily files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper (commonly referred to as "bad boy" guaranties). Although we believe that "bad boy" carve-out guaranties are not guaranties of payment in the event of foreclosure or other actions of the foreclosing lender that are beyond the borrower's control, some lenders in the real estate industry have recently sought to make claims for payment under such guaranties. In the event such a claim were made against us under a "bad boy" carve-out guaranty following foreclosure on mortgages or related loan, and such claim were successful, our business and financial results could be materially adversely affected.

Risks Related to Real Estate-Related Investments

The mortgage loans in which we may invest and the mortgage loans underlying the mortgage-backed securities in which we may invest may be impacted by unfavorable real estate market conditions, which could decrease their value.

If we acquire investments in mortgage loans or mortgage-backed securities, such investments will involve special risks relating to the particular borrower or issuer of the mortgage-backed securities and we will be at risk of loss on those investments, including losses as a result of defaults on mortgage loans. These losses may be caused by many conditions beyond our control, including economic conditions affecting real estate values, tenant defaults and lease expirations, interest rate levels and the other economic and liability risks associated with real estate. If we acquire property by foreclosure following defaults under our mortgage loan investments, we will have the economic and liability risks as the owner described above. We do not know whether the values of the property securing any of our real estate-related investments will remain at the levels existing on the dates we initially make the related investment. If the values of the underlying properties drop, our risk will increase and the values of our interests may decrease.

Delays in liquidating defaulted mortgage loan investments could reduce our investment returns.

If there are defaults under our mortgage loan investments, we may not be able to foreclose on or obtain a suitable remedy with respect to such investments. Specifically, we may not be able to repossess and sell the underlying properties quickly, which could reduce the value of our investment. For example, an action to foreclose on a property securing a mortgage loan is regulated by state statutes and rules and is subject to many of the delays and expenses of lawsuits if the defendant raises defenses or counterclaims. Additionally, in the event of default by a mortgagor, these restrictions, among other things, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due to us on the mortgage loan.

The commercial mortgage-backed securities in which we may invest are subject to several types of risks.

Commercial mortgage-backed securities are bonds which evidence interests in, or are secured by, a single commercial mortgage loan or a pool of commercial mortgage loans. Accordingly, the mortgage-backed securities in which we may invest are subject to all the risks of the underlying mortgage loans.

In a rising interest rate environment, the value of commercial mortgage-backed securities may be adversely affected when payments on underlying mortgages do not occur as anticipated, resulting in the extension of the security’s effective maturity and the related increase in interest rate sensitivity of a longer-term instrument. The value of commercial mortgage-backed securities may also change due to shifts in the market’s perception of issuers and regulatory or tax changes adversely affecting the mortgage securities markets as a whole. In addition, commercial mortgage-backed securities are subject to the credit risk associated with the performance of the underlying mortgage properties.

Commercial mortgage-backed securities are also subject to several risks created through the securitization process. Subordinate commercial mortgage-backed securities are paid interest-only to the extent that there are funds available to make payments. To the extent the collateral pool includes a large percentage of delinquent loans, there is a risk that interest payments on subordinate commercial mortgage-backed securities will not be fully paid. Subordinate securities of commercial mortgage-backed securities are also subject to greater credit risk than those commercial mortgage-backed securities that are more highly rated.

The mezzanine loans in which we may invest would involve greater risks of loss than senior loans secured by income-producing real estate.

We may invest in mezzanine loans that take the form of subordinated loans secured by second mortgages on the underlying real estate or loans secured by a pledge of the ownership interests of either the entity owning the real estate or the entity that owns the interest in the entity owning the real estate. These types of investments involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real estate because the investment may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our investment. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the real estate and increasing the risk of loss of principal.

Real estate-related equity securities in which we may invest are subject to specific risks relating to the particular issuer of the securities and may be subject to the general risks of investing in real estate or real estate-related assets.

We may invest in the common and preferred stock of both publicly traded and private unaffiliated real estate companies, which involves a higher degree of risk than debt securities due to a variety of factors, including the fact that such investments are subordinate to creditors and are not secured by the issuer's property. Our investments in real estate-related equity securities will involve special risks relating to the particular issuer of the equity securities, including the financial condition and business outlook of the issuer. Issuers of real estate-related equity securities generally invest in real estate or real estate-related assets and are subject to the inherent risks associated with acquiring real estate-related investments discussed in this annual report, including risks relating to rising interest rates.

We expect a portion of our real estate-related investments to be illiquid and we may not be able to adjust our portfolio in response to changes in economic and other conditions.

We may acquire real estate-related investments in connection with privately negotiated transactions which are not registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited. The mezzanine and bridge loans we may purchase will be particularly illiquid investments due to their short life, their unsuitability for securitization and the greater difficulty of recoupment in the event of a borrower's default.

Interest rate and related risks may cause the value of our real estate-related investments to be reduced.

Interest rate risk is the risk that fixed income securities such as preferred and debt securities, and to a lesser extent dividend paying common stocks, will decline in value because of changes in market interest rates. Generally, when market interest rates rise, the market value of such securities will decline, and vice versa. Our investment in such securities means that the NAV and market price of the common stock may tend to decline if market interest rates rise.

During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below-market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. During periods of declining interest rates, an issuer may be able to exercise an option to prepay principal earlier than scheduled, which is generally known as call or prepayment risk. If this occurs, we may be forced to reinvest in lower yielding securities. This is known as reinvestment risk. Preferred and debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. These risks may reduce the value of our real estate-related investments.

If we liquidate prior to the maturity of our real estate-related investments, we may be forced to sell those investments on unfavorable terms or at a loss.

Our board of directors may choose to effect a liquidity event in which we liquidate our assets, including our real estate-related investments. If we liquidate those investments prior to their maturity, we may be forced to sell those investments on unfavorable terms or at a loss. For instance, if we are required to liquidate mortgage loans at a time when prevailing interest rates are higher than the interest rates of such mortgage loans, we would likely sell such loans at a discount to their stated principal values.

Risks Related to Joint Ventures

The terms of joint venture agreements or other joint ownership arrangements which we have and may continue to enter into could impair our operating flexibility or result in litigation or liability, which could materially adversely affect our results of operations.

In connection with the purchase of real estate, we have and may continue to enter into joint ventures with third parties, including affiliates of our advisor. We may also purchase or develop properties in co-ownership arrangements with the sellers of the properties, developers or other persons. These structures involve participation in the investment by other parties whose interests and rights may not be the same as ours. Our joint venture partners may have rights to take some actions over which we have no control and may take actions contrary to our interests. Joint ownership of an investment in real estate may involve risks not associated with direct ownership of real estate, including the following:

- a venture partner may at any time have economic or other business interests or goals which become inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties held in a joint venture or the timing of the termination and liquidation of the venture;

- a venture partner might become bankrupt and such proceedings could have an adverse impact on the operation of the partnership or joint venture;
- actions taken by a venture partner might have the result of subjecting the property to liabilities in excess of those contemplated; and
- a venture partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our policy with respect to maintaining our qualification as a REIT.

Under certain joint venture arrangements, neither venture partner may have the power to control the venture, and an impasse could occur, which might adversely affect the joint venture or result in litigation or liability and decrease potential returns to our stockholders. If we have a right of first refusal or buy/sell right to buy out a venture partner, we may be unable to finance such a buy-out or we may be forced to exercise those rights at a time when it would not otherwise be in our best interest to do so. If our interest is subject to a buy/sell right, we may not have sufficient cash, available borrowing capacity or other capital resources to allow us to purchase an interest of a venture partner subject to the buy/sell right, in which case we may be forced to sell our interest when we would otherwise prefer to retain our interest. In addition, we may not be able to sell our interest in a joint venture on a timely basis or on acceptable terms if we desire to exit the venture for any reason, particularly if our interest is subject to a right of first refusal of our venture partner.

We may structure our joint venture relationships in a manner which may limit the amount we participate in the cash flows or appreciation of an investment.

We have and may continue to enter into joint venture agreements, the economic terms of which may provide for the distribution of income to us otherwise than in direct proportion to our ownership interest in the joint venture. For example, while we and a co-venturer may invest an equal amount of capital in an investment, the investment may be structured such that we have a right to priority distributions of cash flows up to a certain target return while the co-venturer may receive a disproportionately greater share of cash flows than we are to receive once such target return has been achieved. This type of investment structure may result in the co-venturer receiving more of the cash flows, including appreciation, of an investment than we would receive. If we do not accurately judge the appreciation prospects of a particular investment or structure the venture appropriately, we may incur losses on joint venture investments or have limited participation in the profits of a joint venture investment, either of which could reduce our ability to pay cash distributions to our stockholders.

Federal Income Tax Risks

Failure to maintain our qualification as a REIT for federal income tax purposes would subject us to federal income tax on our taxable income at regular corporate rates, which would substantially reduce our ability to pay distributions to our stockholders.

We qualified and elected to be taxed as a REIT under the Code beginning with our taxable year ended December 31, 2016. To continue to maintain our qualification as a REIT, we must meet various requirements set forth in the Code concerning, among other things, the ownership of our outstanding common stock, the nature of our assets, the sources of our income and the amount of our distributions to our stockholders. The REIT qualification requirements are extremely complex, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we will be successful in operating so as to maintain our qualification as a REIT. At any time, new laws, interpretations or court decisions may change the federal tax laws relating to, or the federal income tax consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax or other considerations may cause our board of directors to determine that it is not in our best interest to maintain our qualification as a REIT, and to revoke our REIT election, which it may do without stockholder approval.

If we fail to maintain our qualification as a REIT for any taxable year, we will be subject to federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status unless the IRS grants us relief under certain statutory provisions. Losing our REIT status would reduce our net earnings available for investment or distribution to our stockholders because of the additional tax liability. In addition, distributions would no longer qualify for the distributions paid deduction, and we would no longer be required to pay distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

As a result of all these factors, our failure to maintain our qualification as a REIT could impair our ability to expand our business and raise capital, and would substantially reduce our ability to pay distributions to our stockholders.

To maintain our qualification as a REIT and to avoid the payment of federal income and excise taxes, we may be forced to borrow funds, use proceeds from the issuance of securities (including our offering), or sell assets to pay distributions, which may result in our distributing amounts that may otherwise be used for our operations.

To obtain the favorable tax treatment accorded to REITs, we normally will be required each year to distribute to our stockholders at least 90.0% of our annual taxable income, determined without regard to the deduction for distributions paid and by excluding net capital gains. We will be subject to federal income tax on our undistributed taxable income and net capital gain and to a 4.0% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (i) 85.0% of our ordinary income, (ii) 95.0% of our capital gain net income and (iii) 100% of our undistributed income from prior years.

These requirements could cause us to distribute amounts that otherwise would be spent on acquisitions of properties and it is possible that we might be required to borrow funds, use proceeds from the issuance of securities (including our offering) or sell assets in order to distribute enough of our taxable income to maintain our qualification as a REIT and to avoid the payment of federal income and excise taxes.

Our investment strategy may cause us to incur penalty taxes, lose our REIT status, or own and sell properties through TRSs, each of which would diminish the return to our stockholders.

In light of our investment strategy, it is possible that one or more sales of our properties may be "prohibited transactions" under provisions of the Code. If we are deemed to have engaged in a "prohibited transaction" (*i.e.* , we sell a property held by us primarily for sale in the ordinary course of our trade or business), all income that we derive from such sale would be subject to a 100% tax. The Code sets forth a safe harbor for REITs that wish to sell property without risking the imposition of the 100% tax. A principal requirement of the safe harbor is that the REIT must hold the applicable property for not less than two years prior to its sale. Given our investment strategy, it is entirely possible, if not likely, that the sale of one or more of our properties will not fall within the prohibited transaction safe harbor.

If we desire to sell a property pursuant to a transaction that does not fall within the safe harbor, we may be able to avoid the 100% penalty tax if we acquired the property through a TRS or acquired the property and transferred it to a TRS for a non-tax business purpose prior to the sale (*i.e.* , for a reason other than the avoidance of taxes). However, there may be circumstances that prevent us from using a TRS in a transaction that does not qualify for the safe harbor. Additionally, even if it is possible to effect a property disposition through a TRS, we may decide to forego the use of a TRS in a transaction that does not meet the safe harbor based on our own internal analysis, the opinion of counsel or the opinion of other tax advisors that the disposition will not be subject to the 100% penalty tax. In cases where a property disposition is not effected through a TRS, the IRS could successfully assert that the disposition constitutes a prohibited transaction, in which event all of the net income from the sale of such property will be payable as a tax and none of the proceeds from such sale will be distributable by us to our stockholders or available for investment by us.

If we acquire a property that we anticipate will not fall within the safe harbor from the 100% penalty tax upon disposition, then we may acquire such property through a TRS in order to avoid the possibility that the sale of such property will be a prohibited transaction and subject to the 100% penalty tax. If we already own such a property directly or indirectly through an entity other than a TRS, we may contribute the property to a TRS if there is another, non-tax-related business purpose for the contribution of such property to the TRS. Following the transfer of the property to a TRS, the TRS will operate the property and may sell such property and distribute the net proceeds from such sale to us, and we may distribute the net proceeds distributed to us by the TRS to our stockholders. Though a sale of the property by a TRS likely would eliminate the danger of the application of the 100% penalty tax, the TRS itself would be subject to a tax at the federal level, and potentially at the state and local levels, on the gain realized by it from the sale of the property as well as on the income earned while the property is operated by the TRS. This tax obligation would diminish the amount of the proceeds from the sale of such property that would be distributable to our stockholders. As a result, the amount available for distribution to our stockholders would be substantially less than if the REIT had operated and sold such property directly and such transaction was not characterized as a prohibited transaction. The maximum federal corporate income tax rate is currently 21.0%. Federal, state and local corporate income tax rates may be increased in the future, and any such increase would reduce the amount of the net proceeds available for distribution by us to our stockholders from the sale of property through a TRS after the effective date of any increase in such tax rates.

If we own too many properties through one or more of our TRSs, then we may lose our status as a REIT. If we fail to maintain our qualification as a REIT for any taxable year, we will be subject to federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the distributions paid deduction, and we would no longer be required to pay distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax. As a REIT, the value of the securities we hold in all of our TRSs may not exceed 20.0% of the value of all of our assets at the end of any calendar quarter. If the IRS were to determine that the value of our interests in all of our TRSs exceeded 20.0% of the value of total assets at the end of any calendar quarter, then we would fail to maintain our qualification as a REIT. If we determine it to be in our best interest to own a substantial number of our properties through one or more TRSs, then it is possible that the IRS may conclude that the value of our interests in our TRSs exceeds 20.0% of the value of our total assets at the end of any calendar quarter, and therefore, cause us to fail to maintain our qualification as a REIT. Additionally, as a REIT, no more than 25.0% of our gross income with respect to any year may be from sources other than real estate. Distributions paid to us from a TRS are considered to be non-real estate income. Therefore, we may fail to maintain our qualification as a REIT if distributions from all of our TRSs, when aggregated with all other non-real estate income with respect to any one year, are more than 25.0% of our gross income with respect to such year. We will use all reasonable efforts to structure our activities in a manner intended to satisfy the requirements for our qualification as a REIT. Our failure to maintain our qualification as a REIT would adversely affect our stockholders' return on their investment.

Our stockholders may have a current tax liability on distributions they elect to reinvest in shares of our common stock.

If our stockholders participate in the DRIP, they will be deemed to have received, and for income tax purposes will be taxed on, the amount reinvested in shares of our common stock to the extent the amount reinvested was not a tax-free return of capital. In addition, our stockholders may be treated, for tax purposes, as having received an additional distribution to the extent the shares are purchased at a discount from fair market value. As a result, unless our stockholders are a tax-exempt entity, our stockholders may have to use funds from other sources to pay their tax liability on the value of the shares of common stock received.

W e may be subject to adverse legislative or regulatory tax changes that could increase our tax liability or reduce our operating flexibility, including the recently passed Tax Cuts and Jobs Act.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of federal and state income tax laws applicable to investments similar to an investment in shares of our common stock. Additional changes to the tax laws are likely to continue to occur, and we cannot assure our stockholders that any such changes will not adversely affect our taxation and our ability to continue to qualify as a REIT or the taxation of a stockholder. Any such changes could have an adverse effect on an investment in shares of our common stock or on the market value or the resale potential of our assets. Our stockholders are urged to consult with their tax advisor with respect to the impact of recent legislation on their investment in our stock and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares of our common stock.

Although REITs generally receive better tax treatment than entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a regular corporation. As a result, our charter provides our board of directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a regular corporation, without the vote of our stockholders. Our board of directors has fiduciary duties to us and our stockholders and could only cause such changes in our tax treatment if it determines in good faith that such changes are in the best interests of our stockholders.

In addition, on December 22, 2017, the Tax Cuts and Jobs Act was signed into law. The Tax Cuts and Jobs Act made significant changes to the U.S. federal income tax rules for taxation of individuals and businesses, generally effective for taxable years beginning after December 31, 2017. In addition to reducing corporate and individual tax rates, the Tax Cuts and Jobs Act eliminates or restricts various deductions. Most of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. The Tax Cuts and Jobs Act made numerous large and small changes to the tax rules that do not affect the REIT qualification rules directly but may otherwise affect us or our stockholders.

While the changes in the Tax Cuts and Jobs Act generally appear to be favorable with respect to REITs, the extensive changes to non-REIT provisions in the Code may have unanticipated effects on us or our stockholders. Moreover, Congressional leaders have recognized that the process of adopting extensive tax legislation in a short amount of time without hearings and substantial time for review is likely to have led to drafting errors, issues needing clarification and unintended consequences that will have to be revisited in subsequent tax legislation. At this point, it is not clear if or when Congress will address these issues or when the IRS will issue administrative guidance on the changes made in the Tax Cuts and Jobs Act.

We urge our stockholders to consult with their own tax advisor with respect to the status of the Tax Cuts and Jobs Act and other legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares of our common stock.

If we fail to invest a sufficient amount of the net proceeds from selling our common stock in real estate assets within one year from the receipt of the proceeds, we could fail to maintain our qualification as a REIT.

Temporary investment of the net proceeds from sales of our common stock in short-term securities and income from such investment generally will allow us to satisfy various REIT income and asset requirements, but only during the one-year period beginning on the date we receive the net proceeds. If we are unable to invest a sufficient amount of the net proceeds from sales of our common stock in qualifying real estate assets within such one-year period, we could fail to satisfy one or more of the gross income or asset tests and/or we could be limited to investing all or a portion of any remaining funds in cash or cash equivalents. If we fail to satisfy any such income or asset test, unless we are entitled to relief under certain provisions of the Code, we could fail to maintain our qualification as a REIT.

In certain circumstances, we may be subject to federal and state income taxes even if we maintain our qualification as a REIT, which would reduce our cash available for distribution to our stockholders.

Even if we maintain our qualification as a REIT, we may be subject to federal income taxes or state taxes. For example, net income from a “prohibited transaction” will be subject to a 100% tax. We may not be able to make sufficient distributions to avoid excise taxes applicable to REITs. We may also decide to retain capital gains we earn from the sale or other disposition of our property and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, our stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability. We may also be subject to state and local taxes on our income or property, either directly or at the level of the companies through which we indirectly own our assets. Any federal or state taxes we pay will reduce our cash available for distribution to our stockholders.

Dividends payable by REITs generally do not qualify for the reduced tax rates on dividend income as compared to regular corporations, which could adversely affect the value of our shares.

The maximum U.S. federal income tax rate for certain qualified dividends payable to domestic stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, are generally not eligible for these reduced rates for qualified dividends. Through taxable years ending in 2025, the Tax Cuts and Jobs Act permits a deduction for certain pass-through business income, including “qualified REIT dividends” (generally, dividends received by a REIT stockholder that are not designated as capital gain dividends or qualified dividend income), which allows U.S. individuals, trusts, and estates to deduct up to 20% of such amounts, subject to certain limitations, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such qualified REIT dividends. Although the reduced U.S. federal income tax rate applicable to dividend income from regular corporate dividends does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to qualified dividends from C corporations could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our shares.

Distributions to tax-exempt stockholders may be classified as UBTI.

Neither ordinary nor capital gain distributions with respect to the shares of our common stock nor gain from the sale of the shares of our common stock should generally constitute unrelated business taxable income, or UBTI, to a tax-exempt stockholder. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our common stock may be treated as UBTI if the shares of our common stock are predominately held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT share ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as UBTI;
- part of the income and gain recognized by a tax exempt stockholder with respect to the shares of our common stock would constitute UBTI if the stockholder incurs debt in order to acquire the shares of our common stock; and
- part or all of the income or gain recognized with respect to the shares of our common stock by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from federal income taxation under Sections 501(c)(7), (9), (17) or (20) of the Code may be treated as UBTI.

Complying with the REIT requirements may cause us to forego otherwise attractive opportunities.

To maintain our qualification as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of shares of our common stock. We may be required to pay distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution, or we may be required to liquidate otherwise attractive investments in order to comply with the REIT tests. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

If our operating partnership fails to maintain its status as a disregarded entity or as a partnership, its income may be subject to taxation, which would reduce the cash available for distribution to stockholders and likely result in a loss of our REIT status.

We intend to maintain the status of the operating partnership as a disregarded entity or as a partnership for U.S. federal income tax purposes. However, if the IRS were to successfully challenge the status of the operating partnership as a disregarded entity or as a partnership for such purposes, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that the operating partnership could make to us. This would also likely result in our losing REIT status, and, if so, becoming subject to a corporate level tax on our own income. This would substantially reduce any cash available to pay distributions. In addition, if any of the partnerships or limited liability companies through which the operating partnership owns its properties, in whole or in part, loses its characterization as a partnership and is otherwise not disregarded for U.S. federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to the operating partnership. Such a recharacterization of an underlying property owner could also threaten our ability to maintain our status as a REIT.

Our mezzanine loans may not qualify as real estate assets and could adversely affect our status as a REIT.

We may invest in mezzanine loans, for which the IRS has provided a safe harbor, but not rules of substantive law. Pursuant to the safe harbor, if a mezzanine loan meets certain requirements, the IRS will treat the mezzanine loan as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% income test. To the extent that any mezzanine loans do not meet all of the requirements for reliance on the safe harbor, such loans may not be real estate assets and could adversely affect our qualification as a REIT.

Foreign purchasers of shares of our common stock may be subject to FIRPTA tax upon the sale of their shares of our common stock.

A foreign person disposing of a U.S. real property interest, including shares of stock of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to the Foreign Investment in Real Property Tax Act of 1980, as amended, or FIRPTA, on the amount received from the disposition. However, foreign pension plans and certain foreign publicly traded entities are exempt from FIRPTA withholding. Further, such FIRPTA tax does not apply to the disposition of stock in a REIT if the REIT is “domestically controlled.” A REIT is “domestically controlled” if less than 50.0% of the REIT’s stock, by value, has been owned directly or indirectly by persons who are not qualifying U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT’s existence. We cannot assure our stockholders that we will qualify as a “domestically controlled” REIT. If we were to fail to so qualify, amounts received by foreign investors on a sale of shares of our common stock would be subject to FIRPTA tax, unless the shares of our common stock were traded on an established securities market and the foreign investor did not at any time during a specified period directly or indirectly own more than 10.0% of the value of our outstanding common stock. However, these rules do not apply to foreign pension plans and certain publicly traded entities.

Foreign stockholders may be subject to FIRPTA tax upon the payment of a capital gains dividend.

A foreign stockholder will likely be subject to FIRPTA upon the payment of any capital gain dividends by us if such gain is attributable to gain from sales or exchanges of U.S. real property interests. However, these rules do not apply to foreign pension plans and certain publicly traded entities.

Employee Benefit Plan, IRA, and Other Tax-Exempt Investor Risks

We, and our stockholders that are employee benefit plans, IRAs, annuities described in Sections 403(a) or (b) of the Code, Archer Medical Savings Accounts, health savings accounts, Coverdell education savings accounts, and other arrangements that are subject to ERISA or Section 4975 of the Code (referred to generally as “Benefit Plans and IRAs”) will be subject to risks relating specifically to our having such Benefit Plan and IRA stockholders, which risks are discussed below.

If a stockholder that is a Benefit Plan or IRA fails to meet the fiduciary and other standards under ERISA or the Code as a result of an investment in shares of our common stock, such stockholder could be subject to civil and criminal, if the failure is willful, penalties.

There are special considerations that apply to Benefit Plans and IRAs investing in shares of our common stock. Stockholders that are Benefit Plans and IRAs should consider:

- whether their investment is consistent with the applicable provisions of ERISA and the Code, or any other applicable governing authority in the case of a plan not subject to ERISA or the Code;
- whether their investment is made in accordance with the documents and instruments governing the Benefit Plan or IRA, including any investment policy;
- whether their investment satisfies the prudence, diversification and other requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA or any similar rule under other applicable laws or regulations;
- whether their investment will impair the liquidity needs, the minimum and other distribution requirements, or the tax withholding requirements that may be applicable to such Benefit Plan or IRA;
- whether their investment will constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any similar rule under other applicable laws or regulations;
- whether their investment will produce or result in UBTI, as defined in Sections 511 through 514 of the Code, to the Benefit Plan or IRA;
- whether their investment will impair the Benefit Plan's or IRA's need to value its assets annually (or more frequently) in accordance with ERISA, the Code and the applicable provisions of the Benefit Plan or IRA; and
- whether their investment will cause our assets to be treated as "plan assets" of the Benefit Plan or IRA.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA, the Code, or other applicable statutory or common law may result in the imposition of civil and criminal (if the violation is willful) penalties, and can subject the fiduciary to equitable remedies. In addition, if an investment in our common stock constitutes a prohibited transaction under ERISA or the Code, the "party-in-interest" (within the meaning of ERISA) or "disqualified person" (within the meaning of the Code) who authorized or directed the investment may have to compensate the plan for any losses the plan suffered as a result of the transaction or restore to the plan any profits made by such person as a result of the transaction, or may be subject to excise taxes with respect to the amount involved. In the case of a prohibited transaction involving an IRA, the IRA may be disqualified and all of the assets of the IRA may be deemed distributed and subject to tax.

In addition to considering their fiduciary responsibilities under ERISA and the prohibited transaction rules of ERISA and the Code, stockholders that are Benefit Plans and IRAs should consider the effect of the plan assets regulation, U.S. Department of Labor Regulation Section 2510.3-101, as modified by ERISA Section 3(42). To avoid our assets from being considered "plan assets" under the plan assets regulation, our charter prohibits "benefit plan investors" from owning 25% or more of the shares of our common stock prior to the time that the common stock qualifies as a class of publicly-offered securities, within the meaning of the plan assets regulation. However, we cannot assure our stockholders that those provisions in our charter will be effective in limiting benefit plan investors' ownership to less than the 25% limit. For example, the limit could be unintentionally exceeded if a benefit plan investor misrepresents its status as a benefit plan investor. If our underlying assets were to be considered "plan assets" of a benefit plan investor subject to ERISA, (i) we would be an ERISA fiduciary and subject to certain fiduciary requirements of ERISA with which it would be difficult for us to comply and (ii) we could be restricted from entering into favorable transactions if the transaction, absent an exemption, would constitute a prohibited transaction under ERISA or the Code. Even if our assets are not considered to be "plan assets," a prohibited transaction could occur if we or any of our affiliates is a fiduciary (within the meaning of ERISA) of a Benefit Plan or IRA stockholder.

Due to the complexity of these rules and the potential penalties that may be imposed, it is important that stockholders that are Benefit Plans and IRAs consult with their own advisors regarding the potential applicability of ERISA, the Code and any similar applicable law.

Stockholders that are Benefit Plans and IRAs may be limited in their ability to withdraw required minimum distributions as a result of an investment in shares of our common stock.

If Benefit Plans or IRAs invest in our common stock, the Code may require such plan or IRA to withdraw required minimum distributions in the future. Our stock will be highly illiquid, and our share repurchase plan only offers limited liquidity. If a Benefit Plan or IRA requires liquidity, it may generally sell its shares, but such sale may be at a price less than the price at which such plan or IRA initially purchased its shares of our common stock. If a Benefit Plan or IRA fails to make required minimum distributions, it may be subject to certain taxes and tax penalties.

Specific rules apply to foreign, governmental and church plans.

As a general rule, certain employee benefit plans, including foreign pension plans, governmental plans established or maintained in the United States (as defined in Section 3(32) of ERISA), and certain church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA's requirements and are not "benefit plan investors" within the meaning of the plan assets regulation. Any such plan that is qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code may nonetheless be subject to the prohibited transaction rules set forth in Section 503 of the Code and, under certain circumstances in the case of church plans, Section 4975 of the Code. Also, some foreign plans and governmental plans may be subject to foreign, state, or local laws which are, to a material extent, similar to the provisions of ERISA or Section 4975 of the Code. Each fiduciary of a plan subject to any such similar law should make its own determination as to the need for, and the availability of, any exemption relief.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

As of December 31, 2018 , our principal executive offices are located at 18191 Von Karman Avenue, Suite 300, Irvine, California 92612. We do not have an address separate from our advisor or our co-sponsors. Since we pay our advisor fees for their services, we do not pay rent for the use of their space.

Real Estate Investments

As of December 31, 2018 , we had completed 33 property acquisitions: 24 acquisitions of medical office buildings, four acquisitions of senior housing facilities, three acquisitions of senior housing — RIDEA facilities and two acquisitions of skilled nursing facilities. These acquisitions consisted of 69 buildings, or approximately 3,835,000 square feet of GLA, for an aggregate contract purchase price of $821,689,000 .

The following table presents certain additional information about our properties as of December 31, 2018 :

Acquisition(1)	Location	Reportable Segment	GLA (Sq Ft)	% of GLA	Date Acquired	Contract Purchase Price	Annualized Base Rent/ NOI(2)	% of Annualized Base Rent	Leased Percentage(3)	Average Annual Rent Per Leased Sq Ft(4)
Auburn MOB	Auburn, CA	Medical Office	19,000	0.5%	06/28/16	$ 5,450,000	$ 454,000	0.7%	100%	$ 24.55
Pottsville MOB	Pottsville, PA	Medical Office	36,000	0.9	09/16/16	9,150,000	772,000	1.3	100%	$ 21.49
Charlottesville MOB	Charlottesville, VA	Medical Office	74,000	1.9	09/22/16	20,120,000	1,945,000	3.2	100%	$ 26.28
Rochester Hills MOB	Rochester Hills, MI	Medical Office	30,000	0.8	09/29/16	8,300,000	679,000	1.1	92.8%	$ 24.07
Cullman MOB III	Cullman, AL	Medical Office	52,000	1.4	09/30/16	16,650,000	1,505,000	2.5	100%	$ 28.86
Iron MOB Portfolio	Cullman and Sylacauga, AL	Medical Office	208,000	5.4	10/13/16	31,000,000	2,762,000	4.5	87.4%	$ 15.18
Mint Hill MOB	Mint Hill, NC	Medical Office	58,000	1.5	11/14/16	21,000,000	1,540,000	2.5	100%	$ 26.74
Lafayette Assisted Living Portfolio	Lafayette, LA	Senior Housing	80,000	2.1	12/01/16	16,750,000	1,202,000	2.0	100%	$ 14.99
Evendale MOB	Evendale, OH	Medical Office	66,000	1.7	12/13/16	10,400,000	769,000	1.3	68.4%	$ 17.10
Battle Creek MOB	Battle Creek, MI	Medical Office	46,000	1.2	03/10/17	7,300,000	548,000	0.9	85.4%	$ 13.89
Reno MOB	Reno, NV	Medical Office	191,000	5.0	03/13/17	66,250,000	4,571,000	7.5	92.0%	$ 26.04
Athens MOB Portfolio	Athens, GA	Medical Office	61,000	1.6	05/18/17	16,800,000	1,227,000	2.0	98.5%	$ 20.37
SW Illinois Senior Housing Portfolio	Columbia, Millstadt, Red Bud and Waterloo, IL	Senior Housing	190,000	5.0	05/22/17	31,800,000	2,301,000	3.8	100%	$ 12.09
Lawrenceville MOB	Lawrenceville, GA	Medical Office	31,000	0.8	06/12/17	11,275,000	795,000	1.3	100%	$ 26.06

Acquisition(1)	Location	Reportable Segment	GLA (Sq Ft)	% of GLA	Date Acquired	Contract Purchase Price	Annualized Base Rent/ NOI(2)	% of Annualized Base Rent	Leased Percentage(3)	Average Annual Rent Per Leased Sq Ft(4)
Northern California Senior Housing Portfolio	Belmont, Fairfield, Menlo Park and Sacramento, CA	Senior Housing	135,000	3.5%	06/28/17	$ 45,800,000	$ 3,219,000	5.3%	100%	$ 23.94
Roseburg MOB	Roseburg, OR	Medical Office	62,000	1.6	06/29/17	23,200,000	1,568,000	2.6	100%	$ 25.20
Fairfield County MOB Portfolio	Stratford and Trumbull, CT	Medical Office	80,000	2.1	09/29/17	15,395,000	1,945,000	3.2	94.6%	$ 25.77
Central Florida Senior Housing Portfolio(5)	Bradenton, Brooksville, Lake Placid, Lakeland, Pinellas Park, Sanford, Spring Hill and Winter Haven, FL	Senior Housing — RIDEA	899,000	23.4	11/01/17	109,500,000	6,245,000	10.3	77.4%	$ 6,819.80
Central Wisconsin Senior Care Portfolio	Sun Prairie and Waunakee, WI	Skilled Nursing	236,000	6.2	03/01/18	22,600,000	1,763,000	2.9	100%	$ 7.47
Sauk Prairie MOB	Prairie du Sac, WI	Medical Office	55,000	1.4	04/09/18	19,500,000	1,241,000	2.0	100%	$ 22.54
Surprise MOB	Surprise, AZ	Medical Office	34,000	0.9	04/27/18	11,650,000	797,000	1.3	89.5%	$ 26.15
Southfield MOB	Southfield, MI	Medical Office	85,000	2.2	05/11/18	16,200,000	1,365,000	2.2	93.0%	$ 17.23
Pinnacle Beaumont ALF(5)	Beaumont, TX	Senior Housing —RIDEA	61,000	1.6	07/01/18	19,500,000	1,161,000	1.9	77.2%	$ 19,263.75
Grand Junction MOB	Grand Junction, CO	Medical Office	83,000	2.2	07/06/18	31,500,000	2,101,000	3.4	100%	$ 25.44
Edmonds MOB	Edmonds, WA	Medical Office	55,000	1.4	07/30/18	23,500,000	1,440,000	2.4	96.9%	$ 26.84
Pinnacle Warrenton ALF(5)	Warrenton, MO	Senior Housing —RIDEA	34,000	0.9	08/01/18	8,100,000	895,000	1.5	95.8%	$ 17,799.41
Glendale MOB	Glendale, WI	Medical Office	43,000	1.1	08/13/18	7,600,000	619,000	1.0	80.3%	$ 17.86
Missouri SNF Portfolio	Florissant, Kansas City, Milan, Moberly, Salisbury, Sedalia, St. Elizabeth and Trenton, MO	Skilled Nursing	385,000	10.0	09/28/18	88,200,000	7,629,000	12.5	100%	$ 19.80
Flemington MOB Portfolio	Flemington, NJ	Medical Office	49,000	1.3	11/29/18	16,950,000	1,197,000	2.0	98.9%	$ 24.57
Lawrenceville MOB II	Lawrenceville, GA	Medical Office	45,000	1.2	12/19/18	9,999,000	1,072,000	1.8	100%	$ 23.63
Mill Creek MOB	Mill Creek, WA	Medical Office	22,000	0.6	12/21/18	8,250,000	543,000	0.9	100%	$ 24.65
Modesto MOB	Modesto, CA	Medical Office	58,000	1.5	12/28/18	16,000,000	1,179,000	1.9	92.2%	$ 22.22
Michigan ALF Portfolio	Grand Rapids, Holland, Howell, Lansing and Wyoming, MI	Senior Housing	272,000	7.1	12/28/18	56,000,000	3,836,000	6.3	100%	$ 14.09
Total/weighted average(6)			3,835,000	100%		$ 821,689,000	$ 60,885,000	100%	96.4%	$ 19.19

(1) We own 100% of our properties acquired as of December 31, 2018 , with the exception of Central Florida Senior Housing Portfolio, Pinnacle Beaumont ALF and Pinnacle Warrenton ALF.

(2) With the exception of our senior housing — RIDEA facilities, annualized base rent is based on contractual base rent from leases in effect as of December 31, 2018 . Annualized base rent for our senior housing — RIDEA facilities is based on annualized NOI, a non-GAAP financial measure. See Part II, Item 6, Selected Financial Data, for a further discussion.

(3) Leased percentage includes all leased space of the respective acquisition including master leases, except for our senior housing — RIDEA facilities where leased percentage represents resident occupancy on the available units of the RIDEA facilities.

(4) Average annual rent per leased square foot is based on leases in effect as of December 31, 2018 , except for our senior housing — RIDEA facilities where average annual rent per unit is based on NOI divided by the average occupied units of the senior housing — RIDEA facilities.

(5) Acquisition was completed pursuant to a joint venture with MStar Peninsula Holdings, LLC, an affiliate of Meridian Senior Living, LLC, an unaffiliated third party. Our ownership of the joint venture is approximately 98%.

(6) Weighted average annual rent per leased square foot excludes our senior housing — RIDEA facilities.

We own fee simple interests in all of our buildings except for eight buildings for which we own fee simple interests in the building and improvements of such properties subject to the respective ground leases.

The following information generally applies to our properties:

- we believe all of our properties are adequately covered by insurance and are suitable for their intended purposes;
- we have no plans for any material renovations, improvements or development with respect to any of our properties, except in accordance with planned budgets;
- our properties are located in markets where we are subject to competition for attracting new tenants and retaining current tenants; and
- depreciation is provided on a straight-line basis over the estimated useful lives of the buildings, up to 39 years, and over the shorter of the lease term or useful lives of the tenant improvements, up to 14 years. Furniture, fixtures and equipment is depreciated over the estimated useful life, up to 10 years.

For additional information regarding our real estate investments, see Schedule III, Real Estate and Accumulated Depreciation, to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

Lease Expirations

The following table presents the sensitivity of our annual base rent due to lease expirations for the next 10 years and thereafter at our properties other than our senior housing — RIDEA facilities, by number, total square feet, percentage of leased area, annual base rent and percentage of total annual base rent of expiring leases as of December 31, 2018 :

Year	Number of Expiring Leases	Total Square Feet of Expiring Leases	% of Leased Area Represented by Expiring Leases	Annual Base Rent of Expiring Leases	% of Total Annual Base Rent Represented by Expiring Leases(1)
2019	8	46,000	1.7%	$ 845,000	1.4%
2020	21	134,000	5.0	2,859,000	4.8
2021	21	76,000	2.8	1,685,000	2.8
2022	22	216,000	8.0	5,673,000	9.4
2023	19	191,000	7.1	5,037,000	8.4
2024	19	137,000	5.1	3,677,000	6.1
2025	15	219,000	8.1	5,329,000	8.9
2026	6	29,000	1.1	792,000	1.3
2027	16	76,000	2.8	2,005,000	3.3
2028	16	158,000	5.8	3,986,000	6.6
Thereafter	19	1,417,000	52.5	28,218,000	47.0
Total	182	2,699,000	100%	$ 60,106,000	100%

(1) The annual base rent percentage is based on the total annual contractual base rent expiring in the applicable year, based on leases in effect as of December 31, 2018 .

Geographic Diversification/Concentration Table

The following table lists the states in which our properties are located and provides certain information regarding our portfolio's geographic diversification/concentration as of December 31, 2018 :

State	Number of Buildings	GLA (Sq Ft)	% of GLA	Annualized Base Rent/NOI(1)	% of Annualized Base Rent/NOI
Alabama	4	260,000	6.8%	$ 4,266,000	7.0%
Arizona	1	34,000	0.9	797,000	1.3
California	7	211,000	5.5	4,852,000	8.0
Colorado	1	83,000	2.2	2,101,000	3.4
Connecticut	2	80,000	2.0	1,945,000	3.2
Florida	10	899,000	23.4	6,245,000	10.2
Georgia	4	137,000	3.6	3,094,000	5.1
Illinois	5	190,000	5.0	2,301,000	3.8
Louisiana	2	80,000	2.1	1,202,000	2.0
Michigan	9	434,000	11.3	6,429,000	10.5
Missouri	9	419,000	10.9	8,524,000	14.0
North Carolina	1	58,000	1.5	1,540,000	2.5
New Jersey	2	49,000	1.3	1,197,000	2.0
Nevada	1	191,000	5.0	4,571,000	7.5
Ohio	1	66,000	1.7	768,000	1.3
Oregon	1	62,000	1.6	1,568,000	2.6
Pennsylvania	1	36,000	1.0	772,000	1.3
Texas	1	61,000	1.6	1,161,000	1.9
Virginia	1	74,000	1.9	1,945,000	3.2
Washington	2	77,000	2.0	1,984,000	3.3
Wisconsin	4	334,000	8.7	3,623,000	5.9
Total	69	3,835,000	100%	$ 60,885,000	100%

(1) Annualized base rent is based on contractual base rent from leases in effect as of December 31, 2018 , with the exception of our senior housing — RIDEA facilities, which is based on annualized NOI.

Indebtedness

For a discussion of our indebtedness, see Note 6, Mortgage Loans Payable, Net , and Note 7, Line of Credit and Term Loan , to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

Item 3. Legal Proceedings.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

There is no established public trading market for shares of our common stock.

To assist the members of FINRA and their associated persons, pursuant to FINRA Conduct Rule 5110, we disclose in each annual report distributed to stockholders a per share estimated value of the shares, the method by which it was developed, and the date of the data used to develop the estimated value. In addition, we prepare annual statements of the estimated share value to assist fiduciaries of Benefit Plans and IRAs subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in shares of our common stock. For these purposes, our estimated per share NAV is $9.65 as of December 31, 2017, which estimated per share NAV was approved and established by our board of directors on April 6, 2018 based on the estimated value of our assets less the estimated value of our liabilities, divided by the number of shares outstanding on a fully diluted basis, calculated as of December 31, 2017. However, there is no established public trading market for the shares of our common stock at this time, and there can be no assurance that stockholders could receive $9.65 per share if such a market did exist and they sold their shares of our common stock or that they would be able to receive such amount for their shares of our common stock in the future.

Pursuant to FINRA rules, we disclose an estimated per share NAV of our shares based on a valuation performed at least annually, and we disclose the resulting estimated per share NAV in our Annual Reports on Form 10-K distributed to stockholders. When determining the estimated value per share NAV, there are currently no SEC, federal and state rules that establish requirements specifying the methodology to employ in determining an estimated per share NAV; provided, however, that the determination of the estimated per share NAV must be conducted by, or with the material assistance or confirmation of, a third-party valuation expert or service and must be derived from a methodology that conforms to standard industry practice. In determining the estimated per share NAV of our shares, our board of directors considered information and analysis, including valuation materials that were provided by an independent third-party valuation firm, information provided by our advisor and the estimated per share NAV recommendation made by the audit committee of our board of directors, which committee is comprised entirely of independent directors. See our Current Report on Form 8-K, filed with the SEC on April 9, 2018, for additional information regarding our independent third-party valuation firm, its valuation materials and the methodology used to determine the estimated per share NAV.

Although FINRA rules require subsequent valuations to be performed at least annually, our board of directors may decide to perform them on a quarterly basis. The valuations are estimates and consequently should not be viewed as an accurate reflection of the fair value of our investments nor do they represent the amount of net proceeds that would result from an immediate sale of our assets.

Stockholders

As of March 15, 2019 , we had approximately 14,177 stockholders of record.

Distributions

On April 13, 2016, our board of directors authorized a daily distribution to our Class T stockholders of record as of the close of business on each day of the period from May 1, 2016 through June 30, 2016. Our advisor agreed to waive certain asset management fees that may otherwise have been due to our advisor pursuant to the Advisory Agreement until such time as the amount of such waived asset management fees was equal to the amount of distributions payable to our stockholders for the period beginning on May 1, 2016 and ending on the date of the acquisition of our first property or real estate-related investment, as such terms are defined in the Advisory Agreement. Having raised the minimum offering in April 2016, the distributions declared for each record date in the May 2016 and June 2016 periods were paid in June 2016 and July 2016, respectively, from legally available funds. The daily distributions were calculated based on 365 days in the calendar year and were equal to $0.001643836 per share of our Class T common stock. These distributions were aggregated and paid in cash or shares of our common stock pursuant to the DRIP monthly in arrears. We acquired our first property on June 28, 2016, and as such, our advisor waived $80,000 in asset management fees equal to the amount of distributions paid from May 1, 2016 through June 27, 2016. See Note 12, Related Party Transactions — Operational Stage — Asset Management Fee, to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K for a further discussion of such waiver. Our advisor did not receive any additional securities, shares of our stock, or any other form of consideration or any repayment as a result of the waiver of such asset management fees.

On June 28, 2016, our board of directors authorized a daily distribution to our Class T stockholders of record as of the close of business on each day of the period commencing on July 1, 2016 and ending on September 30, 2016 and to our Class I stockholders of record as of the close of business on each day of the period commencing on the date that the first Class I share was sold and ending on September 30, 2016. Subsequently, our board of directors authorized on a quarterly basis a daily distribution to our Class T and Class I stockholders of record as of the close of business on each day of the quarterly periods commencing on October 1, 2016 and ending on June 30, 2019. The daily distributions were or will be calculated based on 365 days in the calendar year and are equal to $0.001643836 per share of our Class T and Class I common stock, which is equal to an annualized distribution of $0.60 per share. These distributions were or will be aggregated and paid in cash or shares of our common stock pursuant to the DRIP monthly in arrears, only from legally available funds.

The amount of distributions paid to our stockholders is determined quarterly by our board of directors and is dependent on a number of factors, including funds available for payment of distributions, our financial condition, capital expenditure requirements and annual distribution requirements needed to qualify and maintain our qualification as a REIT under the Code. We have not established any limit on the amount of net offering proceeds that may be used to fund distributions, except that, in accordance with our organizational documents and Maryland law, we may not make distributions that would: (i) cause us to be unable to pay our debts as they become due in the usual course of business; or (ii) cause our total assets to be less than the sum of our total liabilities plus senior liquidation preferences.

The distributions paid for the years ended December 31, 2018 and 2017, along with the amount of distributions reinvested pursuant to the DRIP and the sources of distributions as compared to cash flows from operations were as follows:

	Years Ended December 31,			
	2018		2017	
Distributions paid in cash	$ 13,989,000		$ 6,398,000	
Distributions reinvested	17,612,000		8,689,000	
	$ 31,601,000		$ 15,087,000	
Sources of distributions:				
Cash flows from operations	$ 15,423,000	48.8%	$ 12,404,000	82.2%
Offering proceeds	16,178,000	51.2	2,683,000	17.8
	$ 31,601,000	100%	$ 15,087,000	100%

Under GAAP, certain acquisition related expenses, such as expenses incurred in connection with property acquisitions accounted for as business combinations, are expensed, and therefore, subtracted from cash flows from operations. However, these expenses may be paid from offering proceeds or debt.

Any distributions of amounts in excess of our current and accumulated earnings and profits have resulted in a return of capital to our stockholders, and all or any portion of a distribution to our stockholders may be paid from net offering proceeds. The payment of distributions from our net offering proceeds could reduce the amount of capital we ultimately invest in assets and negatively impact the amount of income available for future distributions.

As of December 31, 2018 , we had an amount payable of $8,570,000 to our advisor or its affiliates primarily for the 2.25% contingent advisor payment, or Contingent Advisor Payment, portion of the total acquisition fee payable to our advisor or its affiliates, which will be paid from cash flows from operations in the future as it becomes due and payable by us in the ordinary course of business consistent with our past practice. See Note 12, Related Party Transactions — Acquisition and Development Stage — Acquisition Fee, to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

As of December 31, 2018 , no amounts due to our advisor or its affiliates had been deferred, waived or forgiven other than the $80,000 in asset management fees waived by our advisor, as discussed above. Other than the waiver of asset management fees by our advisor to provide us with additional funds to pay initial distributions to our stockholders through June 27, 2016, our advisor and its affiliates, including our co-sponsors, have no obligation to defer or forgive fees owed by us to our advisor or its affiliates or to advance any funds to us. In the future, if our advisor or its affiliates do not defer or continue to defer, waive or forgive amounts due to them, this would negatively affect our cash flows from operations, which could result in us paying distributions, or a portion thereof, using borrowed funds. As a result, the amount of proceeds available for investment and operations would be reduced, or we may incur additional interest expense as a result of borrowed funds.

The distributions paid for the years ended December 31, 2018 and 2017, along with the amount of distributions reinvested pursuant to the DRIP and the sources of our distributions as compared to FFO were as follows:

	Years Ended December 31,			
	2018		2017	
Distributions paid in cash	$ 13,989,000		$ 6,398,000	
Distributions reinvested	17,612,000		8,689,000	
	$ 31,601,000		$ 15,087,000	
Sources of distributions:				
FFO attributable to controlling interest	$ 24,923,000	78.9%	$ 14,134,000	93.7%
Offering proceeds	6,678,000	21.1	953,000	6.3
	$ 31,601,000	100%	$ 15,087,000	100%

The payment of distributions from sources other than FFO may reduce the amount of proceeds available for investment and operations or cause us to incur additional interest expense as a result of borrowed funds. For a further discussion of FFO, a non-GAAP financial measure, including a reconciliation of our GAAP net income (loss) to FFO, see Item 6, Selected Financial Data.

Securities Authorized for Issuance Under Equity Compensation Plans

We adopted our incentive plan, pursuant to which our board of directors or a committee of our independent directors may make grants of options, restricted shares of common stock, stock purchase rights, stock appreciation rights or other awards to our independent directors, employees and consultants. The maximum number of shares of our common stock that may be issued pursuant to our incentive plan is 4,000,000. For a further discussion of our incentive plan, see Note 11, Equity — 2015 Incentive Plan, to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K. The following table provides information regarding our incentive plan as of December 31, 2018 :

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders(1)	—	—	3,940,000
Equity compensation plans not approved by security holders	—	—	—
Total	—		3,940,000

(1) On April 13, 2016, June 13, 2017 and June 12, 2018, we granted 5,000, 2,500 and 2,500 shares, respectively, of our restricted Class T common stock, as defined in our incentive plan, to each of our independent directors in connection with their initial election and re-election to our board of directors, of which 20.0% vested on the grant date and 20.0% will vest on each of the first four anniversaries of the date of grant. In addition, on July 1, 2017 and July 1, 2018, we granted 5,000 shares of our restricted Class T common stock, as defined in our incentive plan, to each of our independent directors in consideration for their past services rendered. These shares of restricted Class T common stock vest under the same period described above. The fair value of each share at the date of grant was based on the price paid to acquire one share of our Class T common stock in our offering; and with respect to the initial 20.0% of shares of our restricted Class T common stock that vested on the date of grant, expensed as compensation immediately, and with respect to the remaining shares of our restricted Class T common stock, amortized over the period from the service inception date to the vesting date for each vesting tranche (*i.e.* , on a tranche-by-tranche basis) using the accelerated attribution method. Shares of our restricted Class T common stock may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. Such restrictions expire upon vesting. Shares of our restricted Class T common stock have full voting rights and rights to distributions. Such shares are not shown in the chart above as they are deemed outstanding shares of our common stock; however, such grants reduce the number of securities remaining available for future issuance.

Recent Sales of Unregistered Securities

None.

Use of Public Offering Proceeds

Our Registration Statement on Form S-11 (File No. 333-205960), registering a public offering of up to $3,150,000,000 in shares of our common stock, was declared effective under the Securities Act on February 16, 2016. Griffin Capital Securities, LLC is the dealer manager of our offering. Commencing on February 16, 2016, we initially offered to the public up to $3,150,000,000 in shares of our Class T common stock consisting of up to $3,000,000,000 in shares of our Class T common stock at a price of $10.00 per share in our primary offering and up to $150,000,000 in shares of our Class T common stock for $9.50 per share pursuant to the DRIP. Effective June 17, 2016, we reallocated certain of the unsold shares of Class T common stock being offered and began offering shares of Class I common stock, such that we were offering up to approximately $2,800,000,000 in shares of Class T common stock and $200,000,000 in shares of Class I common stock in our primary offering, and up to an aggregate of $150,000,000 in shares of our Class T and Class I common stock pursuant to the DRIP, aggregating up to $3,150,000,000. The shares of our Class T common stock in our primary offering were being offered at a price of $10.00 per share prior to April 11, 2018, and were being offered at a price of $10.05 per share for all shares issued effective April 11, 2018. The shares of our Class I common stock in our primary offering were being offered at a price of $9.30 per share prior to March 1, 2017 and $9.21 per share from March 1, 2017 to April 10, 2018. Effective April 11, 2018, the shares of our Class I common stock in our primary offering were being offered at a price of $9.65 per share, the estimated per share NAV unanimously approved and established by our board of directors on April 6, 2018. The shares of our Class T and Class I common stock issued pursuant to the DRIP were sold at a price of $9.50 per share prior to January 1, 2017 and $9.40 per share from January 1, 2017 to April 10, 2018. Effective April 11, 2018, the shares of our Class T and Class I common stock issued pursuant to the DRIP were sold at a price of $9.65 per share, the most recent estimated per share NAV approved and established by our board of directors.

As of December 31, 2018, we had received and accepted subscriptions in our offering for 62,559,017 shares of Class T common stock and 4,196,499 shares of Class I common stock, or approximately $626,020,000 and $39,383,000, respectively, excluding shares of our common stock issued pursuant to the DRIP. As of December 31, 2018, a total of $26,135,000 in Class T distributions and $962,000 in Class I distributions were reinvested pursuant to the DRIP and 2,745,813 shares of Class T common stock and 100,973 shares of Class I common stock were issued pursuant to the DRIP.

Our equity raise as of December 31, 2018 resulted in the following:

	Amount
Gross offering proceeds — Class T and Class I common stock	$ 665,403,000
Gross offering proceeds from Class T and Class I shares issued pursuant to the DRIP	27,097,000
Total gross offering proceeds	692,500,000
Less public offering expenses:	
Selling commissions	18,357,000
Dealer manager fees	19,255,000
Advisor funding of dealer manager fees	(12,941,000)
Other organizational and offering expenses	6,240,000
Advisor funding of other organizational and offering expenses	(6,240,000)
Net proceeds from our offering	$ 667,829,000

The cost of raising funds in our offering as a percentage of gross proceeds received in our primary offering was 3.7% as of December 31, 2018. As of December 31, 2018, we had used $518,129,000 in net proceeds from our offering to acquire properties from unaffiliated third parties, $48,000,000 for our investment in an unconsolidated entity, $31,882,000 to pay acquisition fees and acquisition related expenses to affiliated parties, $10,410,000 to pay acquisition related expenses to unaffiliated third parties, $6,353,000 to pay deferred financing costs on our mortgage loans payable and our line of credit and term loan, $5,401,000 for capital expenditures on our acquired properties and $3,900,000 to pay real estate deposits for proposed future acquisitions.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

Our share repurchase plan allows for repurchases of shares of our common stock by us when certain criteria are met. Share repurchases will be made at the sole discretion of our board of directors. All share repurchases are subject to a one-year holding period, except for repurchases made in connection with a stockholder's death or "qualifying disability," as defined in our share repurchase plan. Funds for the repurchase of shares of our common stock will come exclusively from the cumulative proceeds we receive from the sale of shares of our common stock pursuant to the DRIP.

The price per share at which we will repurchase shares of our common stock will range from 92.5% to 100% of each stockholder's repurchase amount depending on the period of time their shares have been held. During our offering and with respect to shares repurchased for the quarter ending March 31, 2019, the repurchase amount for shares repurchased under our share repurchase plan was equal to the lesser of (i) the amount per share that a stockholder paid for their shares of our common stock, or (ii) the per share offering price in our offering. Commencing with shares repurchased for the quarter ending June 30, 2019, the repurchase amount for shares repurchased under our share repurchase plan will be the lesser of the amount per share the stockholder paid for its shares of common stock or the most recent estimated value of one share of the applicable class of common stock as determined by the board of directors. However, if shares of our common stock are to be repurchased in connection with a stockholder's death or qualifying disability, the repurchase price will be no less than 100% of the price paid to acquire the shares of our common stock from us.

During the three months ended December 31, 2018 , we repurchased shares of our common stock as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plan or Program	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2018 to October 31, 2018	—	$ —	—	(1)
November 1, 2018 to November 30, 2018	—	$ —	—	(1)
December 1, 2018 to December 31, 2018	114,187	$ 9.36	114,187	(1)
Total	114,187	$ 9.36	114,187	

(1) Subject to funds being available, we will limit the number of shares of our common stock repurchased during any calendar year to 5.0% of the weighted average number of shares of our common stock outstanding during the prior calendar year; provided however, shares of our common stock subject to a repurchase requested upon the death of a stockholder will not be subject to this cap.

Item 6. Selected Financial Data.

The following should be read with Part I, Item 1A, Risk Factors, and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and our accompanying consolidated financial statements and the notes thereto appearing elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of results for any future period. We had no results of operations for the period from January 23, 2015 (Date of Inception) through December 31, 2015, and therefore, our results of operations for the years ended December 31, 2018, 2017 and 2016 are not comparable to the period from January 23, 2015 (Date of Inception) through December 31, 2015.

The following selected financial data is derived from our consolidated financial statements in Part IV, Item 15, Exhibits, Financial Statement Schedules that is a part of this Annual Report on Form 10-K.

	December 31,			
Selected Financial Data	**2018**	**2017**	**2016**	**2015**
BALANCE SHEET DATA:				
Total assets	$ 896,372,000	$ 480,153,000	$ 142,758,000	$ 202,000
Mortgage loans payable, net	$ 16,892,000	$ 11,567,000	$ 3,965,000	$ —
Line of credit and term loan	$ 275,000,000	$ 84,100,000	$ 33,900,000	$ —
Stockholders' equity	$ 557,672,000	$ 353,224,000	$ 92,255,000	$ 200,000

	Years Ended December 31,			Period from January 23, 2015 (Date of Inception) through
	2018	**2017**	**2016**	**December 31, 2015**
STATEMENT OF OPERATIONS DATA:				
Total revenues	$ 84,456,000	$ 33,333,000	$ 3,156,000	$ —
Net (loss) income	$ (8,586,000)	$ 508,000	$ (5,474,000)	$ —
Net (loss) income attributable to controlling interest	$ (8,354,000)	$ 541,000	$ (5,474,000)	$ —
Net (loss) income per Class T and Class I common share attributable to controlling interest — basic and diluted(1)	$ (0.15)	$ 0.02	$ (1.75)	$ —
STATEMENT OF CASH FLOWS DATA:				
Net cash provided by (used in) operating activities	$ 15,423,000	$ 12,404,000	$ (3,621,000)	$ —
Net cash used in investing activities	$ (411,554,000)	$ (330,688,000)	$ (133,322,000)	$ —
Net cash provided by financing activities	$ 403,618,000	$ 323,150,000	$ 138,978,000	$ 202,000
OTHER DATA:				
Distributions declared	$ 32,943,000	$ 16,672,000	$ 1,877,000	$ —
Distributions declared per Class T and Class I common share	$ 0.60	$ 0.60	$ 0.40	$ —
Funds from operations attributable to controlling interest(2)	$ 24,923,000	$ 14,134,000	$ (4,222,000)	$ —
Modified funds from operations attributable to controlling interest(2)	$ 24,623,000	$ 12,941,000	$ 287,000	$ —
Net operating income(3)	$ 42,934,000	$ 21,838,000	$ 2,258,000	$ —

(1) Net income (loss) per Class T and Class I common share is based upon the weighted average number of shares of our common stock outstanding. Distributions by us of our current and accumulated earnings and profits for federal income tax purposes are taxable to stockholders as ordinary income. Distributions in excess of these earnings and profits generally are treated as a non-taxable reduction of the stockholders' basis in the shares of our common stock to the extent

thereof (a return of capital for tax purposes) and, thereafter, as taxable gain. These distributions in excess of earnings and profits will have the effect of deferring taxation of the distributions until the sale of the stockholders' common stock.

(2) Funds from Operations and Modified Funds from Operations:

Due to certain unique operating characteristics of real estate companies, the National Association of Real Estate Investment Trusts, or NAREIT, an industry trade group, has promulgated a measure known as funds from operations, a non-GAAP measure, which we believe to be an appropriate supplemental performance measure to reflect the operating performance of a REIT. The use of funds from operations is recommended by the REIT industry as a supplemental performance measure, and our management uses FFO to evaluate our performance over time. FFO is not equivalent to our net income (loss) as determined under GAAP.

We define FFO, a non-GAAP measure, consistent with the standards established by the White Paper on funds from operations approved by the Board of Governors of NAREIT, as revised in February 2004, or the White Paper. The White Paper defines funds from operations as net income (loss) computed in accordance with GAAP, excluding gains or losses from sales of property and asset impairment writedowns, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations. Our FFO calculation complies with NAREIT's policy described above.

The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time, which is the case if such assets are not adequately maintained or repaired and renovated as required by relevant circumstances and/or as requested or required by lessees for operational purposes in order to maintain the value disclosed. We believe that, since real estate values historically rise and fall with market conditions, including inflation, interest rates, the business cycle, unemployment and consumer spending, presentations of operating results for a REIT using historical accounting for depreciation may be less informative. In addition, we believe it is appropriate to exclude impairment charges, as this is a fair value adjustment that is largely based on market fluctuations and assessments regarding general market conditions, which can change over time. Testing for an impairment of an asset is a continuous process and is analyzed on a quarterly basis. If certain impairment indications exist in an asset, and if the asset's carrying, or book value, exceeds the total estimated undiscounted future cash flows (including net rental and lease revenues, net proceeds on the sale of the property and any other ancillary cash flows at a property or group level under GAAP) from such asset, an impairment charge would be recognized. Investors should note, however, that determinations of whether impairment charges have been incurred are based partly on anticipated operating performance, because estimated undiscounted future cash flows from a property, including estimated future net rental and lease revenues, net proceeds on the sale of the property and certain other ancillary cash flows, are taken into account in determining whether an impairment charge has been incurred. While impairment charges are excluded from the calculation of FFO as described above, investors are cautioned that due to the fact that impairments are based on estimated future undiscounted cash flows and that we intend to have a relatively limited term of our operations, it could be difficult to recover any impairment charges through the eventual sale of the property.

Historical accounting for real estate involves the use of GAAP. Any other method of accounting for real estate such as the fair value method cannot be construed to be any more accurate or relevant than the comparable methodologies of real estate valuation found in GAAP. Nevertheless, we believe that the use of FFO, which excludes the impact of real estate-related depreciation and amortization and impairments, provides a further understanding of our performance to investors and to our management, and when compared year over year, reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses and interest costs, which may not be immediately apparent from net income (loss).

However, FFO and MFFO, as described below, should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income (loss) or in its applicability in evaluating our operating performance. The method utilized to evaluate the value and performance of real estate under GAAP should be construed as a more relevant measure of operational performance and considered more prominently than the non-GAAP FFO and MFFO measures and the adjustments to GAAP in calculating FFO and MFFO.

Changes in the accounting and reporting rules under GAAP that were put into effect and other changes to GAAP accounting for real estate subsequent to the establishment of NAREIT's definition of FFO have prompted an increase in cash-settled expenses, specifically acquisition fees and expenses, as items that are expensed as operating expenses under GAAP. We believe these fees and expenses do not affect our overall long-term operating performance. Publicly registered, non-listed REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operation. While other start up entities may also experience significant acquisition activity during their initial years, we believe that publicly registered, non-listed REITs are unique in that they have a limited life with targeted exit strategies within a relatively limited time frame after the acquisition activity ceases. We will use the proceeds raised in our offering to acquire properties, and we intend to begin the process of achieving a liquidity event (i.e., listing of our shares of common stock on a national securities exchange, a merger or sale, the sale of all or substantially all of our assets, or another similar transaction) within five years after the completion of our offering stage, which is generally comparable to other publicly registered, non-listed REITs. Thus, we do not intend to continuously purchase assets and intend to have a limited life. Due to the above factors and other unique features of publicly registered, non-listed REITs, the Institute of Portfolio Alternatives, or the IPA, an industry trade group, has standardized a measure known as modified funds from operations, which the IPA has recommended as a supplemental performance measure for publicly registered, non-listed REITs, and which we believe to be another appropriate supplemental performance measure to reflect the operating performance of a publicly registered, non-listed REIT having the characteristics described above. MFFO is not equivalent to our net income (loss) as determined under GAAP, and MFFO may not be a useful measure of the impact of long-term operating performance on value if we do not continue to operate with a limited life and targeted exit strategy, as currently intended. We believe that, because MFFO excludes expensed acquisition fees and expenses that affect our operations only in periods in which properties are acquired and that we consider more reflective of investing activities, as well as other non-operating items included in FFO, MFFO can provide, on a going forward basis, an indication of the sustainability (that is, the capacity to continue to be maintained) of our operating performance after the period in which we are acquiring our properties and once our portfolio is in place. By providing MFFO, we believe we are presenting useful information that assists investors and analysts to better assess the sustainability of our operating performance after our offering stage has been completed and our properties have been acquired. We also believe that MFFO is a recognized measure of sustainable operating performance by the publicly registered, non-listed REIT industry. Further, we believe MFFO is useful in comparing the sustainability of our operating performance after our offering stage and acquisitions are completed with the sustainability of the operating performance of other real estate companies that are not as involved in acquisition activities. Investors are cautioned that MFFO should only be used to assess the sustainability of our operating performance after our offering stage has been completed and properties have been acquired, as it excludes expensed acquisition fees and expenses that have a negative effect on our operating performance during the periods in which properties are acquired.

We define MFFO, a non-GAAP measure, consistent with the IPA’s Guideline 2010-01, Supplemental Performance Measure for Publicly Registered, Non-Listed REITs: Modified Funds from Operations, or the Practice Guideline, issued by the IPA in November 2010. The Practice Guideline defines modified funds from operations as funds from operations further adjusted for the following items included in the determination of GAAP net income (loss): acquisition fees and expenses; amounts relating to deferred rent and amortization of above- and below-market leases and liabilities (which are adjusted in order to reflect such payments from a GAAP accrual basis to closer to an expected to be received cash basis of disclosing the rent and lease payments); accretion of discounts and amortization of premiums on debt investments; mark-to-market adjustments included in net income (loss); gains or losses included in net income (loss) from the extinguishment or sale of debt, hedges, foreign exchange, derivatives or securities holdings where trading of such holdings is not a fundamental attribute of the business plan; unrealized gains or losses resulting from consolidation from, or deconsolidation to, equity accounting; and after adjustments for consolidated and unconsolidated partnerships and joint ventures, with such adjustments calculated to reflect modified funds from operations on the same basis. The accretion of discounts and amortization of premiums on debt investments, unrealized gains and losses on hedges, foreign exchange, derivatives or securities holdings, unrealized gains and losses resulting from consolidations, as well as other listed cash flow adjustments are adjustments made to net income (loss) in calculating cash flows from operations and, in some cases, reflect gains or losses which are unrealized and may not ultimately be realized. We are responsible for managing interest rate, hedge and foreign exchange risk, and we do not rely on another party to manage such risk. In as much as interest rate hedges will not be a fundamental part of our operations, we believe it is appropriate to exclude such gains and losses in calculating MFFO, as such gains and losses are based on market fluctuations and may not be directly related or attributable to our operations.

Our MFFO calculation complies with the IPA’s Practice Guideline described above. In calculating MFFO, we exclude acquisition related expenses, amortization of above- and below-market leases, change in deferred rent and the adjustments of such items related to our investment in an unconsolidated entity and redeemable noncontrolling interests. The other adjustments included in the IPA’s Practice Guideline are not applicable to us for the years ended December 31, 2018, 2017 and 2016 and for the period from January 23, 2015 (Date of Inception) through December 31, 2015. Acquisition fees and expenses are paid in cash by us, and we have not set aside or put into escrow any specific amount of proceeds from our offering to be used to fund acquisition fees and expenses. The purchase of real estate and real estate-related investments, and the corresponding expenses associated with that process, is a key operational feature of our business plan in order to generate operating revenues and cash flows to make distributions to our stockholders. However, we do not intend to fund acquisition fees and expenses in the future from operating revenues and cash flows, nor from the sale of properties and subsequent redeployment of capital and concurrent incurring of acquisition fees and expenses.

Acquisition fees and expenses include payments to our advisor or its affiliates and third parties. Such fees and expenses are not reimbursed by our advisor or its affiliates and third parties, and therefore if there is no further cash on hand from the proceeds from the sale of shares of our common stock to fund future acquisition fees and expenses, such fees and expenses will need to be paid from either additional debt, operational earnings or cash flows, net proceeds from the sale of properties or from ancillary cash flows. Certain acquisition related expenses under GAAP, such as expenses incurred in connection with property acquisitions accounted for as business combinations, are considered operating expenses and as expenses included in the determination of net income (loss), which is a performance measure under GAAP. All paid and accrued acquisition fees and expenses will have negative effects on returns to investors, the potential for future distributions and cash flows generated by us, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover the purchase price of the property, these fees and expenses and other costs related to such property. In the future, we may pay acquisition fees or reimburse acquisition expenses due to our advisor and its affiliates, or a portion thereof, with net proceeds from borrowed funds, operational earnings or cash flows, net proceeds from the sale of properties or ancillary cash flows. As a result, the amount of proceeds from borrowings available for investment and operations would be reduced, or we may incur additional interest expense as a result of borrowed funds. Nevertheless, our advisor or its affiliates will not accrue any claim on our assets if acquisition fees and expenses are not paid from the proceeds of our offering.

Further, under GAAP, certain contemplated non-cash fair value and other non-cash adjustments are considered operating non-cash adjustments to net income (loss) in determining cash flows from operations. In addition, we view fair value adjustments of derivatives and gains and losses from dispositions of assets as items which are unrealized and may not ultimately be realized or as items which are not reflective of on-going operations and are therefore typically adjusted for when assessing operating performance.

Our management uses MFFO and the adjustments used to calculate it in order to evaluate our performance against other publicly registered, non-listed REITs which intend to have limited lives with short and defined acquisition periods and targeted exit strategies shortly thereafter. As noted above, MFFO may not be a useful measure of the impact of long-term operating performance if we do not continue to operate in this manner. We believe that our use of MFFO and the adjustments used to calculate it allow us to present our performance in a manner that reflects certain characteristics that are unique to publicly registered, non-listed REITs, such as their limited life, limited and defined acquisition period and targeted exit strategy, and hence, that the use of such measures may be useful to investors. For example, acquisition fees and expenses are intended to be funded from the proceeds of our offering and other financing sources and not from operations. By excluding expensed acquisition fees and expenses, the use of MFFO provides information consistent with management’s analysis of the operating performance of the properties. Additionally, fair value adjustments, which are based on the impact of current market fluctuations and underlying assessments of general market conditions, but can also result from operational factors such as rental and occupancy rates, may not be directly related or attributable to our current operating performance. By excluding such charges that may reflect anticipated and unrealized gains or losses, we believe MFFO provides useful supplemental information.

Presentation of this information is intended to provide useful information to investors as they compare the operating performance of different REITs, although it should be noted that not all REITs calculate funds from operations and modified funds from operations the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO and MFFO are not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income (loss) as an indication of our performance, as an alternative to cash flows from operations, which is an indication of our liquidity, or indicative of funds available to fund our cash needs including our ability to make distributions to our stockholders. FFO and MFFO should be reviewed in conjunction with other measurements as an indication of our performance. MFFO has limitations as a performance measure in offerings such as ours where the price of a share of common stock is a stated value and there is no net asset value determination during the offering stage and for a period thereafter. MFFO may be useful in assisting management and investors in assessing the sustainability of operating performance in future operating periods, and in particular, after the offering and acquisition stages are complete and net asset value is disclosed. FFO and MFFO are not useful measures in evaluating net asset value because impairments are taken into account in determining net asset value but not in determining FFO and MFFO.

Neither the SEC, NAREIT nor any other regulatory body has passed judgment on the acceptability of the adjustments that we use to calculate FFO or MFFO. In the future, the SEC, NAREIT or another regulatory body may decide to standardize the allowable adjustments across the publicly registered, non-listed REIT industry and we would have to adjust our calculation and characterization of FFO or MFFO.

The following is a reconciliation of net (loss) income, which is the most directly comparable GAAP financial measure, to FFO and MFFO for the years ended December 31, 2018 , 2017 and 2016 and for the period from January 23, 2015 (Date of Inception) through December 31, 2015 :

	Years Ended December 31,			Period from January 23, 2015 (Date of Inception) through
	2018	2017	2016	December 31, 2015
Net (loss) income	$ (8,586,000)	$ 508,000	$ (5,474,000)	$ —
Add:				
Depreciation and amortization — consolidated properties	32,658,000	13,639,000	1,252,000	—
Depreciation and amortization — unconsolidated entity	891,000	—	—	—
Net loss attributable to redeemable noncontrolling interests	232,000	33,000	—	—
Less:				
Depreciation and amortization related to redeemable noncontrolling interests	(272,000)	(46,000)	—	—
FFO attributable to controlling interest	$ 24,923,000	$ 14,134,000	$ (4,222,000)	$ —
Acquisition related expenses(a)	$ 2,795,000	$ 655,000	$ 4,745,000	$ —
Amortization of above- and below-market leases(b)	(165,000)	(143,000)	(29,000)	—
Change in deferred rent(c)	(3,029,000)	(1,705,000)	(207,000)	—
Adjustments for unconsolidated entity(d)	99,000	—	—	—
Adjustments for redeemable noncontrolling interests(d)	—	—	—	—
MFFO attributable to controlling interest	$ 24,623,000	$ 12,941,000	$ 287,000	$ —
Weighted average Class T and Class I common shares outstanding — basic and diluted	54,847,197	27,754,701	3,131,466	20,833
Net (loss) income per Class T and Class I common share — basic and diluted	$ (0.16)	$ 0.02	$ (1.75)	$ —
FFO attributable to controlling interest per Class T and Class I common share — basic and diluted	$ 0.45	$ 0.51	$ (1.35)	$ —
MFFO attributable to controlling interest per Class T and Class I common share — basic and diluted	$ 0.45	$ 0.47	$ 0.09	$ —

(a) In evaluating investments in real estate, we differentiate the costs to acquire the investment from the operations derived from the investment. Such information would be comparable only for publicly registered, non-listed REITs that have completed their acquisition activity and have other similar operating characteristics. By excluding expensed acquisition related expenses, we believe MFFO provides useful supplemental information that is comparable for each type of real estate investment and is consistent with management's analysis of the investing and operating performance of our properties. Acquisition fees and expenses include payments to our advisor or its affiliates and third parties. Certain acquisition related expenses under GAAP, such as expenses incurred in connection with property acquisitions accounted for as business combinations, are considered operating expenses and as expenses included in the determination of net income (loss), which is a performance measure under GAAP. All paid and accrued acquisition fees and expenses will have negative effects on returns to investors, the potential for future distributions, and cash flows generated by us, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover the purchase price of the property, these fees and expenses and other costs related to such property.

(b) Under GAAP, above- and below-market leases are assumed to diminish predictably in value over time and amortized, similar to depreciation and amortization of other real estate-related assets that are excluded from FFO. However, because real estate values and market lease rates historically rise or fall with market conditions, including inflation, interest rates, the business cycle, unemployment and consumer spending, we believe that by excluding charges relating to the amortization of above- and below-market leases, MFFO may provide useful supplemental information on the performance of the real estate.

(c) Under GAAP, rental revenue or rental expense is recognized on a straight-line basis over the terms of the related lease (including rent holidays). This may result in income or expense recognition that is significantly different than the underlying contract terms. By adjusting for the change in deferred rent, MFFO may provide useful supplemental information on the realized economic impact of lease terms, providing insight on the expected contractual cash flows of such lease terms, and aligns results with our analysis of operating performance.

(d) Includes all adjustments to eliminate the unconsolidated entity's share or redeemable noncontrolling interests' share, as applicable, of the adjustments described in notes (a) – (c) above to convert our FFO to MFFO.

(3) Net Operating Income:

NOI is a non-GAAP financial measure that is defined as net income (loss), computed in accordance with GAAP, generated from properties before general and administrative expenses, acquisition related expenses, depreciation and amortization, interest expense, loss from unconsolidated entity, other income and income tax expense. Acquisition fees and expenses are paid in cash by us, and we have not set aside or put into escrow any specific amount of proceeds from our offering to be used to fund acquisition fees and expenses. The purchase of real estate and real estate-related investments, and the corresponding expenses associated with that process, is a key operational feature of our business plan in order to generate operating revenues and cash flows to make distributions to our stockholders. However, we do not intend to fund acquisition fees and expenses in the future from operating revenues and cash flows, nor from the sale of properties and subsequent redeployment of capital and concurrent incurring of acquisition fees and expenses. Acquisition fees and expenses include payments to our advisor or its affiliates and third parties. Such fees and expenses are not reimbursed by our advisor or its affiliates and third parties, and therefore, if there is no further cash on hand from the proceeds from the sale of shares of our common stock to fund future acquisition fees and expenses, such fees and expenses will need to be paid from either additional debt, operational earnings or cash flows, net proceeds from the sale of properties or from ancillary cash flows. As a result, the amount of proceeds available for investment, operations and non-operating expenses would be reduced, or we may incur additional interest expense as a result of borrowed funds. Nevertheless, our advisor or its affiliates will not accrue any claim on our assets if acquisition fees and expenses are not paid from the proceeds of our offering. Certain acquisition related expenses under GAAP, such as expenses incurred in connection with property acquisitions accounted for as business combinations, are considered operating expenses and as expenses included in the determination of net income (loss), which is a performance measure under GAAP. All paid and accrued acquisition fees and expenses have negative effects on returns to investors, the potential for future distributions and cash flows generated by us, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover the purchase price of the property, these fees and expenses and other costs related to such property.

NOI is not equivalent to our net income (loss) as determined under GAAP and may not be a useful measure in measuring operational income or cash flows. Furthermore, NOI is not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income (loss) as an indication of our performance, as an alternative to cash flows from operations as an indication of our liquidity, or indicative of funds available to fund our cash needs including our ability to make distributions to our stockholders. NOI should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income (loss) or in its applicability in evaluating our operating performance. Investors are also cautioned that NOI should only be used to assess our operational performance in periods in which we have not incurred or accrued any acquisition related expenses.

We believe that NOI is an appropriate supplemental performance measure to reflect the operating performance of our operating assets because NOI excludes certain items that are not associated with the management of the properties. We believe that NOI is a widely accepted measure of comparative operating performance in the real estate community. However, our use of the term NOI may not be comparable to that of other real estate companies as they may have different methodologies for computing this amount.

To facilitate understanding of this financial measure, the following is a reconciliation of net (loss) income, which is the most directly comparable GAAP financial measure, to net operating income for the years ended December 31, 2018 , 2017 and 2016 and for the period from January 23, 2015 (Date of Inception) through December 31, 2015 :

	Years Ended December 31,			Period from January 23, 2015 (Date of Inception) through
	2018	2017	2016	December 31, 2015
Net (loss) income	$ (8,586,000)	$ 508,000	$ (5,474,000)	$ —
General and administrative	9,172,000	4,338,000	1,221,000	—
Acquisition related expenses	2,795,000	655,000	4,745,000	—
Depreciation and amortization	32,658,000	13,639,000	1,252,000	—
Interest expense	6,788,000	2,699,000	514,000	—
Loss from unconsolidated entity	110,000	—	—	—
Other income	(11,000)	(1,000)	—	—
Income tax expense	8,000	—	—	—
Net operating income	$ 42,934,000	$ 21,838,000	$ 2,258,000	$ —

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

The use of the words "we," "us" or "our" refers to Griffin-American Healthcare REIT IV, Inc. and its subsidiaries, including Griffin-American Healthcare REIT IV Holdings, LP, except where the context otherwise requires.

The following discussion should be read in conjunction with our accompanying consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K. Such consolidated financial statements and information have been prepared to reflect our financial position as of December 31, 2018 and 2017, together with our results of operations and cash flows for the years ended December 31, 2018 , 2017 and 2016.

Forward-Looking Statements

Historical results and trends should not be taken as indicative of future operations. Our statements contained in this report that are not historical facts are forward-looking. Actual results may differ materially from those included in the forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations, are generally identifiable by use of the words "expect," "project," "may," "will," "should," "could," "would," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential" or the negative of such terms and other comparable terminology. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and future investments on a consolidated basis include, but are not limited to: changes in economic conditions generally and the real estate market specifically; legislative and regulatory changes, including changes to laws governing the taxation of real estate investment trusts, or REITs; the availability of capital; changes in interest rates; competition in the real estate industry; the supply and demand for operating properties in our proposed market areas; changes in accounting principles generally accepted in the United States of America, or GAAP, policies and guidelines applicable to REITs; the success of our best efforts initial public offering; the availability of properties to acquire; the availability of financing; and our ongoing relationship with American Healthcare Investors, LLC, or American Healthcare Investors, and Griffin Capital Company, LLC, or Griffin Capital, and their affiliates. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning us and our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Overview and Background

Griffin-American Healthcare REIT IV, Inc., a Maryland corporation, was incorporated on January 23, 2015 and therefore we consider that our date of inception. We were initially capitalized on February 6, 2015 . We invest in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities. We also operate healthcare-related facilities utilizing the structure permitted by the REIT Investment Diversification and Empowerment Act of 2007, which is commonly referred to as a "RIDEA" structure (the provisions of the Internal Revenue Code of 1986, as amended, or the Code, authorizing the RIDEA structure were enacted as part of the Housing and Economic Recovery Act of 2008). We may also originate and acquire secured loans and real estate-related investments on an infrequent and opportunistic basis. We generally seek investments that produce current income. We qualified to be taxed as a real estate investment trust, or REIT, under the Code for federal income tax purposes beginning with our taxable year ended December 31, 2016, and we intend to continue to qualify to be taxed as a REIT.

On February 16, 2016, we commenced our initial public offering, or our offering, in which we were initially offering to the public up to $3,150,000,000 in shares of our Class T common stock, consisting of up to $3,000,000,000 in shares of our Class T common stock at a price of $10.00 per share in our primary offering and up to $150,000,000 in shares of our Class T common stock for $9.50 per share pursuant to our distribution reinvestment plan, as amended, or the DRIP. Effective June 17, 2016, we reallocated certain of the unsold shares of Class T common stock being offered and began offering shares of Class I common stock, such that we were offering up to approximately $2,800,000,000 in shares of Class T common stock and $200,000,000 in shares of Class I common stock in our primary offering, and up to an aggregate of $150,000,000 in shares of our Class T and Class I common stock pursuant to the DRIP, aggregating up to $3,150,000,000 , or the maximum offering amount.

The shares of our Class T common stock in our primary offering were being offered at a price of $10.00 per share prior to April 11, 2018. The shares of our Class I common stock in our primary offering were being offered at a price of $9.30 per share prior to March 1, 2017 and $9.21 per share from March 1, 2017 to April 10, 2018. The shares of our Class T and Class I common stock issued pursuant to the DRIP were sold at a price of $9.50 per share prior to January 1, 2017 and $9.40 per share from January 1, 2017 to April 10, 2018. On April 6, 2018, our board of directors, at the recommendation of the audit committee of our board of directors, comprised solely of independent directors, unanimously approved and established an estimated per share net asset value, or NAV, of our common stock of $9.65 . As a result, on April 6, 2018, our board of directors unanimously approved revised offering prices for each class of shares of our common stock to be sold in the primary portion of our initial public offering based on the estimated per share NAV of our Class T and Class I common stock of $9.65 plus any applicable per share up-front selling commissions and dealer manager fees funded by us, effective April 11, 2018. Accordingly, the revised offering price for shares of our Class T common stock and Class I common stock sold pursuant to our primary offering on or after April 11, 2018 was $10.05 per share and $9.65 per share, respectively. Effective April 11, 2018, the shares of our Class T and Class I common stock issued pursuant to the DRIP were sold at a price of $9.65 per share, the most recent estimated per share NAV approved and established by our board of directors.

As of December 31, 2018, we had received and accepted subscriptions in our offering for 66,755,516 aggregate shares of our Class T and Class I common stock, or approximately $665,403,000, and a total of $27,097,000 in distributions were reinvested that resulted in 2,846,786 shares of our common stock being issued pursuant to the DRIP. On February 15, 2019, we terminated our offering. As of February 15, 2019, we had received and accepted subscriptions in our offering for 75,625,285 aggregate shares of our Class T and Class I common stock, or approximately $753,975,000 , and a total of $31,021,000 in distributions were reinvested that resulted in 3,253,543 shares of our common stock being issued pursuant to the DRIP.

On January 18, 2019, we filed a Registration Statement on Form S-3 under the Securities Act of 1933, or the Securities Act, to register a maximum of $100,000,000 of additional shares of our common stock to be issued pursuant to the DRIP, or the 2019 DRIP Offering. The shares of our Class T and Class I common stock issued pursuant to the 2019 DRIP Offering are sold at a price of $9.65 per share, the most recent estimated per share NAV approved and established by our board of directors. The Registration Statement on Form S-3 was automatically effective with the SEC upon its filing; we commenced offering shares pursuant to the 2019 DRIP Offering on March 1, 2019. See Note 21, Subsequent Events — 2019 DRIP Offering, to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K, for a further discussion.

We conduct substantially all of our operations through Griffin-American Healthcare REIT IV Holdings, LP, or our operating partnership. We are externally advised by Griffin-American Healthcare REIT IV Advisor, LLC, or our advisor, pursuant to an advisory agreement, or the Advisory Agreement, between us and our advisor. The Advisory Agreement was effective as of February 16, 2016 and had a one -year term, subject to successive one -year renewals upon the mutual consent of the parties. The Advisory Agreement was last renewed pursuant to the mutual consent of the parties on February 12, 2019 and expires on February 16, 2020. Our advisor uses its best efforts, subject to the oversight and review of our board of directors, to, among other things, research, identify, review and make investments in and dispositions of properties and securities on our behalf consistent with our investment policies and objectives. Our advisor performs its duties and responsibilities under the Advisory Agreement as our fiduciary. Our advisor is 75.0% owned and managed by American Healthcare Investors, LLC, or American Healthcare Investors, and 25.0% owned by a wholly owned subsidiary of Griffin Capital Company, LLC, or Griffin Capital, or collectively, our co-sponsors. American Healthcare Investors is 47.1% owned by AHI Group Holdings, LLC, or AHI Group Holdings, 45.1% indirectly owned by Colony Capital, Inc. (NYSE: CLNY), or Colony Capital, and 7.8% owned by James F. Flaherty III, a former partner of Colony Capital. We are not affiliated with Griffin Capital, Griffin Capital Securities, LLC, or our dealer manager, Colony Capital or Mr. Flaherty; however, we are affiliated with Griffin-American Healthcare REIT IV Advisor, LLC, American Healthcare Investors and AHI Group Holdings.

We currently operate through four reportable business segments — medical office buildings, senior housing, senior housing — RIDEA and skilled nursing facilities. As of December 31, 2018 , we had completed 33 property acquisitions whereby we owned 66 properties, comprising 69 buildings, or approximately 3,835,000 square feet of gross leasable area, or GLA, for an aggregate contract purchase price of $821,689,000 , as well as an interest in a joint venture which owns and operates a portfolio of integrated senior health campuses and ancillary businesses.

Critical Accounting Policies

We believe that our critical accounting policies are those that require significant judgments and estimates such as those related to revenue recognition, tenant receivables and allowance for uncollectible accounts, accounting for property acquisitions, capitalization of expenditures and depreciation of assets, impairment of long-lived and intangible assets, properties held for sale and qualification as a REIT. These estimates are made and evaluated on an on-going basis using information that is available as well as various other assumptions believed to be reasonable under the circumstances. However, if our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, we may have applied a different accounting treatment, resulting in a different presentation of our financial statements. We believe that our critical accounting policies affect our more significant estimates and judgments used in the preparation of our financial statements. A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2018, in Note 2, Summary of Significant Accounting Policies . There have been no significant changes to our critical accounting policies during 2018 other than those resulting from new accounting standards.

Recently Issued or Adopted Accounting Pronouncements

For a discussion of recently issued or adopted accounting pronouncements, see Note 2, Summary of Significant Accounting Policies — Recently Issued or Adopted Accounting Pronouncements, to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

Acquisitions in 2019, 2018, 2017 and 2016

For a discussion of property acquisitions in 2019, 2018, 2017 and 2016, see Note 3, Real Estate Investments, Net and Note 21, Subsequent Events — Property Acquisition, to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

Factors Which May Influence Results of Operations

We are not aware of any material trends or uncertainties, other than national economic conditions affecting real estate generally, that may reasonably be expected to have a material impact, favorable or unfavorable, on revenues or income from the acquisition, management and operation of properties other than those listed in Part I, Item 1A, Risk Factors, of this Annual Report on Form 10-K.

Real Estate Revenue

The amount of revenue generated by our properties depends principally on our ability to maintain the occupancy rates of currently leased space and to lease available space at the then existing market rates. Negative trends in one or more of these factors could adversely affect our revenue in the future.

Scheduled Lease Expirations

Excluding our senior housing — RIDEA facilities, as of December 31, 2018 , our properties were 96.4% leased and during 2019, 1.7 % of the leased GLA is scheduled to expire. Our senior housing— RIDEA facilities were 77.7% leased for the twelve months ended December 31, 2018 and substantially all of our leases with residents at such properties are for a term of one year or less. Our leasing strategy focuses on negotiating renewals for leases scheduled to expire during the next 12 months. In the future, if we are unable to negotiate renewals, we will try to identify new tenants or collaborate with existing tenants who are seeking additional space to occupy.

As of December 31, 2018 , our remaining weighted average lease term was 9.8 years, excluding our senior housing —RIDEA facilities.

Discussion of Operating Results

Comparison of the Years Ended December 31, 2018, 2017 and 2016

Our operating results are primarily comprised of income derived from our portfolio of properties and expenses in connection with the acquisition and operation of such properties. In general, we expect amounts related to our portfolio of operating properties to increase in the future based on a full year of operations of newly acquired properties as well as any additional real estate and real estate-related investments we may acquire.

We segregate our operations into reporting segments in order to assess the performance of our business in the same way that management reviews our performance and makes operating decisions. Accordingly, when we acquired our first medical office building in June 2016; senior housing facility in December 2016; senior housing — RIDEA facility in November 2017; and skilled nursing facility in March 2018, we added a new reporting segment at each such time. As of December 31, 2018, we operated through four reportable business segments, with activities related to investing in medical office buildings, senior housing, senior housing — RIDEA and skilled nursing facilities.

Comparison of the Years Ended December 31, 2018, 2017 and 2016

Changes in our operating results are primarily due to owning 69 buildings as of December 31, 2018, as compared to 40 buildings as of December 31, 2017 and as compared to 12 buildings as of December 31, 2016. As of December 31, 2018, 2017 and 2016, we owned the following types of properties:

	December 31,								
	2018			2017			2016		
	Number of Buildings	Aggregate Contract Purchase Price	Leased %	Number of Buildings	Aggregate Contract Purchase Price	Leased %	Number of Buildings	Aggregate Contract Purchase Price	Leased %
Medical office buildings	29	$ 423,439,000	93.5%	18	$ 262,290,000	93.3%	10	$ 122,070,000	90.1%
Senior housing	18	150,350,000	100%	12	94,350,000	100%	2	16,750,000	100%
Senior housing — RIDEA	12	137,100,000	(1)	10	109,500,000	(1)	—	—	—%
Skilled nursing facilities	10	110,800,000	100%	—	—	—%	—	—	—%
Total/weighted average(2)	69	$ 821,689,000	96.4%	40	$ 466,140,000	95.2%	12	$ 138,820,000	91.3%

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(1) For the years ended December 31, 2018 and 2017, the leased percentage for the resident units of our senior housing RIDEA facilities was 77.7% and 76.0%, respectively, based on daily average occupancy of licensed beds/units. We did not own and operate any senior housing facilities utilizing a RIDEA structure for the year ended December 31, 2016.

(2) Leased percentage excludes our senior housing — RIDEA facilities.

Revenues

Our primary sources of revenue include rent and resident fees and services from our properties. Revenue by reportable segment consisted of the following for the periods then ended:

	Years Ended December 31,		
	2018	2017	2016
Real Estate Revenue			
Medical office buildings	$ 34,339,000	$ 22,320,000	$ 3,029,000
Senior housing	8,994,000	5,450,000	127,000
Skilled nursing facilities	4,266,000	—	—
Total real estate revenue	47,599,000	27,770,000	3,156,000
Resident Fees and Services			
Senior housing — RIDEA	36,857,000	5,563,000	—
Total resident fees and services	36,857,000	5,563,000	—
Total revenues	$ 84,456,000	$ 33,333,000	$ 3,156,000

For the years ended December 31, 2018, 2017 and 2016, real estate revenue was $47,599,000 , $27,770,000 and $3,156,000 respectively, and primarily comprised of base rent of $35,340,000, $20,705,000 and $2,356,000, respectively, and expense recoveries of $8,933,000, $5,162,000 and $563,000, respectively. The increase in real estate revenue for the year ended December 31, 2018, compared to the year ended December 31, 2017, was primarily due to the acquisition of 11 medical office buildings and 10 skilled nursing facilities subsequent to December 31, 2017. The increase in real estate revenue for the year ended December 31, 2017, compared to the year ended December 31, 2016, was primarily due to the acquisition of eight medical office buildings subsequent to December 31, 2016. For the years ended December 31, 2018 and 2017, resident fees and services consisted of rental fees related to resident leases and extended health care fees. We did not own or operate any senior housing — RIDEA facilities prior to November 2017.

Rental Expenses and Property Operating Expenses

Rental expenses and rental expenses as a percentage of real estate revenue, as well as property operating expenses and property operating expenses as a percentage of resident fees and services, by reportable segment, consisted of the following for the periods then ended:

	Years Ended December 31,					
	2018		2017		2016	
Rental Expenses						
Medical office buildings	$ 9,934,000	28.9%	$ 6,694,000	30.0%	$ 887,000	29.3%
Senior housing	1,214,000	13.5%	598,000	11.0%	11,000	8.7%
Skilled nursing facilities	351,000	8.2%	—	—%	—	—%
Total rental expenses	$ 11,499,000	24.2%	$ 7,292,000	26.3%	$ 898,000	28.5%
Property Operating Expenses						
Senior housing — RIDEA	$ 30,023,000	81.5%	$ 4,203,000	75.6%	$ —	—%
Total property operating expenses	$ 30,023,000	81.5%	$ 4,203,000	75.6%	$ —	—%

The increase in rental expenses for the years ended December 31, 2018 and 2017, compared to the corresponding prior year periods, is commensurate with the increase in real estate revenue and growth of our portfolio of properties, as further indicated by the consistency in rental expenses as a percentage of real estate revenue over the periods shown in the table above.

Senior housing — RIDEA facilities typically have a higher percentage of direct operating expenses to revenue than medical office buildings, senior housing facilities and skilled nursing facilities due to the nature of RIDEA facilities where we conduct day-to-day operations.

General and Administrative

General and administrative consisted of the following for the periods then ended:

	Years Ended December 31,		
	2018	2017	2016
Asset management fees — affiliates	$ 4,975,000	$ 2,344,000	$ 151,000
Professional and legal fees	1,436,000	878,000	410,000
Bad debt expense	1,274,000	83,000	—
Transfer agent services	362,000	213,000	65,000
Board of directors fees	253,000	216,000	198,000
Bank charges	240,000	39,000	—
Directors’ and officers’ liability insurance	212,000	213,000	206,000
Restricted stock compensation	185,000	131,000	80,000
Franchise taxes	100,000	146,000	33,000
Other	135,000	75,000	78,000
Total	$ 9,172,000	$ 4,338,000	$ 1,221,000

The increase in general and administrative expenses in 2018 as compared to 2017 was primarily due to the purchase of additional properties in 2017 and 2018 and thus incurring higher asset management fees to our advisor or its affiliates and higher professional and legal fees. In addition, we incurred higher transfer agent service fees for 2018 as compared to the corresponding prior year periods, due to an increase in the number of investors in connection with the increased equity raise pursuant to our offering throughout 2016, 2017 and 2018. We expect general and administrative expenses to continue to increase as we acquire additional properties.

Acquisition Related Expenses

For the year ended December 31, 2018, acquisition related expenses were $2,795,000 , which were related primarily to the acquisition fee paid upon the purchase of 6.0% of the total membership interests in Trilogy REIT Holdings, LLC on October 1, 2018, as well as expenses incurred in pursuit of properties that did not result in an acquisition. For the year ended December 31, 2018, we completed $355,549,000 in property acquisitions accounted for as asset acquisitions; however, the direct acquisition related expenses of $12,989,000 associated with such property acquisitions were capitalized in accordance with Accounting Standards Update, or ASU, 2017-01, *Clarifying the Definition of a Business* , or ASU 2017-01. See Note 2, Summary of Significant Accounting Policies, for a further discussion of our adoption of ASU 2017-01 on January 1, 2017.

For the year ended December 31, 2017, acquisition related expenses were $655,000, which were related primarily to expenses incurred in pursuit of properties that did not result in an acquisition. For the year ended December 31, 2017, we completed $327,320,000 in property acquisitions accounted for as asset acquisitions; however, the direct acquisition related expenses of $10,984,000 associated with such property acquisitions were capitalized in accordance with ASU 2017-01. See Note 2, Summary of Significant Accounting Policies , for a further discussion of our adoption of ASU 2017-01 on January 1, 2017.

For the year ended December 31, 2016, acquisition related expenses were $4,745,000, which were related primarily to expenses associated with our completion of $138,820,000 in property acquisitions accounted for as business combinations in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 805, *Business Combinations* , or ASC Topic 805, including base acquisition fees of $3,124,000 incurred to our advisor. See Note 2, Summary of Significant Accounting Policies , for a further discussion of ASC Topic 805.

Depreciation and Amortization

For the years ended December 31, 2018, 2017 and 2016, depreciation and amortization was $32,658,000 , $13,639,000 and $1,252,000 , respectively, and consisted primarily of depreciation on our operating properties of $16,723,000 , $8,137,000 and $822,000 , respectively, and amortization on our identified intangible assets of $15,874,000, $5,493,000 and $430,000, respectively.

Interest Expense

Interest expense consisted of the following for the periods then ended:

	Years Ended December 31,		
	2018	**2017**	**2016**
Interest expense:			
Line of credit and term loan	$ 4,984,000	$ 1,819,000	$ 343,000
Mortgage loans payable	715,000	413,000	53,000
Amortization of deferred financing costs:			
Line of credit and term loan	1,000,000	442,000	119,000
Mortgage loans payable	76,000	38,000	2,000
Amortization of debt discount/premium	13,000	(13,000)	(3,000)
Total	$ 6,788,000	$ 2,699,000	$ 514,000

Liquidity and Capital Resources

Our sources of funds will primarily be the cash on hand from the net proceeds of our offering, which we terminated on February 15, 2019, operating cash flows and borrowings. Our total capacity to pay operating expenses, interest and distributions and acquire real estate and real estate-related investments is a function of our current cash position, our borrowing capacity on our line of credit, as well as any future indebtedness that we may incur. As of December 31, 2018, our cash on hand was $14,388,000 and we had $125,000,000 available on our line of credit and term loan. We believe that these resources will be sufficient to satisfy our cash requirements for the foreseeable future, and we do not anticipate a need to raise funds from other sources within the next 12 months.

Our principal demands for funds will be for acquisitions of real estate and real estate-related investments, payment of operating expenses, expenditures for capital improvements and interest on our current and future indebtedness and payment of cash distributions to our stockholders. We estimate that we will require approximately $12,627,000 to pay interest on our outstanding indebtedness in 2019, based on interest rates in effect as of December 31, 2018 , and that we will require $518,000 to pay principal on our outstanding indebtedness in 2019.

Generally, cash needs for items other than acquisitions of real estate and real estate-related investments will be met from operations, borrowings and the net proceeds of our offering, including the proceeds raised through the DRIP. However, there may be a delay between the sale of our shares of common stock and our investments in real estate and real estate-related investments, which could result in a delay in the benefits to our stockholders, if any, of returns generated from our investments.

Our advisor evaluates potential investments and engages in negotiations with real estate sellers, developers, brokers, investment managers, lenders and others on our behalf. Investors should be aware that after a purchase contract for a property is executed that contains specific terms, the property will not be purchased until the successful completion of due diligence, which includes review of the title insurance commitment, market evaluation, review of leases, review of financing options and an environmental analysis. In some instances, the proposed acquisition will require the negotiation of final binding agreements, which may include financing documents. Until we invest the proceeds of our offering in real estate and real estate-related investments, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments will not earn significant returns, and we cannot predict how long it will take to fully invest the proceeds in real estate and real estate related-investments. The number of properties we may acquire and other investments we will make will depend upon the number of shares of our common stock sold and the resulting amount of the net proceeds available for investment from our offering as well as our ability to arrange debt financing.

When we acquire a property, our advisor prepares a capital plan that contemplates the estimated capital needs of that investment. In addition to operating expenses, capital needs may also include costs of refurbishment, tenant improvements or other major capital expenditures. The capital plan will also set forth the anticipated sources of the necessary capital, which may include a line of credit or other loan established with respect to the investment, other borrowings, operating cash generated by the investment, additional equity investments from us or joint venture partners or, when necessary, capital reserves. Any capital reserve would be established from the net proceeds of our offering, proceeds from sales of other investments, operating cash generated by other investments or other cash on hand. In some cases, a lender may require us to establish capital reserves for a particular investment. The capital plan for each investment will be adjusted through ongoing, regular reviews of our portfolio or as necessary to respond to unanticipated additional capital needs.

Based on the properties we own as of December 31, 2018 , we estimate that our expenditures for capital and tenant improvements will require up to $8,855,000 within the next 12 months. As of December 31, 2018 , we had $202,000 of restricted cash in reserve accounts for such capital expenditures. We cannot provide assurance, however, that we will not exceed these estimated expenditure and distribution levels or be able to obtain additional sources of financing on commercially favorable terms or at all.

Other Liquidity Needs

In the event that there is a shortfall in net cash available due to various factors, including, without limitation, the timing of distributions or the timing of the collection of receivables, we may seek to obtain capital to pay distributions by means of secured or unsecured debt financing through one or more third parties, or our advisor or its affiliates. There are currently no limits or restrictions on the use of proceeds from our advisor or its affiliates which would prohibit us from making the proceeds available for distribution. We may also pay distributions from cash from capital transactions, including, without limitation, the sale of one or more of our properties.

If we experience lower occupancy levels, reduced rental rates, reduced revenues as a result of asset sales, or increased capital expenditures and leasing costs compared to historical levels due to competitive market conditions for new and renewed leases, the effect would be a reduction of net cash provided by operating activities. If such a reduction of net cash provided by operating activities is realized, we may have a cash flow deficit in subsequent periods. Our estimate of net cash available is based on various assumptions which are difficult to predict, including the levels of leasing activity and related leasing costs. Any changes in these assumptions could impact our financial results and our ability to fund working capital and unanticipated cash needs.

Cash Flows

The following table sets forth changes in cash flows:

	Years Ended December 31,		
	2018	2017	2016
Cash, cash equivalents and restricted cash — beginning of period	$ 7,103,000	$ 2,237,000	$ 202,000
Net cash provided by (used in) operating activities	15,423,000	12,404,000	(3,621,000)
Net cash used in investing activities	(411,554,000)	(330,688,000)	(133,322,000)
Net cash provided by financing activities	403,618,000	323,150,000	138,978,000
Cash, cash equivalents and restricted cash — end of period	$ 14,590,000	$ 7,103,000	$ 2,237,000

The following summary discussion of our changes in our cash flows is based on our consolidated statements of cash flows appearing elsewhere in this Annual Report on Form 10-K and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

Operating Activities

For the years ended December 31, 2018, 2017 and 2016, cash flows provided by (used in) operating activities primarily related to the cash flows provided by our property operations, offset by payments of general and administrative expenses. See “Results of Operations” above for a further discussion. We anticipate cash flows from operating activities to increase as we purchase additional real estate investments.

Investing Activities

For the year ended December 31, 2018, cash flows used in investing activities related primarily to the acquisition of 15 properties in the amount of $355,070,000 , our investment in an unconsolidated entity for $48,000,000 and the payment of $4,257,000 for capital expenditures. For the year ended December 31, 2017, cash flows used in investing activities related primarily to the acquisition of nine properties in the amount of $328,933,000 and the payment of $1,121,000 for capital expenditures. For the year ended December 31, 2016, cash flows used in investing activities related primarily to the acquisition of nine properties in the amount of $133,099,000 and the payment of $200,000 for real estate deposits. Cash flows used in investing activities are heavily dependent upon the investment of our net offering proceeds in real estate investments. We anticipate cash flows used in investing activities to increase as we acquire additional properties and real estate-related investments.

Financing Activities

For the year ended December 31, 2018, cash flows provided by financing activities related primarily to funds raised from investors in our offering in the amount of $ 254,017,000 and net borrowings on our line of credit and term loan of $190,900,000, partially offset by the payment of offering costs of $ 19,817,000 in connection with our offering, distributions to our common stockholders of $ 13,989,000 , the payment of deferred financing costs of $4,092,000 in connection with our line of credit and term loan and mortgage loans payable and $3,312,000 in repurchases of common stock. For the year ended December 31, 2017, cash flows provided by financing activities related primarily to funds raised from investors in our offering in the amount of $298,639,000 and net borrowings on our line of credit of $50,200,000, partially offset by the payment of offering costs of $18,072,000 in connection with our offering, distributions to our common stockholders of $6,398,000 and the payment of deferred financing costs of $1,115,000 in connection with our line of credit and term loan and mortgage loans payable. For the year ended December 31, 2016, cash flows provided by financing activities related primarily to funds raised from investors in our offering in the amount of $111,024,000 and net borrowings on our line of credit of $33,900,000, partially offset by the payment of offering costs of $4,191,000 in connection with our offering, the payment of deferred financing costs of $1,146,000 in connection with our line of credit and mortgage loans payable and distributions to our common stockholders of $549,000. Overall, we anticipate cash flows from financing activities to decrease in the future since we terminated our offering on February 15, 2019. However, we anticipate our indebtedness to increase as we acquire additional properties and real estate-related investments.

Distributions

The income tax treatment for distributions reportable for the years ended December 31, 2018 , 2017 and 2016 was as follows:

	Years Ended December 31,								
	2018			2017			2016		
Ordinary income	$	11,909,000	37.7%	$	6,021,000	39.9%	$	—	—%
Capital gain		—	—		—	—		—	—
Return of capital		19,673,000	62.3		9,055,000	60.1		1,345,000	100
	$	31,582,000	100%	$	15,076,000	100%	$	1,345,000	100%

Amounts listed above do not include distributions paid on nonvested shares of our restricted common stock, which have been separately reported.

See Item 5, Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Distributions, for a further discussion of our distributions.

Financing

We intend to continue to finance a portion of the purchase price of our investments in real estate and real estate-related investments by borrowing funds. We anticipate that our overall leverage will not exceed 50.0% of the combined market value of all of our properties and other real estate-related investments, as determined at the end of each calendar year. For these purposes, the fair market value of each asset will be equal to the purchase price paid for the asset or, if the asset was appraised subsequent to the date of purchase, then the fair market value will be equal to the value reported in the most recent independent appraisal of the asset. Our policies do not limit the amount we may borrow with respect to any individual investment. As of December 31, 2018 , our aggregate borrowings were 31.7% of the combined market value of all of our real estate investments.

Under our charter, we have a limitation on borrowing that precludes us from borrowing in excess of 300% of our net assets without the approval of a majority of our independent directors. Net assets for purposes of this calculation are defined to be our total assets (other than intangibles), valued at cost prior to deducting depreciation, amortization, bad debt and other non-cash reserves, less total liabilities. Generally, the preceding calculation is expected to approximate 75.0% of the aggregate cost of our real estate and real estate-related investments before depreciation, amortization, bad debt and other similar non-cash reserves. In addition, we may incur mortgage debt and pledge some or all of our real properties as security for that debt to obtain funds to acquire additional real estate or for working capital. We may also borrow funds to satisfy the REIT tax qualification requirement that we distribute at least 90.0% of our annual taxable income, excluding net capital gains, to our stockholders. Furthermore, we may borrow if we otherwise deem it necessary or advisable to ensure that we qualify and maintain our qualification as a REIT for federal income tax purposes. As of March 18, 2019 and December 31, 2018 , our leverage did not exceed 300% of the value of our net assets.

Mortgage Loans Payable, Net

For a discussion of our mortgage loans payable, net, see Note 6, Mortgage Loans Payable, Net , to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

Line of Credit and Term Loan

For a discussion of our line of credit and term loan, see Note 7, Line of Credit and Term Loan , to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

REIT Requirements

In order to maintain our qualification as a REIT for federal income tax purposes, we are required to make distributions to our stockholders of at least 90.0% of our annual taxable income, excluding net capital gains. In the event that there is a shortfall in net cash available due to factors including, without limitation, the timing of such distributions or the timing of the collection of receivables, we may seek to obtain capital to pay distributions by means of secured debt financing through one or more unaffiliated parties. We may also pay distributions from cash from capital transactions including, without limitation, the sale of one or more of our properties or from the proceeds of our offering.

Commitments and Contingencies

For a discussion of our commitments and contingencies, see Note 9, Commitments and Contingencies , to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

Debt Service Requirements

Typically, a significant liquidity need is the payment of principal and interest on our outstanding indebtedness. As of December 31, 2018 , we had $17,256,000 ($16,892,000 , including discount/premium and deferred financing costs, net) of fixed-rate mortgage loans payable outstanding secured by our properties. As of December 31, 2018 , we had $275,000,000 outstanding, and $125,000,000 remained available under our line of credit and term loan. See Note 6, Mortgage Loans Payable, Net , and Note 7, Line of Credit and Term Loan , to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K, for a further discussion.

We are required by the terms of certain loan documents to meet certain covenants, such as leverage ratios, net worth ratios, debt service coverage ratios, fixed charge coverage ratios and reporting requirements. As of December 31, 2018 , we were in compliance with all such covenants and requirements on our mortgage loans payable and our line of credit and term loan. As of December 31, 2018 , the weighted average effective interest rate on our outstanding debt was 4.27% per annum.

Contractual Obligations

The following table provides information with respect to: (i) the maturity and scheduled principal repayment of our secured mortgage loans payable and our line of credit and term loan; (ii) interest payments on our mortgage loans payable and our line of credit and term loan; and (iii) ground and other lease obligations as of December 31, 2018 :

	Payments Due by Period				
	2019	**2020-2021**	**2022-2023**	**Thereafter**	**Total**
Principal payments — fixed-rate debt	$ 518,000	$ 8,585,000	$ 933,000	$ 7,220,000	$ 17,256,000
Interest payments — fixed-rate debt	775,000	861,000	649,000	497,000	2,782,000
Principal payments — variable-rate debt	—	275,000,000	—	—	275,000,000
Interest payments — variable-rate debt (based on rates in effect as of December 31, 2018)	11,852,000	22,762,000	—	—	34,614,000
Ground and other lease obligations	307,000	614,000	614,000	11,978,000	13,513,000
Total	$ 13,452,000	$ 307,822,000	$ 2,196,000	$ 19,695,000	$ 343,165,000

Off-Balance Sheet Arrangements

As of December 31, 2018 , we had no off-balance sheet transactions, nor do we currently have any such arrangements or obligations.

Inflation

During the year ended December 31, 2018, inflation has not significantly affected our operations because of the moderate inflation rate; however, we expect to be exposed to inflation risk as income from future long-term leases will be the primary source of our cash flows from operations. There are provisions in the majority of our tenant leases that will protect us from the impact of inflation. These provisions include negotiated rental increases, reimbursement billings for operating expense pass-through charges, and real estate tax and insurance reimbursements on a per square foot allowance. However, due to the long-term nature of the anticipated leases, among other factors, the leases may not re-set frequently enough to cover inflation.

Related Party Transactions

For a discussion of related party transactions, see Note 12, Related Party Transactions , to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

Subsequent Events

For a discussion of subsequent events, see Note 21, Subsequent Events , to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business plan, we expect that the primary market risk to which we will be exposed is interest rate risk. There were no material changes in our market risk exposures between the years ended December 31, 2018, 2017 and 2016.

Interest Rate Risk

We are exposed to the effects of interest rate changes primarily as a result of long-term debt used to acquire properties and make loans and other permitted investments. Our interest rate risk is monitored using a variety of techniques. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings, prepayment penalties and cash flows and to lower overall borrowing costs while taking into account variable interest rate risk. To achieve our objectives, we may borrow or lend at fixed or variable rates. We have entered into and may continue to enter into derivative financial instruments such as interest rate swaps and caps in order to mitigate our interest rate risk on a related financial instrument. We will not enter into derivatives or interest rate transactions for speculative purposes.

As of December 31, 2018, the table below presents the principal amounts and weighted average interest rates by year of expected maturity to evaluate the expected cash flows and sensitivity to interest rate changes.

	Expected Maturity Date							
	2019	2020	2021	2022	2023	Thereafter	Total	Fair Value
Fixed-rate debt — principal payments	$ 518,000	$ 8,151,000	$ 434,000	$ 455,000	$ 478,000	$ 7,220,000	$ 17,256,000	$ 16,920,000
Weighted average interest rate on maturing fixed-rate debt	4.81%	4.77%	4.83%	4.84%	4.84%	4.13%	4.51%	—
Variable-rate debt — principal payments	$ —	$ —	$ 275,000,000	$ —	$ —	$ —	$ 275,000,000	$ 275,124,000
Weighted average interest rate on maturing variable-rate debt (based on rates in effect as of December 31, 2018)	—%	—%	4.25%	—%	—%	—%	4.25%	—

Mortgage Loans Payable, Net and Line of Credit and Term Loan

Mortgage loans payable was $17,256,000 ($16,892,000 , including discount/premium and deferred financing costs, net) as of December 31, 2018. As of December 31, 2018, we had three fixed-rate mortgage loans payable with interest rates ranging from 3.75% to 5.25% per annum. In addition, as of December 31, 2018, we had $275,000,000 outstanding under our line of credit and term loan at a weighted-average interest rate of 4.25% per annum.

As of December 31, 2018, the weighted average effective interest rate on our outstanding debt was 4.27% per annum. An increase in the variable interest rate on our variable-rate line of credit and term loan constitutes a market risk. As of December 31, 2018, a 0.50% increase in the market rates of interest would have increased our overall annualized interest expense on our variable-rate line of credit and term loan by $1,394,000, or 24.5% of total annualized interest expense on our mortgage loans payable and our line of credit and term loan. See Note 6, Mortgage Loans Payable, Net , and Note 7, Line of Credit and Term Loan , to the Consolidated Financial Statements that are a part of this Annual Report on Form 10-K.

Other Market Risk

In addition to changes in interest rates, the value of our future investments is subject to fluctuations based on changes in local and regional economic conditions and changes in the creditworthiness of tenants, which may affect our ability to refinance our debt if necessary.

Item 8. Financial Statements and Supplementary Data.

See the index at Part IV, Item 15, Exhibits, Financial Statement Schedules.

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

None.

Item 9A. Controls and Procedures.

(a) *Evaluation of disclosure controls and procedures.* We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms, and that such information is accumulated and communicated to us, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and we necessarily were required to apply our judgment in evaluating whether the benefits of the controls and procedures that we adopt outweigh their costs.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, an evaluation as of December 31, 2018 was conducted under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures, as of December 31, 2018 , were effective at the reasonable assurance level.

(b) *Management's Annual Report on Internal Control over Financial Reporting.* Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision, and with the participation, of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation under the Internal Control-Integrated Framework issued in 2013, our management concluded that our internal control over financial reporting was effective as of December 31, 2018 .

(c) *Changes in internal control over financial reporting.* There were no changes in internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated by reference to our definitive proxy statement to be filed with respect to our 2019 annual meeting of stockholders.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to our definitive proxy statement to be filed with respect to our 2019 annual meeting of stockholders.

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

The information required by this item is incorporated by reference to our definitive proxy statement to be filed with respect to our 2019 annual meeting of stockholders.

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

The information required by this item is incorporated by reference to our definitive proxy statement to be filed with respect to our 2019 annual meeting of stockholders.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated by reference to our definitive proxy statement to be filed with respect to our 2019 annual meeting of stockholders.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) *Financial Statements:*

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

(a)(2) *Financial Statement Schedule:*

The following financial statement schedule for the year ended December 31, 2018 is submitted herewith:

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

(a)(3) *Exhibits:*

(b) *Exhibits:*

See Item 15(a)(3) above.

(c) *Financial Statement Schedule:*

See Item 15(a)(2) above.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Griffin-American Healthcare REIT IV, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Griffin American Healthcare REIT IV, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, equity, and cash flows, for each of the three years in the period ended December 31, 2018 and the related notes and the schedule listed in the Index at Item 15 (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, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 , in conformity with accounting principles generally accepted in the United States of America.

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 Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Our audits included performing procedures to assess the risks of material misstatement of the 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.

/s/ Deloitte & Touche LLP

Costa Mesa, California
March 18, 2019

We have served as the Company's auditor since 2015.

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.

CONSOLIDATED BALANCE SHEETS
As of December 31, 2018 and 2017

	December 31, 2018	December 31, 2017
ASSETS		
Real estate investments, net	$ 731,676,000	$ 419,665,000
Cash and cash equivalents	14,388,000	7,087,000
Accounts and other receivables, net	11,249,000	2,838,000
Restricted cash	202,000	16,000
Real estate deposits	3,900,000	500,000
Identified intangible assets, net	74,723,000	44,821,000
Other assets, net	60,234,000	5,226,000
Total assets	$ 896,372,000	$ 480,153,000
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage loans payable, net(1)	$ 16,892,000	$ 11,567,000
Line of credit and term loan(1)	275,000,000	84,100,000
Accounts payable and accrued liabilities(1)	32,395,000	19,428,000
Accounts payable due to affiliates(1)	8,588,000	8,118,000
Identified intangible liabilities, net	1,627,000	1,737,000
Security deposits, prepaid rent and other liabilities(1)	2,827,000	977,000
Total liabilities	337,329,000	125,927,000
Commitments and contingencies (Note 9)		
Redeemable noncontrolling interests (Note 10)	1,371,000	1,002,000
Stockholders' equity:		
Preferred stock, $0.01 par value per share; 200,000,000 shares authorized; none issued and outstanding	—	—
Class T common stock, $0.01 par value per share; 900,000,000 shares authorized; 64,996,843 and 39,972,049 shares issued and outstanding as of December 31, 2018 and 2017, respectively	650,000	400,000
Class I common stock, $0.01 par value per share; 100,000,000 shares authorized; 4,258,128 and 2,235,111 shares issued and outstanding as of December 31, 2018 and 2017, respectively	42,000	22,000
Additional paid-in capital	621,759,000	376,284,000
Accumulated deficit	(64,779,000)	(23,482,000)
Total stockholders' equity	557,672,000	353,224,000
Total liabilities, redeemable noncontrolling interests and stockholders' equity	$ 896,372,000	$ 480,153,000

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GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.

CONSOLIDATED BALANCE SHEETS — (Continued)
As of December 31, 2018 and 2017

(1) Such liabilities of Griffin-American Healthcare REIT IV, Inc. as of December 31, 2018 and 2017 represented liabilities of Griffin-American Healthcare REIT IV Holdings, LP or its consolidated subsidiaries. Griffin-American Healthcare REIT IV Holdings, LP is a variable interest entity and a consolidated subsidiary of Griffin-American Healthcare REIT IV, Inc. The creditors of Griffin-American Healthcare REIT IV Holdings, LP or its consolidated subsidiaries do not have recourse against Griffin-American Healthcare REIT IV, Inc., except for the 2018 Credit Facility and 2017 Credit Facility, as defined in Note 7, held by Griffin-American Healthcare REIT IV Holdings, LP in the amount of $275,000,000 and $84,100,000 as of December 31, 2018 and 2017, respectively, which is guaranteed by Griffin-American Healthcare REIT IV, Inc.

The accompanying notes are an integral part of these consolidated financial statements.

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2018, 2017 and 2016

	Years Ended December 31,		
	2018	2017	2016
Revenues:			
Real estate revenue	$ 47,599,000	$ 27,770,000	$ 3,156,000
Resident fees and services	36,857,000	5,563,000	—
Total revenues	84,456,000	33,333,000	3,156,000
Expenses:			
Rental expenses	11,499,000	7,292,000	898,000
Property operating expenses	30,023,000	4,203,000	—
General and administrative	9,172,000	4,338,000	1,221,000
Acquisition related expenses	2,795,000	655,000	4,745,000
Depreciation and amortization	32,658,000	13,639,000	1,252,000
Total expenses	86,147,000	30,127,000	8,116,000
Other income (expense):			
Interest expense (including amortization of deferred financing costs and debt discount/premium)	(6,788,000)	(2,699,000)	(514,000)
Loss from unconsolidated entity	(110,000)	—	—
Other income	11,000	1,000	—
(Loss) income before income taxes	(8,578,000)	508,000	(5,474,000)
Income tax expense	(8,000)	—	—
Net (loss) income	(8,586,000)	508,000	(5,474,000)
Less: net loss attributable to redeemable noncontrolling interests	232,000	33,000	—
Net (loss) income attributable to controlling interest	$ (8,354,000)	$ 541,000	$ (5,474,000)
Net (loss) income per Class T and Class I common share attributable to controlling interest — basic and diluted	$ (0.15)	$ 0.02	$ (1.75)
Weighted average number of Class T and Class I common shares outstanding — basic and diluted	54,847,197	27,754,701	3,131,466

The accompanying notes are an integral part of these consolidated financial statements.

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.

CONSOLIDATED STATEMENTS OF EQUITY
For the Years Ended December 31, 2018, 2017 and 2016

	Stockholders' Equity						
	Class T and Class I Common Stock						
	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
BALANCE — December 31, 2015	20,833	$ —	$ 200,000	$ —	$ 200,000	$ 2,000	$ 202,000
Issuance of common stock	11,257,889	113,000	112,035,000	—	112,148,000	—	112,148,000
Offering costs — common stock	—	—	(13,618,000)	—	(13,618,000)	—	(13,618,000)
Issuance of common stock under the DRIP	83,717	1,000	795,000	—	796,000	—	796,000
Issuance of vested and nonvested restricted common stock	15,000	—	30,000	—	30,000	—	30,000
Amortization of nonvested common stock compensation	—	—	50,000	—	50,000	—	50,000
Reclassification of noncontrolling interest to mezzanine equity	—	—	—	—	—	(2,000)	(2,000)
Distributions declared ($0.40 per share)	—	—	—	(1,877,000)	(1,877,000)	—	(1,877,000)
Net loss	—	—	—	(5,474,000)	(5,474,000)	—	(5,474,000)
BALANCE — December 31, 2016	11,377,439	$ 114,000	$ 99,492,000	$ (7,351,000)	$ 92,255,000	$ —	$ 92,255,000
Issuance of common stock	29,960,609	300,000	297,776,000	—	298,076,000	—	298,076,000
Offering costs — common stock	—	—	(29,028,000)	—	(29,028,000)	—	(29,028,000)
Issuance of common stock under the DRIP	924,358	9,000	8,680,000	—	8,689,000	—	8,689,000
Issuance of vested and nonvested restricted common stock	22,500	—	45,000	—	45,000	—	45,000
Amortization of nonvested common stock compensation	—	—	86,000	—	86,000	—	86,000
Repurchase of common stock	(77,746)	(1,000)	(734,000)	—	(735,000)	—	(735,000)
Fair value adjustment to redeemable noncontrolling interests	—	—	(33,000)	—	(33,000)	—	(33,000)
Distributions declared ($0.60 per share)	—	—	—	(16,672,000)	(16,672,000)	—	(16,672,000)
Net income	—	—	—	541,000	541,000	— (1)	541,000
BALANCE — December 31, 2017	42,207,160	$ 422,000	$ 376,284,000	$ (23,482,000)	$ 353,224,000	$ —	$ 353,224,000
Issuance of common stock	25,537,018	256,000	254,996,000	—	255,252,000	—	255,252,000
Offering costs — common stock	—	—	(23,760,000)	—	(23,760,000)	—	(23,760,000)
Issuance of common stock under the DRIP	1,838,711	18,000	17,594,000	—	17,612,000	—	17,612,000
Issuance of vested and nonvested restricted common stock	22,500	—	45,000	—	45,000	—	45,000
Amortization of nonvested common stock compensation	—	—	140,000	—	140,000	—	140,000
Repurchase of common stock	(350,418)	(4,000)	(3,308,000)	—	(3,312,000)	—	(3,312,000)
Fair value adjustment to redeemable noncontrolling interests	—	—	(232,000)	—	(232,000)	—	(232,000)
Distributions declared ($0.60 per share)	—	—	—	(32,943,000)	(32,943,000)	—	(32,943,000)
Net loss	—	—	—	(8,354,000)	(8,354,000)	— (1)	(8,354,000)
BALANCE — December 31, 2018	69,254,971	$ 692,000	$ 621,759,000	$ (64,779,000)	$ 557,672,000	$ —	$ 557,672,000

(1) Amount excludes $(232,000) and $(33,000) of net loss attributable to redeemable noncontrolling interests for the years ended December 31, 2018 and 2017, respectively. See Note 10, Redeemable Noncontrolling Interests , for a further discussion.

The accompanying notes are an integral part of these consolidated financial statements.

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018, 2017 and 2016

	Years Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	$ (8,586,000)	$ 508,000	$ (5,474,000)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Loss from unconsolidated entity	110,000	—	—
Depreciation and amortization	32,658,000	13,639,000	1,252,000
Other amortization (including deferred financing costs, above/below-market leases, leasehold interests, above-market leasehold interests and debt discount/premium)	1,015,000	415,000	104,000
Deferred rent	(3,029,000)	(1,705,000)	(207,000)
Stock based compensation	185,000	131,000	80,000
Share discounts	—	3,000	59,000
Bad debt expense	1,274,000	83,000	—
Changes in operating assets and liabilities:			
Accounts and other receivables	(7,413,000)	(2,166,000)	(284,000)
Other assets	(336,000)	(905,000)	(17,000)
Accounts payable and accrued liabilities	232,000	2,436,000	770,000
Accounts payable due to affiliates	338,000	239,000	127,000
Security deposits, prepaid rent and other liabilities	(1,025,000)	(274,000)	(31,000)
Net cash provided by (used in) operating activities	15,423,000	12,404,000	(3,621,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of real estate investments	(355,070,000)	(328,933,000)	(133,099,000)
Investment in unconsolidated entity	(48,000,000)	—	—
Distributions in excess of loss from unconsolidated entity	290,000	—	—
Capital expenditures	(4,257,000)	(1,121,000)	(23,000)
Real estate deposits	(3,400,000)	(300,000)	(200,000)
Pre-acquisition expenses	(1,117,000)	(334,000)	—
Net cash used in investing activities	(411,554,000)	(330,688,000)	(133,322,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on mortgage loans payable	(449,000)	(273,000)	(60,000)
Borrowings under the line of credit and term loan	771,200,000	308,600,000	90,700,000
Payments on the line of credit and term loan	(580,300,000)	(258,400,000)	(56,800,000)
Proceeds from issuance of common stock	254,017,000	298,639,000	111,024,000
Contribution from noncontrolling interests	369,000	1,000,000	—
Deferred financing costs	(4,092,000)	(1,115,000)	(1,146,000)
Repurchase of common stock	(3,312,000)	(735,000)	—
Payment of offering costs	(19,817,000)	(18,072,000)	(4,191,000)
Security deposits	(9,000)	(96,000)	—
Distributions paid	(13,989,000)	(6,398,000)	(549,000)
Net cash provided by financing activities	403,618,000	323,150,000	138,978,000
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	7,487,000	4,866,000	2,035,000
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	7,103,000	2,237,000	202,000
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period	$ 14,590,000	$ 7,103,000	$ 2,237,000

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
For the Years Ended December 31, 2018, 2017 and 2016

	Years Ended December 31,		
	2018	2017	2016
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Beginning of period:			
Cash and cash equivalents	$ 7,087,000	$ 2,237,000	$ 202,000
Restricted cash	16,000	—	—
Cash, cash equivalents and restricted cash	$ 7,103,000	$ 2,237,000	$ 202,000
End of period:			
Cash and cash equivalents	$ 14,388,000	$ 7,087,000	$ 2,237,000
Restricted cash	202,000	16,000	—
Cash, cash equivalents and restricted cash	$ 14,590,000	$ 7,103,000	$ 2,237,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for:			
Interest	$ 5,194,000	$ 2,052,000	$ 203,000
Income taxes	$ 14,000	$ 7,000	$ —
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Investing Activities:			
Accrued capital expenditures	$ 5,391,000	$ 1,355,000	$ —
Accrued pre-acquisition expenses	$ 154,000	$ 75,000	$ —
Tenant improvement overage	$ 692,000	$ —	$ —
The following represents the increase in certain assets and liabilities in connection with our acquisitions of real estate investments:			
Other assets	$ 225,000	$ 236,000	$ 239,000
Mortgage loans payable	$ 5,808,000	$ 8,000,000	$ 4,129,000
Accounts payable and accrued liabilities	$ 3,415,000	$ 1,731,000	$ 212,000
Security deposits and prepaid rent	$ 2,193,000	$ 728,000	$ 648,000
Financing Activities:			
Issuance of common stock under the DRIP	$ 17,612,000	$ 8,689,000	$ 796,000
Distributions declared but not paid	$ 3,459,000	$ 2,117,000	$ 532,000
Accrued Contingent Advisor Payment	$ 7,866,000	$ 7,744,000	$ 5,404,000
Accrued stockholder servicing fee	$ 16,395,000	$ 12,611,000	$ 3,973,000
Reclassification of noncontrolling interest to mezzanine equity	$ —	$ —	$ 2,000
Accrued deferred financing costs	$ 24,000	$ 2,000	$ 14,000
Receivable from transfer agent	$ 1,670,000	$ 471,000	$ 1,015,000

The accompanying notes are an integral part of these consolidated financial statements.

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2018, 2017 and 2016

The use of the words “we,” “us” or “our” refers to Griffin-American Healthcare REIT IV, Inc. and its subsidiaries, including Griffin-American Healthcare REIT IV Holdings, LP, except where otherwise noted.

1. Organization and Description of Business

Griffin-American Healthcare REIT IV, Inc., a Maryland corporation, was incorporated on January 23, 2015 and therefore we consider that our date of inception. We were initially capitalized on February 6, 2015 . We invest in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, hospitals, skilled nursing facilities, senior housing and other healthcare-related facilities. We also operate healthcare-related facilities utilizing the structure permitted by the REIT Investment Diversification and Empowerment Act of 2007, which is commonly referred to as a “RIDEA” structure (the provisions of the Internal Revenue Code of 1986, as amended, or the Code, authorizing the RIDEA structure were enacted as part of the Housing and Economic Recovery Act of 2008). We may also originate and acquire secured loans and real estate-related investments on an infrequent and opportunistic basis. We generally seek investments that produce current income. We qualified to be taxed as a real estate investment trust, or REIT, under the Code for federal income tax purposes beginning with our taxable year ended December 31, 2016, and we intend to continue to qualify to be taxed as a REIT.

On February 16, 2016, we commenced our initial public offering, or our offering, in which we were initially offering to the public up to $3,150,000,000 in shares of our Class T common stock, consisting of up to $3,000,000,000 in shares of our Class T common stock at a price of $10.00 per share in our primary offering and up to $150,000,000 in shares of our Class T common stock for $9.50 per share pursuant to our distribution reinvestment plan, as amended, or the DRIP. Effective June 17, 2016, we reallocated certain of the unsold shares of Class T common stock being offered and began offering shares of Class I common stock, such that were offering up to approximately $2,800,000,000 in shares of Class T common stock and $200,000,000 in shares of Class I common stock in our primary offering, and up to an aggregate of $150,000,000 in shares of our Class T and Class I common stock pursuant to the DRIP, aggregating up to $3,150,000,000 , or the maximum offering amount.

The shares of our Class T common stock in our primary offering were being offered at a price of $10.00 per share prior to April 11, 2018. The shares of our Class I common stock in our primary offering were being offered at a price of $9.30 per share prior to March 1, 2017 and $9.21 per share from March 1, 2017 to April 10, 2018. The shares of our Class T and Class I common stock issued pursuant to the DRIP were sold at a price of $9.50 per share prior to January 1, 2017 and $9.40 per share from January 1, 2017 to April 10, 2018. On April 6, 2018, our board of directors, at the recommendation of the audit committee of our board of directors, comprised solely of independent directors, unanimously approved and established an estimated per share net asset value, or NAV, of our common stock of $9.65 . As a result, on April 6, 2018, our board of directors unanimously approved revised offering prices for each class of shares of our common stock to be sold in the primary portion of our initial public offering based on the estimated per share NAV of our Class T and Class I common stock of $9.65 plus any applicable per share up-front selling commissions and dealer manager fees funded by us, effective April 11, 2018. Accordingly, the revised offering price for shares of our Class T common stock and Class I common stock sold pursuant to our primary offering on or after April 11, 2018 was $10.05 per share and $9.65 per share, respectively. Effective April 11, 2018, the shares of our Class T and Class I common stock issued pursuant to the DRIP were sold at a price of $9.65 per share, the most recent estimated per share NAV approved and established by our board of directors.

As of December 31, 2018, we had received and accepted subscriptions in our offering for 66,755,516 aggregate shares of our Class T and Class I common stock, or approximately $665,403,000 , and a total of $27,097,000 in distributions were reinvested that resulted in 2,846,786 shares of our common stock being issued pursuant to the DRIP. On February 15, 2019, we terminated our offering. As of February 15, 2019, we had received and accepted subscriptions in our offering for 75,625,285 aggregate shares of our Class T and Class I common stock, or approximately $753,975,000 , and a total of $31,021,000 in distributions were reinvested that resulted in 3,253,543 shares of our common stock being issued pursuant to the DRIP.

On January 18, 2019, we filed a Registration Statement on Form S-3 under the Securities Act of 1933, or the Securities Act, to register a maximum of $100,000,000 of additional shares of our common stock to be issued pursuant to the DRIP, or the 2019 DRIP Offering. The shares of our Class T and Class I common stock issued pursuant to the 2019 DRIP Offering are sold at a price of $9.65 per share, the most recent estimated per share NAV approved and established by our board of directors. The Registration Statement on Form S-3 was automatically effective with the United States Securities and Exchange Commission, or the SEC, upon its filing; we commenced offering shares pursuant to the 2019 DRIP Offering on March 1, 2019.

We conduct substantially all of our operations through Griffin-American Healthcare REIT IV Holdings, LP, or our operating partnership. We are externally advised by Griffin-American Healthcare REIT IV Advisor, LLC, or our advisor, pursuant to an advisory agreement, or the Advisory Agreement, between us and our advisor. The Advisory Agreement was effective as of February 16, 2016 and had a one -year term, subject to successive one -year renewals upon the mutual consent of the parties. The Advisory Agreement was last renewed pursuant to the mutual consent of the parties on February 12, 2019 and expires on February 16, 2020. Our advisor uses its best efforts, subject to the oversight and review of our board of directors, to, among other things, research, identify, review and make investments in and dispositions of properties and securities on our behalf consistent with our investment policies and objectives. Our advisor performs its duties and responsibilities under the Advisory Agreement as our fiduciary. Our advisor is 75.0% owned and managed by American Healthcare Investors, LLC, or American Healthcare Investors, and 25.0% owned by a wholly owned subsidiary of Griffin Capital Company, LLC, or Griffin Capital, or collectively, our co-sponsors. American Healthcare Investors is 47.1% owned by AHI Group Holdings, LLC, or AHI Group Holdings, 45.1% indirectly owned by Colony Capital, Inc. (NYSE: CLNY), or Colony Capital, and 7.8% owned by James F. Flaherty III, a former partner of Colony Capital. We are not affiliated with Griffin Capital, Griffin Capital Securities, LLC, or our dealer manager, Colony Capital or Mr. Flaherty; however, we are affiliated with Griffin-American Healthcare REIT IV Advisor, LLC, American Healthcare Investors and AHI Group Holdings.

We currently operate through four reportable business segments — medical office buildings, senior housing, senior housing — RIDEA and skilled nursing facilities. As of December 31, 2018 , we had completed 33 property acquisitions whereby we owned 66 properties, comprising 69 buildings, or approximately 3,835,000 square feet of gross leasable area, or GLA, for an aggregate contract purchase price of $821,689,000 . As of December 31, 2018, we also own an interest in a joint venture which owns and operates a portfolio of integrated senior health campuses and ancillary businesses.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding our consolidated financial statements. Such consolidated financial statements and the accompanying notes thereto are the representations of our management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, or GAAP, in all material respects, and have been consistently applied in preparing our accompanying consolidated financial statements.

Basis of Presentation

Our accompanying consolidated financial statements include our accounts and those of our operating partnership and the wholly owned subsidiaries of our operating partnership, as well as any variable interest entities, or VIEs, in which we are the primary beneficiary. We evaluate our ability to control an entity, and whether the entity is a VIE and of which we are the primary beneficiary, by considering substantive terms of the arrangement and identifying which enterprise has the power to direct the activities of the entity that most significantly impacts the entity's economic performance.

We operate and intend to continue to operate in an umbrella partnership REIT structure in which our operating partnership, or wholly owned subsidiaries of our operating partnership, will own substantially all of the interests in properties acquired on our behalf. We are the sole general partner of o ur operating partnership, and as of December 31, 2018 and 2017, we owned greater than a 99.99% general partnership interest, therein. Our advisor is a limited partner, and as of December 31, 2018 and 2017, owned less than than a 0.01% noncontrolling limited partnership interest, in our operating partnership.

Because we are the sole general partner of our operating partnership and have unilateral control over its management and major operating decisions (even if additional limited partners are admitted to our operating partnership), the accounts of our operating partnership are consolidated in our consolidated financial statements. All intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of our accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, the initial and recurring valuation of certain assets acquired and liabilities assumed through property acquisitions, allowance for uncollectible accounts, impairment of long-lived assets and contingencies. These estimates are made and evaluated on an on-going basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates, perhaps in material adverse ways, and those estimates could be different under different assumptions or conditions.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less when purchased. Restricted cash primarily comprises lender required accounts for property taxes, tenant improvements, capital improvements and insurance which are restricted as to use or withdrawal.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2014-09, *Revenue from Contracts with Customers* , which has been codified to Accounting Standards Codification, or ASC, Topic 606. We evaluate all of our revenue streams to identify whether each revenue stream would be subject to the provisions of ASC Topic 606 and whether there are any differences in the timing, measurement or presentation of revenue recognition. Based on a review of our various revenue streams, certain components of resident fees and services, such as revenues that are ancillary to the contractual rights of residents within our senior housing facilities operated utilizing a RIDEA structure, are subject to ASC Topic 606. While these revenue streams are subject to the provisions of ASC Topic 606, we believe that the pattern and timing of recognition of income are consistent with the previous accounting model. Virtually all resident fees and services are earned over a period of time and the majority of these revenues are paid by private payor types with the residual being paid by Medicaid. We adopted ASC Topic 606 on January 1, 2018 using the modified retrospective adoption method and the adoption did not have a material impact on our consolidated financial statements. Included within resident fees and services for the year ended December 31, 2018 was $847,000 of ancillary service revenue.

Real Estate Revenue

In accordance with ASC Topic 840, *Leases,* minimum annual rental revenue is recognized on a straight-line basis over the term of the related lease (including rent holidays). Differences between real estate revenue recognized and cash amounts contractually due from tenants under the lease agreements are recorded to deferred rent receivable or deferred rent liability, as applicable. Tenant reimbursement revenue, which comprises additional amounts recoverable from tenants for common area maintenance expenses and certain other recoverable expenses, was recognized as revenue in the period in which the related expenses were incurred. Tenant reimbursements were recognized and presented in accordance with ASC Subtopic 606-10-55-36, *Revenue Recognition — Principal Versus Agent Consideration,* or ASC Subtopic 606. ASC Subtopic 606 requires that these reimbursements be recorded on a gross basis as we are generally primarily responsible to fulfill the promise to provide specified goods and services. We recognized lease termination fees at such time when there was a signed termination letter agreement, all of the conditions of such agreement have been met and the tenant is no longer occupying the property.

On January 1, 2019, we adopted ASU 2016-02, *Leases,* or ASU 2016-02, and its amendments. For a further discussion of ASU 2016-02 and its amendments, see “Recently Issued or Adopted Accounting Pronouncements” below.

Resident Fees and Services Revenue

A significant portion of resident fees and services revenue represents healthcare service revenue that is reported at the amount that we expect to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), other healthcare facilities, and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, we bill the patients, third-party payors and other healthcare facilities several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by us. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. This method provides a depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving long-term healthcare services, including rehabilitation services. We measure the performance obligation from admission into the facility to the point when we are no longer required to provide services to that patient. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and we do not believe we are required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, we have elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed within months of the end of the reporting period.

Disaggregation of Resident Fees and Services Revenue

We disaggregate revenue from contracts with customers according to lines of business and payor classes. The transfer of goods and services may occur at a point in time or over time; in other words, revenue may be recognized over the course of the underlying contract, or may occur at a single point in time based upon a single transfer of control. This distinction is discussed in further detail below. We determine that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following table disaggregates our resident fees and services revenue by line of business, according to whether such revenue is recognized at a point in time or over time:

	Year Ended December 31, 2018		
	Point in Time	Over Time	Total
Senior housing — RIDEA(1)	$ 847,000	$ 36,010,000	$ 36,857,000

The following table disaggregates our resident fees and services revenue by payor class:

	Year Ended December 31, 2018
Medicaid	$ 6,082,000
Private and other payors	30,775,000
Total resident fees and services(1)	$ 36,857,000

(1) This includes fees for basic housing and assisted living care. We record revenue when services are rendered on the date services are provided at amounts billable to individual residents. Residency agreements are generally for a term of 30 days, with resident fees billed monthly in advance. For patients under reimbursement arrangements with Medicaid, revenue is recorded based on contractually agreed-upon amounts or rates on a per resident, daily basis or as services are rendered.

Accounts Receivable, Net — Resident Fees and Services

The beginning and ending balances of accounts receivable, net — resident fees and services are as follows:

	Medicaid	Private and Other Payors	Total
Beginning balance — January 1, 2018	$ 827,000	$ 338,000	$ 1,165,000
Ending balance — December 31, 2018	6,098,000	644,000	6,742,000
Increase	$ 5,271,000	$ 306,000	$ 5,577,000

Tenant and Resident Receivables and Allowance for Uncollectible Accounts

Tenant and resident receivables and unbilled deferred rent receivables are carried net of an allowance for uncollectible amounts. An allowance is maintained for estimated losses resulting from the inability of certain tenants, residents and payors to meet the contractual obligations under their lease or service agreements. We also maintain an allowance for deferred rent receivables arising from the straight line recognition of rents. Such allowances are charged to bad debt expense, which is included in general and administrative in our accompanying consolidated statements of operations. Our determination of the adequacy of these allowances is based primarily upon evaluations of historical loss experience, the tenant's or resident's financial condition, security deposits, letters of credit, lease guarantees, cash collection patterns by payor and by state, current economic conditions and other relevant factors.

As of December 31, 2018 and 2017, we had $1,321,000 and $83,000 , respectively, in allowance for uncollectible accounts, which was determined necessary to reduce receivables to our estimate of the amount recoverable. For the years ended December 31, 2018, 2017 and 2016, we did not write off any of our receivables directly to bad debt expense. For the years ended December 31, 2018, 2017 and 2016, $21,000 , $0 and $0 , respectively, of our receivables were written off against the allowance for uncollectible accounts.

As of December 31, 2018 and 2017, we did not have any allowance for uncollectible accounts for deferred rent receivables. For the years ended December 31, 2018 and 2017, $0 and $2,000 , respectively, of our deferred rent receivables were directly written off to bad debt expense. For the year ended December 31, 2016, we did not write off any of our deferred rent receivables directly to bad debt expense.

Property Acquisitions

In accordance with ASC Topic 805, *Business Combinations* , or ASC Topic 805, and ASU 2017-01, *Clarifying the Definition of a Business* , or ASU 2017-01, we determine whether a transaction is a business combination, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired and liabilities assumed are not a business, we account for the transaction as an asset acquisition. Under both methods, we recognize the identifiable assets acquired and liabilities assumed; however, for a transaction accounted for as an asset acquisition, we allocate the purchase price to the identifiable assets acquired and liabilities assumed based on their relative fair values. We immediately expense acquisition related expenses associated with a business combination and capitalize acquisition related expenses directly associated with an asset acquisition. As a result of our early adoption of ASU 2017-01 on January 1, 2017, we accounted for the 15 and nine property acquisitions we completed for the years ended December 31, 2018 and 2017, respectively, as asset acquisitions rather than business combinations. See Note 3, Real Estate Investments, Net, for a further discussion. For year ended December 31, 2016, we completed nine property acquisitions, which we accounted for as business combinations. See Note 16, Business Combinations, for a further discussion.

We, with assistance from independent valuation specialists, measure the fair value of tangible and identified intangible assets and liabilities, as applicable, based on their respective fair values for acquired properties. Our method for allocating the purchase price to acquired investments in real estate requires us to make subjective assessments for determining fair value of the assets acquired and liabilities assumed. This includes determining the value of the buildings, land, leasehold interests, furniture, fixtures and equipment, above- or below-market rent, in-place leases, master leases, above- or below-market debt assumed and derivative financial instruments assumed. These estimates require significant judgment and in some cases involve complex calculations. These allocation assessments directly impact our results of operations, as amounts allocated to certain assets and liabilities have different depreciation or amortization lives. In addition, we amortize the value assigned to above- or below-market rent as a component of revenue, unlike in-place leases and other intangibles, which we include in depreciation and amortization in our accompanying consolidated statements of operations.

The determination of the fair value of land is based upon comparable sales data. In cases where a leasehold interest in the land is acquired, only the above/below market consideration is necessary where this value is determined by discounting the difference between the contract ground lease payments and a market ground lease payment back to a present value as of the acquisition date. The fair value of buildings is based upon our determination of the value under two methods: one, as if it were to be replaced and vacant using cost data and, two, also using a residual technique based on discounted cash flow models, as vacant. Factors considered by us include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. We also recognize the fair value of furniture, fixtures and equipment on the premises, as well as the above- or below-market rent, the value of in-place leases, master leases, above- or below-market debt and derivative financial instruments assumed.

The value of the above- or below-market component of the acquired in-place leases is determined based upon the present value (using a discount rate that reflects the risks associated with the acquired leases) of the difference between: (i) the level payment equivalent of the contract rent paid pursuant to the lease; and (ii) our estimate of market rent payments taking into account rent steps throughout the lease. In the case of leases with options, a case-by-case analysis is performed based on all facts and circumstances of the specific lease to determine whether the option will be assumed to be exercised. The amounts related to above-market leases are included in identified intangible assets, net in our accompanying consolidated balance sheets and are amortized against real estate revenue over the remaining non-cancelable lease term of the acquired leases with each property. The amounts related to below-market leases are included in identified intangible liabilities, net in our accompanying consolidated balance sheets and are amortized to real estate revenue over the remaining non-cancelable lease term plus any below-market renewal options of the acquired leases with each property.

The value of in-place lease costs are based on management's evaluation of the specific characteristics of the tenant's lease and our overall relationship with the tenants. Characteristics considered by us in allocating these values include the nature and extent of the credit quality and expectations of lease renewals, among other factors. The in-place lease intangible represents the value related to the economic benefit for acquiring a property with in-place leases as opposed to a vacant property, which is evaluated based on a review of comparable leases for a similar property, terms and conditions for marketing and executing new leases, and implied in the difference between the value of the whole property "as is" and "as vacant." The net amounts related to in-place lease costs are included in identified intangible assets, net in our accompanying consolidated balance sheets and are amortized to depreciation and amortization expense over the average downtime of the acquired leases with each property. The net amounts related to the value of tenant relationships, if any, are included in identified intangible assets, net in our accompanying consolidated balance sheets and are amortized to depreciation and amortization expense over the average remaining non-cancelable lease term of the acquired leases plus the market renewal lease term. The value of a master lease, if any, in which a previous owner or a tenant is relieved of specific rental obligations as additional space is leased, is determined by discounting the expected real estate revenue associated with the master lease space over the assumed lease-up period.

The value of above- or below-market debt is determined based upon the present value of the difference between the cash flow stream of the assumed mortgage and the cash flow stream of a market rate mortgage at the time of assumption. The net value of above- or below-market debt is included in mortgage loans payable, net in our accompanying consolidated balance sheets and is amortized to interest expense over the remaining term of the assumed mortgage.

The value of derivative financial instruments, if any, is determined in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* , or ASC Topic 820, and is included in other assets or other liabilities in our accompanying consolidated balance sheets.

The values of contingent consideration assets and liabilities, if any, are analyzed at the time of acquisition. For contingent purchase options, the fair market value of the acquired asset is compared to the specified option price at the exercise date. If the option price is below market, it is assumed to be exercised and the difference between the fair market value and the option price is discounted to the present value at the time of acquisition.

Real Estate Investments, Net

We carry our operating properties at our historical cost less accumulated depreciation. The cost of operating properties includes the cost of land and completed buildings and related improvements. Expenditures that increase the service life of properties are capitalized and the cost of maintenance and repairs is charged to expense as incurred. The cost of buildings and capital improvements is depreciated on a straight-line basis over the estimated useful lives of the buildings and capital improvements, up to 39 years , and the cost for tenant improvements is depreciated over the shorter of the lease term or useful life, up to 14 years . The cost of furniture, fixtures and equipment is depreciated over the estimated useful life, up to 10 years . When depreciable property is retired, replaced or disposed of, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is reflected in earnings.

As part of the leasing process, we may provide the lessee with an allowance for the construction of leasehold improvements. These leasehold improvements are capitalized and recorded as tenant improvements and depreciated over the shorter of the useful life of the improvements or the lease term. If the allowance represents a payment for a purpose other than funding leasehold improvements, or in the event we are not considered the owner of the improvements, the allowance is considered to be a lease inducement and is recognized over the lease term as a reduction of rental revenue on a straight-line basis. Factors considered during this evaluation include, among other things, who holds legal title to the improvements as well as other controlling rights provided by the lease agreement and provisions for substantiation of such costs, *e.g* ., unilateral control of the tenant space during the build-out process. Determination of the appropriate accounting for the payment of a tenant allowance is made on a lease-by-lease basis, considering the facts and circumstances of the individual tenant lease. Recognition of lease revenue commences when the lessee is given possession of the leased space upon completion of tenant improvements when we are the owner of the leasehold improvements. However, when the leasehold improvements are owned by the tenant, the lease inception date (and the date on which recognition of lease revenue commences) is the date the tenant obtains possession of the leased space for purposes of constructing its leasehold improvements.

Properties Held for Sale

We will account for our properties held for sale in accordance with ASC Topic 360, *Property, Plant, and Equipment* , or ASC Topic 360, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC Topic 360 requires that a property or a group of properties is required to be reported in discontinued operations in the statements of operations for current and prior periods if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when either (i) the component has been disposed of; or (ii) is classified as held for sale.

In accordance with ASC Topic 360, at such time as a property is held for sale, such property is carried at the lower of (i) its carrying amount or (ii) fair value less costs to sell. In addition, a property being held for sale ceases to be depreciated. We will classify operating properties as property held for sale in the period in which all of the following criteria are met:

- management, having the authority to approve the action, commits to a plan to sell the asset;
- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- an active program to locate a buyer or buyers and other actions required to complete the plan to sell the asset has been initiated;
- the sale of the asset is probable and the transfer of the asset is expected to qualify for recognition as a completed sale within one year;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- given the actions required to complete the plan to sell the asset, it is unlikely that significant changes to the plan would be made or that the plan would be withdrawn.

Impairment of Long-Lived and Intangible Assets

We periodically evaluate our long-lived assets, primarily consisting of investments in real estate that we carry at our historical cost less accumulated depreciation, for impairment when events or changes in circumstances indicate that its carrying value may not be recoverable. Indicators we consider important and that we believe could trigger an impairment review include, among others, the following:

- significant negative industry or economic trends;
- a significant underperformance relative to historical or projected future operating results; and
- a significant change in the extent or manner in which the asset is used or significant physical change in the asset.

If indicators of impairment of our long-lived assets are present, we evaluate the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying operations. In performing this evaluation, we consider market conditions and our current intentions with respect to holding or disposing of the asset. We adjust the net book value of leased properties and other long-lived assets to fair value if the sum of the expected future undiscounted cash flows, including sales proceeds, is less than book value. We recognize an impairment loss at the time we make any such determination.

If impairment indicators arise with respect to intangible assets with finite useful lives, we evaluate impairment by comparing the carrying amount of the asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If the estimated future undiscounted net cash flows are less than the carrying amount of the asset, then we estimate the fair value of the asset and compare the estimated fair value to the intangible asset's carrying value. For all of our reporting units, we recognize any shortfall from carrying value as an impairment loss in the current period.

For the years ended December 31, 2018, 2017 and 2016, we did not incur any impairment losses.

Fair Value Measurements

We follow ASC Topic 820 to account for the fair value of certain assets and liabilities. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC Topic 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. An active market is defined as a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

See Note 13, Fair Value Measurements , for a further discussion.

Real Estate Deposits

Real estate deposits may include refundable and non-refundable funds held by escrow agents and others to be applied towards the acquisition of real estate investments, and such future investments are subject to substantial conditions to closing.

Other Assets, Net

Other assets, net consist of our investment in an unconsolidated entity, deferred financing costs on the 2017 Credit Facility or 2018 Credit Facility, as defined in Note 7, Line of Credit and Term Loan , prepaid expenses and deposits, lease commissions and deferred rent receivables. Deferred financing costs on the 2017 Credit Facility or 2018 Credit Facility include amounts paid to lenders and others to obtain financing. Such costs are amortized using the straight-line method over the term of the 2017 Credit Facility or 2018 Credit Facility, which approximates the effective interest rate method. Amortization of deferred financing costs on the 2017 Credit Facility or 2018 Credit Facility is included in interest expense in our accompanying consolidated statements of operations. Prepaid expenses are amortized over the related contract periods.

We report investments in unconsolidated entities using the equity method of accounting when we have the ability to exercise significant influence over the operating and financial policies. Under the equity method, our share of the investee's earnings or losses is included in our accompanying consolidated statements of operations. To the extent that our cost basis is different from the basis reflected at the entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the entity. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the entity interest or the estimated fair value of the assets prior to the sale of interests in the entity. We have elected to follow the cumulative earnings approach when classifying distributions received from equity method investments in our consolidated statements of cash flows, whereby any distributions received up to the amount of cumulative equity earnings would be considered a return on investment and classified in operating activities and any excess distributions would be considered a return of investment and classified in investing activities. We evaluate our equity method investments for impairment based upon a comparison of the estimated fair value of the equity method investment to its carrying value. When we determine a decline in the estimated fair value of such an investment below its carrying value is other-than-temporary, an impairment is recorded. For the years ended December 31, 2018, 2017 and 2016, we did not incur any impairment losses from unconsolidated entities.

See Note 5, Other Assets, Net , for a further discussion.

Stock Compensation

We follow ASC Topic 718, *Compensation — Stock Compensation* , or ASC Topic 718, to account for our stock compensation pursuant to the 2015 Incentive Plan, or our incentive plan. See Note 11, Equity — 2015 Incentive Plan, for a further discussion of grants under such plans.

Income Taxes

We qualified, and elected to be taxed, as a REIT under the Code for federal income tax purposes beginning with our taxable year ended December 31, 2016, and we intend to continue to qualify to be taxed as a REIT. To maintain our qualification as a REIT, we must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90.0% of our annual taxable income, excluding net capital gains, to our stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders.

If we fail to maintain our qualification as a REIT in any taxable year, we will then be subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service, or the IRS, grants us relief under certain statutory provisions. Such an event could have a material adverse effect on our net income and net cash available for distribution to our stockholders.

We may be subject to certain state and local income taxes on our income, property or net worth in some jurisdictions, and in certain circumstances we may also be subject to federal excise taxes on undistributed income. In addition, certain activities that we undertake are conducted by subsidiaries, which we elected to be treated as taxable REIT subsidiaries, or TRSs, to allow us to provide services that would otherwise be considered impermissible for REITs. Accordingly, we recognize income tax benefit (expense) for the federal, state and local income taxes incurred by our TRSs.

We follow ASC Topic 740, *Income Taxes* , or ASC Topic 740, to recognize, measure, present and disclose in our accompanying consolidated financial statements uncertain tax positions that we have taken or expect to take on a tax return. As of December 31, 2018 and 2017, we did not have any tax benefits nor liabilities for uncertain tax positions that we believe should be recognized in our accompanying consolidated financial statements.

We account for deferred income taxes using the asset and liability method and recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our financial statements or tax returns. Under this method, we determine deferred tax assets and liabilities based on the temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets reflect the impact of the future deductibility of operating loss carryforwards. A valuation allowance is provided if we believe 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 us to change our judgment about the realizability of the related deferred tax asset, is included in income tax expense in our accompanying consolidated statements of operations when such changes occur. Any increase or decrease in the deferred tax liability that results from a change in circumstances, and that causes us to change our judgment about expected future tax consequences of events, is recorded in income tax expense in our accompanying consolidated statements of operations.

Deferred tax assets are included in other assets, net, and deferred tax liabilities are included in security deposits, prepaid rent and other liabilities, in our accompanying consolidated balance sheets.

See Note 14, Income Taxes and Distributions , for a further discussion.

Segment Disclosure

ASC Topic 280, *Segment Reporting* , establishes standards for reporting financial and descriptive information about a public entity's reportable segments. We segregate our operations into reporting segments in order to assess the performance of our business in the same way that management reviews our performance and makes operating decisions. Accordingly, when we acquired our first medical office building in June 2016; senior housing facility in December 2016; senior housing — RIDEA facility in November 2017; and skilled nursing facility in March 2018, we added a new reportable segment at each such time. As of December 31, 2018 , we have determined that we operate through four reportable business segments, with activities related to investing in medical office buildings, senior housing, senior housing — RIDEA and skilled nursing facilities.

See Note 17, Segment Reporting , for a further discussion.

GLA and Other Measures

GLA and other measures used to describe real estate investments included in our accompanying consolidated financial statements are presented on an unaudited basis.

Recently Issued or Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* , or ASU 2016-02, codified as ASC Topic 842 — *Leases* , or ASC Topic 842, which amends the guidance on accounting for leases, including extensive amendments to the disclosure requirements. ASU 2016-02 maintains a distinction between finance and operating leases, which is substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. Under ASU 2016-02, lessees are required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under ASU 2016-02 from a lessor perspective, the guidance requires bifurcation of lease revenues into lease components and non-lease components and to separately recognize and disclose non-lease components that are executory in nature. Lease components continue to be recognized on a straight-line basis over the lease term and certain non-lease components may be accounted for under the new revenue recognition guidance in ASC Topic 606. In addition, ASU 2016-02 provides a practical expedient package that allows an entity to not reassess the following upon adoption (must be elected as a group): (i) whether an expired or existing contract contains a lease arrangement; (ii) the lease classification related to expired or existing lease arrangements; or (iii) whether costs incurred on expired or existing leases qualify as initial direct costs. We elected such practical expedient package upon our adoption of ASU 2016-02 on January 1, 2019.

In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* , or ASU 2018-10, and ASU 2018-11, *Leases (Topic 842) Targeted Improvements* , or ASU 2018-11, which update the guidance on accounting for leases under ASU 2016-02. ASU 2018-10 was issued to increase stockholders' awareness of narrow aspects of the guidance issued in the amendments and to expedite the improvements under ASU 2016-02. ASU 2018-11 provides (i) an alternative transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption; and (ii) a practical expedient that permits lessors to not separate non-lease components from the associated lease component if certain conditions are met. Such practical expedient is limited to circumstances in which: (i) the timing and pattern of transfer are the same for the non-lease component and the related lease component; and (ii) the lease component, if accounted for separately, would be classified as an operating lease. In addition, such practical expedient causes an entity to assess whether a contract is predominately lease or service based, and recognize the entire contract under the relevant accounting guidance. We elected both the alternative transition method and lessor practical expedient as described in ASU 2018-10 and ASU 2018-11 upon our adoption of ASU 2016-02 on January 1, 2019.

Lessee Impact: As a result of the adoption of ASU 2016-02 on January 1, 2019, we currently estimate the initial amount of the lease liability recorded on our consolidated balance sheet to be approximately $5,335,000 for all of our operating leases for which we are the lessee, including facilities leases and ground leases. In addition, we will record a corresponding right-of-use asset of $9,257,000 , which is the lease liability, net of the existing accrued straight-line rent liability balance and adjusted for unamortized above/below market ground lease intangibles.

Lessor Impact: We completed an assessment of predominance, and effective upon our adoption of ASU 2016-02, we recognize revenue for our medical office buildings, senior housing and skilled nursing facilities segments under ASC Topic 842, and for our senior housing — RIDEA facilities, we recognize revenue under ASC Topic 606. In December 2018, the FASB issued ASU 2018-20, *Narrow Scope Improvements for Lessors* , or ASU 2018-20, which requires a lessor to: (i) exclude certain lessor costs (i.e., property taxes and insurance) paid directly by a lessee to third parties on behalf of the lessor from a lessor's measurement of variable lease revenue and associated expense (i.e., no gross up of revenue and expense for these costs); and (ii) include lessor costs that are paid by the lessor and reimbursed by the lessee in the measurement of variable lease revenue and the associated expense (i.e., gross up revenue and expense for these costs). For the years ended December 31, 2018, 2017 and 2016, we did not recognize any property taxes or insurance paid by the lessee in revenue.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments,* or ASU 2016-13, which introduces a new approach to estimate credit losses on certain types of financial instruments based on expected losses. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. In addition, in November 2018, the FASB issued ASU 2018-19, which amended the scope of ASU 2016-13 to clarify that operating lease receivables should be accounted for under the new leasing standard ASC Topic 842. ASU 2016-13 is effective for fiscal years and interim periods beginning after December 15, 2019. Early adoption is permitted after December 15, 2018. We are evaluating the impact of the adoption of ASU 2016-13 on January 1, 2020 to our consolidated financial position and results of operations.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income* , or ASU 2018-02, which amends the reclassification requirements from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017, or the Tax Act. Under ASU 2018-02, an entity will be required to provide certain disclosures regarding stranded tax effects. ASU 2018-02 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. The adoption of ASU 2018-02 on January 1, 2019 did not have a material impact on our consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05, *Amendments to the SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118* , or ASU 2018-05, which updates the income tax accounting in GAAP to reflect the interpretive guidance of the United States Securities and Exchange Commission, or the SEC, with regards to the Tax Act. We adopted ASU 2018-05 in March 2018, which did not have a material impact on our consolidated financial statements. See Note 14, Income Taxes and Distributions , for a further discussion.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement,* or ASU 2018-13, which modifies the disclosure requirements in ASC Topic 820, Fair Value Measurement, by removing certain disclosure requirements related to the fair value hierarchy, modifying existing disclosure requirements related to measurement uncertainty and adding new disclosure requirements, such as disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and disclosing the range and weighted average of significant unobservable inputs used to develop Level 3 measurements. ASU 2018-13 is effective for fiscal years and interim periods beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. We are evaluating the complete impact of the adoption of ASU 2018-13 on January 1, 2020 to our consolidated financial statements disclosures.

3. Real Estate Investments, Net

Our real estate investments, net consisted of the following as of December 31, 2018 and 2017 :

	December 31,	
	2018	2017
Building and improvements	$ 668,814,000	$ 371,890,000
Land	83,084,000	52,202,000
Furniture, fixtures and equipment	5,090,000	4,458,000
	756,988,000	428,550,000
Less: accumulated depreciation	(25,312,000)	(8,885,000)
Total	$ 731,676,000	$ 419,665,000

Depreciation expense for the years ended December 31, 2018 , 2017 and 2016 was $16,723,000 , $8,137,000 and $822,000 , respectively. In addition to the acquisitions discussed below, for the years ended December 31, 2018 , 2017 and 2016, we incurred capital expenditures of $3,643,000 , $1,649,000 and $23,000 , respectively, on our medical office buildings, $0 , $822,000 and $0 , respectively, on our senior housing facilities and $5,342,000 , $5,000 and $0 , respectively, on our senior housing — RIDEA facilities. We did no t incur any capital expenditures on our skilled nursing facilities for the years ended December 31, 2018, 2017 and 2016.

Acquisitions in 2018

For the year ended December 31, 2018, using net proceeds from our offering and debt financing, we completed 15 property acquisitions comprising 29 buildings from unaffiliated third parties. The following is a summary of our property acquisitions for the year ended December 31, 2018:

Acquisition(1)	Location	Type	Date Acquired	Contract Purchase Price	Mortgage Loan Payable(2)	Line of Credit(3)	Total Acquisition Fee(4)
Central Wisconsin Senior Care Portfolio	Sun Prairie and Waunakee, WI	Skilled Nursing	03/01/18	$ 22,600,000	$ —	$ 22,600,000	$ 1,018,000
Sauk Prairie MOB	Prairie du Sac, WI	Medical Office	04/09/18	19,500,000	—	19,500,000	878,000
Surprise MOB	Surprise, AZ	Medical Office	04/27/18	11,650,000	—	8,000,000	524,000
Southfield MOB	Southfield, MI	Medical Office	05/11/18	16,200,000	6,071,000	10,000,000	728,000
Pinnacle Beaumont ALF(5)	Beaumont, TX	Senior Housing — RIDEA	07/01/18	19,500,000	—	19,400,000	868,000
Grand Junction MOB	Grand Junction, CO	Medical Office	07/06/18	31,500,000	—	31,400,000	1,418,000
Edmonds MOB	Edmonds, WA	Medical Office	07/30/18	23,500,000	—	22,000,000	1,058,000
Pinnacle Warrenton ALF(5)	Warrenton, MO	Senior Housing — RIDEA	08/01/18	8,100,000	—	8,100,000	360,000
Glendale MOB	Glendale, WI	Medical Office	08/13/18	7,600,000	—	7,000,000	342,000
Missouri SNF Portfolio	Florissant, Kansas City, Milan, Moberly, Salisbury, Sedalia, St. Elizabeth and Trenton, MO	Skilled Nursing	09/28/18	88,200,000	—	87,000,000	3,970,000
Flemington MOB Portfolio	Flemington, NJ	Medical Office	11/29/18	16,950,000	—	15,500,000	763,000
Lawrenceville MOB II	Lawrenceville, GA	Medical Office	12/19/18	9,999,000	—	10,100,000	450,000
Mill Creek MOB	Mill Creek, WA	Medical Office	12/21/18	8,250,000	—	6,200,000	371,000
Modesto MOB	Modesto, CA	Medical Office	12/28/18	16,000,000	—	15,400,000	720,000
Michigan ALF Portfolio	Grand Rapids, Holland, Howell, Lansing and Wyoming, MI	Senior Housing	12/28/18	56,000,000	—	53,400,000	2,520,000
Total				$ 355,549,000	$ 6,071,000	$ 335,600,000	$ 15,988,000

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(1) We own 100% of our properties acquired in 2018, with the exception of Pinnacle Beaumont ALF and Pinnacle Warrenton ALF.

(2) Represents the principal balance of the mortgage loan payable assumed by us at the time of acquisition.

(3) Represents a borrowing under the 2017 Credit Facility or 2018 Credit Facility, as defined in Note 7, Line of Credit and Term Loan , at the time of acquisition.

(4) Our advisor was paid, as compensation for services rendered in connection with the investigation, selection and acquisition of our properties, a base acquisition fee of 2.25% of the portion of the aggregate contract purchase price paid by us. In addition, the total acquisition fee includes a Contingent Advisor Payment, as defined in Note 12, Related Party Transactions , in the amount of 2.25% of the portion of the aggregate contract purchase price paid by us. See Note 12, Related Party Transactions — Acquisition and Development Stage — Acquisition Fee, for a further discussion.

(5) On July 1, 2018 and August 1, 2018, we completed the acquisitions of Pinnacle Beaumont ALF and Pinnacle Warrenton ALF, respectively, pursuant to a joint venture with an affiliate of Meridian Senior Living, LLC, or Meridian, an unaffiliated third party. Our ownership of the joint venture is approximately 98% .

We accounted for the 15 property acquisitions we completed for the year ended December 31, 2018 as asset acquisitions. We incurred and capitalized base acquisition fees and direct acquisition related expenses of $12,989,000 . In addition, we incurred Contingent Advisor Payments of $7,994,000 to our advisor for such property acquisitions. The following table summarizes the purchase price of the assets acquired and liabilities assumed at the time of acquisition from our 15 property acquisitions in 2018 based on their relative fair values:

	2018 Acquisitions
Building and improvements	$ 289,830,000
Land	30,878,000
Furniture, fixtures and equipment	79,000
In-place leases	45,439,000
Certificates of need	348,000
Leasehold interests	93,000
Above-market leases	200,000
Total assets acquired	366,867,000
Mortgage loan payable (including debt discount of $263,000)	(5,808,000)
Below-market leases	(269,000)
Total liabilities assumed	(6,077,000)
Net assets acquired	$ 360,790,000

Acquisitions in 2017

For the year ended December 31, 2017, using net proceeds from our offering and debt financing, we completed nine property acquisitions comprising 28 buildings from unaffiliated third parties. The following is a summary of our property acquisitions for the year ended December 31, 2017:

Acquisition(1)	Location	Type	Date Acquired	Contract Purchase Price	Mortgage Loan Payable(2)	Line of Credit(3)	Total Acquisition Fee(4)
Battle Creek MOB	Battle Creek, MI	Medical Office	03/10/17	$ 7,300,000	$ —	$ —	$ 328,000
Reno MOB	Reno, NV	Medical Office	03/13/17	66,250,000	—	60,000,000	2,982,000
Athens MOB Portfolio	Athens, GA	Medical Office	05/18/17	16,800,000	—	7,800,000	756,000
SW Illinois Senior Housing Portfolio	Columbia, Millstadt, Red Bud and Waterloo, IL	Senior Housing	05/22/17	31,800,000	—	31,700,000	1,431,000
Lawrenceville MOB	Lawrenceville, GA	Medical Office	06/12/17	11,275,000	8,000,000	3,000,000	507,000
Northern California Senior Housing Portfolio	Belmont, Fairfield, Menlo Park and Sacramento, CA	Senior Housing	06/28/17	45,800,000	—	21,600,000	2,061,000
Roseburg MOB	Roseburg, OR	Medical Office	06/29/17	23,200,000	—	23,000,000	1,044,000
Fairfield County MOB Portfolio	Stratford and Trumbull, CT	Medical Office	09/29/17	15,395,000	—	15,500,000	693,000
Central Florida Senior Housing Portfolio(5)	Bradenton, Brooksville, Lake Placid, Lakeland, Pinellas Park, Sanford, Spring Hill and Winter Haven, FL	Senior Housing — RIDEA	11/01/17	109,500,000	—	112,000,000	4,882,000
Total				$ 327,320,000	$ 8,000,000	$ 274,600,000	$ 14,684,000

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(1) We own 100% of our properties acquired in 2017, with the exception of Central Florida Senior Housing Portfolio.

(2) Represents the principal balance of the mortgage loan payable assumed by us at the time of acquisition.

(3) Represents a borrowing under the 2016 Line of Credit or 2017 Credit Facility, as defined in Note 7, Line of Credit and Term Loan , at the time of acquisition.

(4) Our advisor was paid, as compensation for services rendered in connection with the investigation, selection and acquisition of our properties, a base acquisition fee of 2.25% of the portion of the aggregate contract purchase price paid by us. In addition, the total acquisition fee includes a Contingent Advisor Payment, as defined in Note 12, Related Party Transactions , in the amount of 2.25% of the portion of the aggregate contract purchase price paid by us. See Note 12, Related Party Transactions — Acquisition and Development Stage — Acquisition Fee, for a further discussion.

(5) On November 1, 2017, we completed the acquisition of Central Florida Senior Housing Portfolio pursuant to a joint venture with an affiliate of Meridian. Our ownership of the joint venture is approximately 98% .

We accounted for the nine property acquisitions we completed for the year ended December 31, 2017 as asset acquisitions. We incurred base acquisition fees and direct acquisition related expenses of $11,019,000 . In addition, we incurred Contingent Advisor Payments of $7,342,000 to our advisor for such property acquisitions. The following table summarizes the purchase price of the assets acquired and liabilities assumed at the time of acquisition from our nine property acquisitions in 2017 based on their relative fair values:

	2017 Acquisitions
Building and improvements	$ 263,052,000
Land	39,879,000
Furniture, fixtures and equipment	4,453,000
In-place leases	30,754,000
Above-market leases	127,000
Total assets acquired	338,265,000
Mortgage loan payable	(8,000,000)
Below-market leases	(571,000)
Above-market leasehold interests	(395,000)
Total liabilities assumed	(8,966,000)
Net assets acquired	$ 329,299,000

Acquisitions in 2016

For the year ended December 31, 2016, we completed nine property acquisitions comprising 12 buildings from unaffiliated third parties. See Note 16, Business Combinations , for a further discussion. The following is a summary of our property acquisitions for the year ended December 31, 2016:

Acquisition(1)	Location	Type	Date Acquired	Contract Purchase Price	Mortgage Loan Payable(2)	Line of Credit(3)	Total Acquisition Fee(4)
Auburn MOB	Auburn, CA	Medical Office	06/28/16	$ 5,450,000	$ —	$ —	$ 245,000
Pottsville MOB	Pottsville, PA	Medical Office	09/16/16	9,150,000	—	—	412,000
Charlottesville MOB	Charlottesville, VA	Medical Office	09/22/16	20,120,000	—	—	905,000
Rochester Hills MOB	Rochester Hills, MI	Medical Office	09/29/16	8,300,000	3,968,000	—	374,000
Cullman MOB III	Cullman, AL	Medical Office	09/30/16	16,650,000	—	12,000,000	749,000
Iron MOB Portfolio	Cullman and Sylacauga, AL	Medical Office	10/13/16	31,000,000	—	30,400,000	1,395,000
Mint Hill MOB	Mint Hill, NC	Medical Office	11/14/16	21,000,000	—	20,400,000	945,000
Lafayette Assisted Living Portfolio	Lafayette, LA	Senior Housing	12/01/16	16,750,000	—	17,500,000	754,000
Evendale MOB	Evendale, OH	Medical Office	12/13/16	10,400,000	—	10,400,000	468,000
Total				$ 138,820,000	$ 3,968,000	$ 90,700,000	$ 6,247,000

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(1) We own 100% of our properties acquired in 2016.

(2) Represents the principal balance of the mortgage loan payable assumed by us at the time of acquisition.

(3) Represents a borrowing under the 2016 Line of Credit, as defined in Note 7, Line of Credit and Term Loan , at the time of acquisition.

(4) Our advisor was paid, as compensation for services rendered in connection with the investigation, selection and acquisition of our properties, a base acquisition fee of 2.25% of the portion of the aggregate contract purchase price paid by us. In addition, the total acquisition fee includes a Contingent Advisor Payment, as defined in Note 12, Related Party Transactions , in the amount of 2.25% of the portion of the aggregate contract purchase price paid by us. See Note 12, Related Party Transactions — Acquisition and Development Stage — Acquisition Fee, for a further discussion.

4. Identified Intangible Assets, Net

Identified intangible assets, net consisted of the following as of December 31, 2018 and 2017:

	December 31,	
	2018	2017
Amortized intangible assets:		
In-place leases, net of accumulated amortization of $11,299,000 and $5,832,000 as of December 31, 2018 and 2017, respectively (with a weighted average remaining life of 10.3 years and 7.3 years as of December 31, 2018 and 2017, respectively)	$ 67,332,000	$ 37,766,000
Leasehold interests, net of accumulated amortization of $217,000 and $119,000 as of December 31, 2018 and 2017, respectively (with a weighted average remaining life of 69.1 years and 70.6 years as of December 31, 2018 and 2017, respectively)	6,288,000	6,292,000
Above-market leases, net of accumulated amortization of $323,000 and $173,000 as of December 31, 2018 and 2017, respectively (with a weighted average remaining life of 4.5 years and 5.6 years as of December 31, 2018 and 2017, respectively)	755,000	763,000
Unamortized intangible assets:		
Certificates of need	348,000	—
Total	$ 74,723,000	$ 44,821,000

Amortization expense on identified intangible assets for the years ended December 31, 2018, 2017 and 2016 was $16,180,000 , $5,732,000 and $483,000 , respectively, which included $208,000 , $142,000 and $31,000 , respectively, of amortization recorded against real estate revenue for above-market leases and $98,000 , $97,000 and $22,000 , respectively, of amortization recorded to rental expenses for leasehold interests in our accompanying consolidated statements of operations.

The aggregate weighted average remaining life of the identified intangible assets was 15.3 years and 16.2 years as of December 31, 2018 and 2017, respectively. As of December 31, 2018 , estimated amortization expense on the identified intangible assets for each of the next five years ending December 31 and thereafter was as follows:

Year	Amount
2019	$ 10,464,000
2020	8,549,000
2021	7,680,000
2022	6,708,000
2023	5,716,000
Thereafter	35,258,000
Total	$ 74,375,000

5. Other Assets, Net

Other assets, net consisted of the following as of December 31, 2018 and 2017:

	December 31,	
	2018	2017
Investment in unconsolidated entity	$ 47,600,000	$ —
Deferred rent receivables	4,941,000	1,912,000
Deferred financing costs, net of accumulated amortization of $1,554,000 and $554,000 as of December 31, 2018 and 2017, respectively(1)	4,447,000	1,456,000
Prepaid expenses and deposits	2,682,000	1,532,000
Lease commissions, net of accumulated amortization of $64,000 and $9,000 as of December 31, 2018 and 2017, respectively	564,000	326,000
Total	$ 60,234,000	$ 5,226,000

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(1) Deferred financing costs, net only include costs related to our line of credit and term loan. See Note 7, Line of Credit and Term Loan , for a further discussion.

Amortization expense on deferred financing costs of our line of credit and term loan for the years ended December 31, 2018, 2017 and 2016 was $1,000,000 , $442,000 and $112,000 , respectively. Amortization expense on deferred financing costs of our line of credit and term loan is recorded to interest expense in our accompanying consolidated statements of operations. Amortization expense on lease commissions for the year ended December 31, 2018 and 2017 was $61,000 and $9,000 . We did no t incur any amortization expense on lease commissions for the year ended December 31, 2016.

Effective October 1, 2018, we, through GAHC4 Trilogy JV, LLC, a wholly-owned subsidiary of our operating partnership, purchased 6.0% of the total membership interests in Trilogy REIT Holdings, LLC, or the Trilogy Joint Venture, for $48,000,000 in cash, based on an estimated gross enterprise value of $93,154,000 consisting of our equity investment and a calculated pro rata share of the debt of the Trilogy Joint Venture based on our ownership interest. We acquired these membership interests from Trilogy Holdings NT-HCI, LLC, a wholly-owned subsidiary of NorthStar Healthcare Income Operating Partnership, LP, the operating partnership of NorthStar Healthcare Income, Inc., or collectively NHI, unaffiliated third parties. The Trilogy Joint Venture, through a 96.7% owned subsidiary, owns and operates purpose-built integrated senior health campuses, including skilled nursing facilities and assisted living facilities, located across several states, as well as certain ancillary businesses, which we believe complement our existing real estate portfolio. In addition to our membership interests, the Trilogy Joint Venture is 70.0% indirectly owned by Griffin-American Healthcare REIT III, Inc., or GAHR III, and the remaining 24.0% continues to be owned by NHI. GAHR III, through a wholly-owned subsidiary, serves as the manager of the Trilogy Joint Venture and both GAHR III and us are sponsored by American Healthcare Investors. In connection with the purchase of the Trilogy Joint Venture membership interests, we paid to our advisor a base acquisition fee of approximately $2,096,000 , or 2.25% of the estimated gross enterprise value of the Trilogy Joint Venture membership interests acquired by us. Additionally, as of December 31, 2018, we accrued for a Contingent Advisor Payment of approximately $2,096,000 , or 2.25% of the estimated gross enterprise value of the Trilogy Joint Venture membership interests acquired by us.

At December 31, 2018, the unamortized basis difference of our joint venture investment of $17,704,000 is primarily attributable to the difference between the amount for which we purchased our interest in the entity, including transaction costs, and the historical carrying value of the net assets of the entity. This difference is being amortized over the remaining useful life of the related assets and included in loss from unconsolidated entity in our accompanying consolidated statements of operations.

6. Mortgage Loans Payable, Net

As of December 31, 2018 and 2017, mortgage loans payable were $17,256,000 ($16,892,000 , including discount/premium and deferred financing costs, net) and $11,634,000 ($11,567,000 , including premium and deferred financing costs, net), respectively. As of December 31, 2018 , we had three fixed-rate mortgage loans with interest rates ranging from 3.75% to 5.25% per annum, maturity dates ranging from April 1, 2020 to August 1, 2029 and a weighted average effective interest rate of 4.51% . As of December 31, 2017, we had two fixed-rate mortgage loan with interest rates ranging from 4.77% to 5.25% per annum, maturity dates ranging from April 1, 2020 to August 1, 2029 and a weighted average effective interest rate of 4.92% .

The changes in the carrying amount of mortgage loans payable consisted of the following for the years ended December 31, 2018 and 2017:

		Amount
Mortgage loan payable, net — December 31, 2016	$	3,965,000
Additions:		
Assumption of mortgage loan payable, net		8,000,000
Amortization of deferred financing costs(1)		38,000
Deductions:		
Deferred financing costs(1)		(150,000)
Scheduled principal payments on mortgage loans payable		(273,000)
Amortization of premium on mortgage loan payable		(13,000)
Mortgage loans payable, net — December 31, 2017	$	11,567,000
Additions:		
Assumption of mortgage loan payable, net	$	5,808,000
Amortization of deferred financing costs(1)		76,000
Deductions:		
Deferred financing costs(1)		(123,000)
Scheduled principal payments on mortgage loans payable		(449,000)
Amortization of discount/premium on mortgage loans payable		13,000
Mortgage loans payable, net — December 31, 2018	$	16,892,000

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(1) Deferred financing costs only include costs related to our mortgage loans payable.

As of December 31, 2018 , the principal payments due on our mortgage loans payable for each of the next five years ending December 31 and thereafter were as follows:

Year		Amount
2019	$	518,000
2020		8,151,000
2021		434,000
2022		455,000
2023		478,000
Thereafter		7,220,000
Total	$	17,256,000

7. Line of Credit and Term Loan

On August 25, 2016, we, through our operating partnership, as borrower, and certain of our subsidiaries, or the subsidiary guarantors, and us, collectively as guarantors, entered into a credit agreement, or the 2016 Credit Agreement, with Bank of America, N.A., or Bank of America, as administrative agent, swing line lender and letters of credit issuer; and KeyBank, National Association, or KeyBank, as syndication agent and letters of credit issuer, to obtain a revolving line of credit with an aggregate maximum principal amount of $100,000,000 , or the 2016 Line of Credit, subject to certain terms and conditions.

On August 25, 2016, we also entered into separate revolving notes, or the Revolving Notes, with each of Bank of America and KeyBank, whereby we promised to pay the principal amount of each revolving loan and accrued interest to the respective lender or its registered assigns, in accordance with the terms and conditions of the 2016 Credit Agreement.

On October 31, 2017, we entered into an amendment to the 2016 Credit Agreement, or the Amendment, with Bank of America, as administrative agent, and the subsidiary guarantors and lenders named therein. The material terms of the Amendment provided for: (i) a $50,000,000 increase in the revolving line of credit from an aggregate principal amount of $100,000,000 to $150,000,000 , (ii) a term loan with an aggregate maximum principal amount of $50,000,000 , that would have matured on August 25, 2019, and may have been extended for one 12 -month period during the term of the 2016 Credit Agreement subject to satisfaction of certain conditions, including payment of an extension fee; (iii) our right, upon at least five business days’ prior written notice to Bank of America, to increase the 2016 Line of Credit or term loan provided that the aggregate principal amount of all such increases and additions would not have exceeded $300,000,000 ; (iv) a revision to the definition of Threshold Amount, as defined in the 2016 Credit Agreement, to reflect an increase in such amount for any Recourse Indebtedness, as defined in the 2016 Credit Agreement, to $20,000,000 , and an increase in such amount for any Non-Recourse Indebtedness, as defined in the 2016 Credit Agreement, to $50,000,000 ; (v) the revision of certain Unencumbered Property Pool Criteria, as defined and set forth in the 2016 Credit Agreement; and (vi) an increase in the maximum Consolidated Secured Leverage Ratio, as defined in the 2016 Credit Agreement, to be equal to or less than 40.0% . As a result of the Amendment, our aggregate borrowing capacity under the 2016 Line of Credit and the term loan, or collectively, the 2017 Credit Facility, was $200,000,000 .

On September 28, 2018, we entered into a second amendment to 2016 Credit Agreement, or the Second Amendment, with Bank of America, as administrative agent, and the subsidiary guarantors and lenders named therein. The material terms of the Second Amendment provided for an increase in the term loan commitment by an aggregate amount equal to $150,000,000 . As a result of the Second Amendment, the aggregate borrowing capacity under the 2017 Credit Facility was $350,000,000 . Except as modified by the Second Amendment, the material terms of the 2016 Credit Agreement, as amended, remained in full force and effect.

On November 20, 2018, we, through our operating partnership, terminated the 2016 Credit Agreement, as amended, and related separate revolving notes with each of Bank of America and KeyBank and entered into the 2018 Credit Agreement as described below. We currently do not have any obligations under the 2016 Credit Agreement, as amended, and related separate revolving notes.

On November 20, 2018, we, through our operating partnership as borrower, and certain of our subsidiaries, or the subsidiary guarantors, and us, collectively as guarantors, entered into a credit agreement, or the 2018 Credit Agreement, with Bank of America, as administrative agent, swing line lender and letters of credit issuer; KeyBank, as syndication agent and letters of credit issuer; Citizens Bank, National Association, or Citizens Bank, as syndication agent; Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arranger and joint bookrunner; KeyBanc Capital Markets, as joint lead arranger and joint bookrunner; Citizens Bank as joint lead arranger and joint bookrunner; and the lenders named therein, to obtain a credit facility with an aggregate maximum principal amount of $400,000,000 , or the 2018 Credit Facility. The 2018 Credit Facility consists of a senior unsecured revolving credit facility in the initial aggregate amount of $150,000,000 and a senior unsecured term loan facility in the initial aggregate amount of $250,000,000 , consisting of (i) a $200,000,000 term loan made on November 20, 2018 and (ii) an up to $50,000,000 delayed-draw term loan to be made one additional time during the Term Loan Delayed Draw Commitment Period (as defined in the 2018 Credit Agreement). Such delayed draw was made on January 18, 2019. The proceeds of loans made under the 2018 Credit Facility may be used for refinancing existing indebtedness and for general corporate purposes including for working capital, capital expenditures and other corporate purposes not inconsistent with obligations under the 2018 Credit Agreement. We may obtain up to $20,000,000 in the form of standby letters of credit and up to $50,000,000 in the form of swing line loans. The 2018 Credit Facility matures on November 19, 2021 and may be extended for one 12-month period during the term of the 2018 Credit Agreement subject to satisfaction of certain conditions, including payment of an extension fee.

The maximum principal amount of the 2018 Credit Facility may be increased by up to $250,000,000 , for a total principal amount of $650,000,000 , subject to: (i) the terms of the 2018 Credit Agreement; and (ii) at least five business days' prior written notice to Bank of America.

At our option, the 2018 Credit Facility bears interest at per annum rates equal to (a)(i) the Eurodollar Rate (as defined in the 2018 Credit Agreement) plus (ii) a margin ranging from 1.75% to 2.25% based on our Consolidated Leverage Ratio (as defined in the 2018 Credit Agreement), or (b) (i) the greater of: (1) the prime rate publicly announced by Bank of America, (2) the Federal Funds Rate (as defined in the 2018 Credit Agreement) plus 0.50% , (3) the one-month Eurodollar Rate plus 1.00% , and (4) 0.00% , plus (ii) a margin ranging from 0.55% to 1.05% based on our Consolidated Leverage Ratio. Accrued interest on the 2018 Credit Facility is payable monthly. The loans may be repaid in whole or in part without prepayment premium or penalty, subject to certain conditions.

We are required to pay a fee on the unused portion of the lenders' commitments under the 2018 Credit Agreement at a per annum rate equal to 0.20% if the average daily used amount is greater than 50.0% of the commitments and 0.25% if the average daily used amount is less than or equal to 50.0% of the commitments, which fee shall be measured and payable on a quarterly basis.

The 2018 Credit Agreement contains various affirmative and negative covenants that are customary for credit facilities and transactions of this type, including limitations on the incurrence of debt by our operating partnership and its subsidiaries and limitations on secured recourse indebtedness. The 2018 Credit Agreement also imposes certain financial covenants based on the following criteria, which are specifically defined in the 2018 Credit Agreement: (a) Consolidated Leverage Ratio; (b) Consolidated Secured Leverage Ratio; (c) Consolidated Tangible Net Worth; (d) Consolidated Fixed Charge Coverage Ratio; (e) Secured Recourse Indebtedness; (f) Consolidated Unencumbered Leverage Ratio; (g) Consolidated Unencumbered Interest Coverage Ratio; and (h) Unencumbered Indebtedness Yield.

The 2018 Credit Agreement requires us to add additional subsidiaries as guarantors in the event the value of the assets owned by the subsidiary guarantors falls below a certain threshold as set forth in the 2018 Credit Agreement. In the event of default, Bank of America has the right to terminate the commitment of each Lender (as defined in the 2018 Credit Agreement) to make Loans (as defined in the 2018 Credit Agreement) and any obligation of the L/C Issuer (as defined in the 2018 Credit Agreement) to make L/C Credit Extensions (as defined in the 2018 Credit Agreement) under the 2018 Credit Agreement, and to accelerate the payment on any unpaid principal amount of all outstanding loans and interest thereon.

As of December 31, 2018 , our aggregate borrowing capacity under the 2018 Credit Facility was $400,000,000 . As of December 31, 2018 , borrowings outstanding totaled $275,000,000 and the weighted average interest rate on such borrowings outstanding was 4.25% per annum.

As of December 31, 2017, our aggregate borrowing capacity under the 2017 Credit Facility was $200,000,000 . As of December 31, 2017, borrowings outstanding totaled $84,100,000 and the weighted average interest rate on such borrowings outstanding was 3.45% per annum.

8. Identified Intangible Liabilities, Net

Identified intangible liabilities, net consisted of the following as of December 31, 2018 and 2017:

	December 31,	
	2018	2017
Below-market leases, net of accumulated amortization of $678,000 and $345,000 as of December 31, 2018 and 2017, respectively (with a weighted average remaining life of 5.7 years and 6.4 years as of December 31, 2018 and 2017, respectively)	$ 1,245,000	$ 1,349,000
Above-market leasehold interests, net of accumulated amortization of $13,000 and $6,000 as of December 31, 2018 and 2017, respectively (with a weighted average remaining life of 51.2 and 52.2 years as of December 31, 2018 and 2017, respectively)	382,000	388,000
Total	$ 1,627,000	$ 1,737,000

Amortization expense on identified intangible liabilities for the years ended December 31, 2018 , 2017 and 2016 was $380,000 , $291,000 and $60,000 , respectively, which included $373,000 , $285,000 and $60,000 , respectively, of amortization recorded to real estate revenue for below-market leases and $7,000 , $6,000 and $0 , respectively, of amortization recorded against rental expenses for above-market leasehold interests in our accompanying consolidated statements of operations.

The aggregate weighted average remaining life of the identified intangible liabilities was 16.4 years and 16.7 years as of December 31, 2018 and 2017, respectively. As of December 31, 2018 , estimated amortization expense on the identified intangible liabilities for each of the next five years ending December 31 and thereafter was as follows:

Year	Amount
2019	$ 387,000
2020	223,000
2021	168,000
2022	143,000
2023	132,000
Thereafter	574,000
Total	$ 1,627,000

9. Commitments and Contingencies

Litigation

We are not presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us, which if determined unfavorably to us, would have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Environmental Matters

We follow a policy of monitoring our properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist at our properties, we are not currently aware of any environmental liability with respect to our properties that would have a material effect on our consolidated financial position, results of operations or cash flows. Further, we are not aware of any material environmental liability or any unasserted claim or assessment with respect to an environmental liability that we believe would require additional disclosure or the recording of a loss contingency.

Other

Our other commitments and contingencies include the usual obligations of real estate owners and operators in the normal course of business, which include calls/puts to sell/acquire properties. In our view, these matters are not expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

10. Redeemable Noncontrolling Interests

As of December 31, 2018 and 2017, we owned greater than a 99.99% general partnership interest in our operating partnership, and our advisor owned less than a 0.01% limited partnership interest in our operating partnership. The noncontrolling interest of our advisor in our operating partnership, which has redemption features outside of our control, is accounted for as a redeemable noncontrolling interest and is presented outside of permanent equity in our accompanying consolidated balance sheets. See Note 12, Related Party Transactions — Liquidity Stage — Subordinated Participation Interest — Subordinated Distribution Upon Listing, and Note 12, Related Party Transactions — Subordinated Distribution Upon Termination, for a further discussion of the redemption features of the limited partnership units.

On November 1, 2017, we completed the acquisition of Central Florida Senior Housing Portfolio pursuant to a joint venture with an affiliate of Meridian. Our ownership of the joint venture is approximately 98% . On July 1, 2018 and August 1, 2018, we completed the acquisitions of Pinnacle Beaumont ALF and Pinnacle Warrenton ALF, respectively, pursuant to a joint venture with an affiliate of Meridian. Our ownership of the joint ventures is approximately 98% . The noncontrolling interests held by Meridian have redemption features outside of our control and are accounted for as redeemable noncontrolling interests in our accompanying consolidated balance sheets.

We record the carrying amount of redeemable noncontrolling interests at the greater of: (i) the initial carrying amount, increased or decreased for the noncontrolling interests' share of net income or loss and distributions; or (ii) the redemption value. The changes in the carrying amount of redeemable noncontrolling interests consisted of the following for the years ended December 31, 2018 and 2017:

	December 31,	
	2018	2017
Beginning balance	$ 1,002,000	$ 2,000
Additions	369,000	1,000,000
Net loss attributable to redeemable noncontrolling interests	(232,000)	(33,000)
Fair value adjustment to redemption value	232,000	33,000
Ending balance	$ 1,371,000	$ 1,002,000

11. Equity

Preferred Stock

Our charter authorizes us to issue 200,000,000 shares of our preferred stock, par value $0.01 per share. As of December 31, 2018 and 2017, no shares of our preferred stock were issued and outstanding.

Common Stock

Our charter authorizes us to issue 1,000,000,000 shares of our common stock, par value $0.01 per share. We commenced our initial public offering of shares of our common stock on February 16, 2016, and as of such date we were initially offering to the public up to $3,150,000,000 in shares of our Class T common stock, consisting of up to $3,000,000,000 in shares of our Class T common stock in our primary offering and up to $150,000,000 in shares of our Class T common stock pursuant to the DRIP. Effective June 17, 2016, we reallocated certain of the unsold shares of our Class T common stock being offered and began offering shares of our Class I common stock, such that we were offering up to approximately $2,800,000,000 in shares of Class T common stock and $200,000,000 in shares of Class I common stock in our primary offering, and up to an aggregate of $150,000,000 in shares of our Class T and Class I common stock pursuant to the DRIP. Subsequent to the reallocation, of the 1,000,000,000 shares of common stock authorized, 900,000,000 shares are classified as Class T common stock and 100,000,000 shares are classified as Class I common stock.

Each share of our common stock, regardless of class, will be entitled to one vote per share on matters presented to the common stockholders for approval; provided, however, that stockholders of one share class shall have exclusive voting rights on any amendment to our charter that would alter only the contract rights of that share class, and no stockholders of another share class shall be entitled to vote thereon.

On February 6, 2015, our advisor acquired shares of our Class T common stock for total cash consideration of $200,000 and was admitted as our initial stockholder. We used the proceeds from the sale of shares of our Class T common stock to our advisor to make an initial capital contribution to our operating partnership. As of December 31, 2018 and 2017, our advisor owned 20,833 shares of our Class T common stock.

Through December 31, 2018, we had issued 66,755,516 aggregate shares of our Class T and Class I common stock in connection with the primary portion of our offering and 2,846,786 aggregate shares of our Class T and Class I common stock pursuant to the DRIP. We also granted an aggregate of 60,000 shares of our restricted Class T common stock to our independent directors and repurchased 428,164 shares of our common stock under our share repurchase plan through December 31, 2018. As of December 31, 2018 and 2017, we had 69,254,971 and 42,207,160 aggregate shares of our Class T and Class I common stock, respectively, issued and outstanding.

As of December 31, 2018 , we had a receivable of $1,670,000 for offering proceeds, net of selling commissions and dealer manager fees, from our transfer agent, which was received in January 2019.

Distribution Reinvestment Plan

We had registered and reserved $150,000,000 in shares of our common stock for sale pursuant to the DRIP in our offering. The DRIP allows stockholders to purchase additional Class T shares and Class I shares of our common stock through the reinvestment of distributions during our offering. Pursuant to the DRIP, distributions with respect to Class T shares are reinvested in Class T shares and distributions with respect to Class I shares are reinvested in Class I shares. On February 15, 2019, we terminated our offering. We continue to offer up to $100,000,000 in shares of our common stock pursuant to the 2019 DRIP Offering.

For the years ended December 31, 2018, 2017 and 2016 $17,612,000 , $8,689,000 and $796,000 , respectively, in distributions were reinvested and 1,838,711 , 924,358 and 83,717 shares of our common stock, respectively, were issued pursuant to the DRIP. As of December 31, 2018 and 2017, a total of $27,097,000 and $9,485,000 , respectively, in distributions were reinvested that resulted in 2,846,786 and 1,008,075 shares of our common stock, respectively, being issued pursuant to the DRIP.

Share Repurchase Plan

In February 2016, our board of directors approved a share repurchase plan. The share repurchase plan allows for repurchases of shares of our common stock by us when certain criteria are met. Share repurchases will be made at the sole discretion of our board of directors. Subject to the availability of the funds for share repurchases, we will limit the number of shares of our common stock repurchased during any calendar year to 5.0% of the weighted average number of shares of our common stock outstanding during the prior calendar year; provided, however, that shares subject to a repurchase requested upon the death of a stockholder will not be subject to this cap. Funds for the repurchase of shares of our common stock will come exclusively from the cumulative proceeds we receive from the sale of shares of our common stock pursuant to the DRIP.

All repurchases of our shares of common stock are subject to a one -year holding period, except for repurchases made in connection with a stockholder's death or "qualifying disability," as defined in our share repurchase plan. Further, all share repurchases are repurchased following a one -year holding period at a price between 92.5% to 100% of each stockholder's repurchase amount depending on the period of time their shares have been held. During our offering and with respect to shares repurchased for the quarter ending March 31, 2019, the repurchase amount for shares repurchased under our share repurchase plan was equal to the lesser of (i) the amount per share that a stockholder paid for their shares of our common stock, or (ii) the per share offering price in our offering. Commencing with shares repurchased for the quarter ending June 30, 2019, the repurchase amount for shares repurchased under our share repurchase plan will be the lesser of the amount per share the stockholder paid for their shares of our common stock or the most recent estimated value of one share of the applicable class of common stock as determined by our board of directors. However, if shares of our common stock are repurchased in connection with a stockholder's death or qualifying disability, the repurchase price will be no less than 100% of the price paid to acquire the shares of our common stock from us. Furthermore, our share repurchase plan provides that if there are insufficient funds to honor all repurchase requests, pending requests will be honored among all requests for repurchase in any given repurchase period, as follows: first, pro rata as to repurchases sought upon a stockholder's death; next, pro rata as to repurchases sought by stockholders with a qualifying disability; and, finally, pro rata as to other repurchase requests.

For the years ended December 31, 2018 and 2017, we received share repurchase requests and repurchased 350,418 and 77,746 shares of our common stock, respectively, for an aggregate of $3,312,000 and $735,000 at an average repurchase price of $9.45 per share. As of December 31, 2018 and 2017, we received cumulative share repurchase requests and repurchased 428,164 and 77,746 shares of our common stock, respectively, for an aggregate of $4,047,000 and $735,000 , respectively, at an average repurchase price of $9.45 per share. All shares were repurchased using proceeds we received from the sale of shares of our common stock pursuant to the DRIP.

2015 Incentive Plan

In February 2016, we adopted our incentive plan, pursuant to which our board of directors or a committee of our independent directors may make grants of options, restricted shares of common stock, stock purchase rights, stock appreciation rights or other awards to our independent directors, employees and consultants. The maximum number of shares of our common stock that may be issued pursuant to our incentive plan is 4,000,000 shares. For the years ended December 31, 2018 and 2017, we granted 22,500 shares of our restricted Class T common stock at a weighted average grant date fair value of $9.65 and $10.00 per share, respectively, to our independent directors in connection with their election or re-election to our board of directors, or in consideration for their past services rendered. Such shares vested 20.0% immediately on the grant date and 20.0% will vest on each of the first four anniversaries of the grant date. For the years ended December 31, 2018, 2017 and

2016, we recognized stock compensation expense of $185,000 , $131,000 and $80,000 , respectively, which is included in general and administrative in our accompanying consolidated statements of operations.

Offering Costs

Selling Commissions

We generally paid our dealer manager selling commissions of up to 3.0% of the gross offering proceeds from the sale of Class T shares of our common stock pursuant to our primary offering. To the extent that selling commissions were less than 3.0% of the gross offering proceeds for any Class T shares sold, such reduction in selling commissions was accompanied by a corresponding reduction in the applicable per share purchase price for purchases of such shares. No selling commissions were payable on Class I shares or shares of our common stock sold pursuant to the DRIP. Our dealer manager may have re-allowed all or a portion of these fees to participating broker-dealers. For the years ended December 31, 2018, 2017 and 2016, we incurred $6,983,000 , $8,329,000 and $3,045,000 , respectively, in selling commissions to our dealer manager. Such commissions were charged to stockholders' equity as such amounts were paid to our dealer manager from the gross proceeds of our offering.

Dealer Manager Fee

With respect to shares of our Class T common stock, our dealer manager generally received a dealer manager fee of up to 3.0% of the gross offering proceeds from the sale of Class T shares of our common stock pursuant to our primary offering, of which 1.0% of the gross offering proceeds was funded by us and up to an amount equal to 2.0% of the gross offering proceeds was funded by our advisor. With respect to shares of our Class I common stock, prior to March 1, 2017, our dealer manager generally received a dealer manager fee up to 3.0% of the gross offering proceeds from the sale of Class I shares of our common stock pursuant to our primary offering, of which 1.0% of the gross offering proceeds was funded by us and an amount equal to 2.0% of the gross offering proceeds was funded by our advisor. Effective March 1, 2017, our dealer manager generally received a dealer manager fee up to an amount equal to 1.5% of the gross offering proceeds from the sale of Class I shares pursuant to our primary offering, all of which was funded by our advisor. Our dealer manager may have entered into participating dealer agreements with participating dealers that provided for a reduction or waiver of dealer manager fees. To the extent that the dealer manager fee was less than 3.0% of the gross offering proceeds for any Class T shares sold and less than 1.5% of the gross offering proceeds for any Class I shares sold, such reduction was applied first to the portion of the dealer manager fee funded by our advisor. To the extent that any reduction in dealer manager fee exceeded the portion of the dealer manager fee funded by our advisor, such excess reduction was accompanied by a corresponding reduction in the applicable per share purchase price for purchases of such shares. No dealer manager fee was payable on shares of our common stock sold pursuant to the DRIP. Our dealer manager may have re-allowed all or a portion of these fees to participating broker-dealers.

For the years ended December 31, 2018, 2017 and 2016, we incurred $2,364,000 , $2,844,000 and $1,106,000 , respectively, in dealer manager fees to our dealer manager. Such fees were charged to stockholders' equity as such amounts were paid to our dealer manager or its affiliates from the gross proceeds of our offering. See Note 12, Related Party Transactions — Offering Stage — Dealer Manager Fee, for a further discussion of the dealer manager fee funded by our advisor.

Stockholder Servicing Fee

We pay our dealer manager a quarterly stockholder servicing fee with respect to our Class T shares sold as additional compensation to the dealer manager and participating broker-dealers. No stockholder servicing fee is paid with respect to Class I shares or shares of our common stock sold pursuant to the DRIP. The stockholder servicing fee accrues daily in an amount equal to 1/365th of 1.0% of the purchase price per share of our Class T shares sold in our primary offering and, in the aggregate will not exceed an amount equal to 4.0% of the gross proceeds from the sale of Class T shares in our primary offering. We will cease paying the stockholder servicing fee with respect to our Class T shares sold in our offering upon the occurrence of certain defined events. Our dealer manager may re-allow to participating broker-dealers all or a portion of the stockholder servicing fee for services that such participating broker-dealers perform in connection with the shares of our Class T common stock. By agreement with participating broker-dealers, such stockholder servicing fee may be reduced or limited.

For the years ended December 31, 2018, 2017 and 2016, we incurred $8,069,000 , $10,421,000 and $4,052,000 , respectively, in stockholder servicing fees to our dealer manager. As of December 31, 2018 and 2017, we accrued $16,395,000 and $12,611,000 , respectively, in connection with the stockholder servicing fee payable, which is included in accounts payable and accrued liabilities with a corresponding offset to stockholders' equity in our accompanying consolidated balance sheets.

12. Related Party Transactions

Fees and Expenses Paid to Affiliates

All of our executive officers and one of our non-independent directors are also executive officers and employees and/or holders of a direct or indirect interest in our advisor, one of our co-sponsors or other affiliated entities. We are affiliated with our advisor, American Healthcare Investors and AHI Group Holdings; however, we are not affiliated with Griffin Capital, our dealer manager, Colony Capital or Mr. Flaherty. We entered into the Advisory Agreement, which entitles our advisor and its affiliates to specified compensation for certain services, as well as reimbursement of certain expenses. Our board of directors, including a majority of our independent directors, has reviewed the material transactions between our affiliates and us during the year ended December 31, 2018. Set forth below is a description of the transactions with affiliates. We believe that we have executed all of the transactions set forth below on terms that are fair and reasonable to us and on terms no less favorable to us than those available from unaffiliated third parties. For the years ended December 31, 2018, 2017 and 2016, we incurred $22,355,000 , $17,650,000 and $9,112,000 , respectively, in fees and expenses to our affiliates as detailed below.

Offering Stage

Dealer Manager Fee

With respect to shares of our Class T common stock, our dealer manager generally received a dealer manager fee of up to 3.0% of the gross offering proceeds from the sale of Class T shares of our common stock pursuant to our primary offering, of which 1.0% of the gross offering proceeds was funded by us and up to an amount equal to 2.0% of the gross offering proceeds was funded by our advisor. With respect to shares of our Class I common stock, prior to March 1, 2017, our dealer manager generally received a dealer manager fee up to 3.0% of the gross offering proceeds from the sale of Class I shares of our common stock pursuant to our primary offering, of which 1.0% of the gross offering proceeds was funded by us and an amount equal to 2.0% of the gross offering proceeds was funded by our advisor. Effective March 1, 2017, our dealer manager generally received a dealer manager fee up to an amount equal to 1.5% of the gross offering proceeds from the sale of Class I shares pursuant to our primary offering, all of which was funded by our advisor. Our dealer manager may have entered into participating dealer agreements with participating dealers that provided for a reduction or waiver of dealer manager fees. To the extent that the dealer manager fee was less than 3.0% of the gross offering proceeds for any Class T shares sold and less than 1.5% of the gross offering proceeds for any Class I shares sold, such reduction was applied first to the portion of the dealer manager fee funded by our advisor. To the extent that any reduction in dealer manager fee exceeded the portion of the dealer manager fee funded by our advisor, such excess reduction was accompanied by a corresponding reduction in the applicable per share purchase price for purchases of such shares. No dealer manager fee is payable on shares of our common stock sold pursuant to the DRIP. Our advisor intends to recoup the portion of the dealer manager fee it funds through the receipt of the Contingent Advisor Payment from us, as described below, through the payment of acquisition fees.

For the years ended December 31, 2018, 2017 and 2016, we incurred $4,878,000 , $5,851,000 and $2,212,000 , respectively, payable to our advisor as part of the Contingent Advisor Payment in connection with the dealer manager fee that our advisor had incurred. Such fee was charged to stockholders' equity as incurred with a corresponding offset to accounts payable due to affiliates in our accompanying consolidated balance sheets. See Note 11, Equity — Offering Costs — Dealer Manager Fee, for a further discussion of the dealer manager fee funded by us.

Other Organizational and Offering Expenses

Our other organizational and offering expenses in connection with our offering (other than selling commissions, the dealer manager fee and the stockholder servicing fee) are funded by our advisor. Our advisor intends to recoup such expenses it funds through the receipt of the Contingent Advisor Payment from us, as described below, through the payment of acquisition fees. Our other organizational and offering expenses will not exceed 1.0% of the gross offering proceeds for shares of our common stock sold pursuant to our primary offering. No other organizational and offering expenses will be paid with respect to shares of our common stock sold pursuant to the DRIP.

For the years ended December 31, 2018, 2017 and 2016, we incurred $1,465,000 , $1,583,000 and $3,192,000 , respectively, payable to our advisor as part of the Contingent Advisor Payment in connection with the other organizational and offering expenses that our advisor had incurred. Such expenses were charged to stockholders' equity as incurred with a corresponding offset to accounts payable due to affiliates in our accompanying consolidated balance sheets.

Acquisition and Development Stage

Acquisition Fee

We pay our advisor an acquisition fee of up to 4.50% of the contract purchase price, including any contingent or earn-out payments that may be paid, of each property we acquire or, with respect to any real estate-related investment we originate or acquire, up to 4.25% of the origination or acquisition price, including any contingent or earn-out payments that may be paid. The 4.50% or 4.25% acquisition fees consist of a 2.25% or 2.00% base acquisition fee, or the base acquisition fee, for real estate and real estate-related acquisitions, respectively, and an additional 2.25% contingent advisor payment, or the Contingent Advisor Payment. The Contingent Advisor Payment allows our advisor to recoup the portion of the dealer manager fee and other organizational and offering expenses funded by our advisor. Therefore, the amount of the Contingent Advisor Payment paid upon the closing of an acquisition shall not exceed the then outstanding amounts paid by our advisor for dealer manager fees and other organizational and offering expenses at the time of such closing. For these purposes, the amounts paid by our advisor and considered as "outstanding" were reduced by the amount of the Contingent Advisor Payment previously paid. Notwithstanding the foregoing, the initial $7,500,000 of amounts paid by our advisor to fund the dealer manager fee and other organizational and offering expenses, or the Contingent Advisor Payment Holdback, was retained by us until February 2019, the termination of our last public offering and the third anniversary of the commencement date of our initial public offering, at which time such amount was paid to our advisor. Our advisor or its affiliates is entitled to receive these acquisition fees for properties and real estate-related investments acquired with funds raised in our offering, including acquisitions completed after the termination of the Advisory Agreement (including imputed leverage of 50.0% on funds raised in our offering), or funded with net proceeds from the sale of a property or real estate-related investment, subject to certain conditions. Our advisor may waive or defer all or a portion of the acquisition fee at any time and from time to time, in our advisor's sole discretion.

The base acquisition fee in connection with the acquisition of real estate investments accounted for as business combinations is expensed as incurred and included in acquisition related expenses in our accompanying consolidated statements of operations. The base acquisition fee in connection with the acquisition of properties accounted for as asset acquisitions or the acquisition of real estate-related investments is capitalized as part of the associated investment in our accompanying consolidated balance sheets. For the years ended December 31, 2018, 2017 and 2016, we paid base acquisition fees of $10,096,000 , $7,342,000 and $3,124,000 , respectively, to our advisor. As of December 31, 2018 and 2017, we recorded $7,866,000 and $7,744,000 , respectively, as part of the Contingent Advisor Payment, which is included in accounts payable due to affiliates with a corresponding offset to stockholders' equity in our accompanying consolidated balance sheets. As of December 31, 2018 and 2017, we have paid $11,316,000 and $5,095,000 , respectively, in Contingent Advisor Payments to our advisor. For a further discussion of amounts paid in connection with the Contingent Advisor Payment, see "Dealer Manager Fee" and "Other Organizational and Offering Expenses," above. In addition, see Note 3, Real Estate Investments, Net and Note 21, Subsequent Events , for a further discussion.

Development Fee

In the event our advisor or its affiliates provide development-related services, we pay our advisor or its affiliates a development fee in an amount that is usual and customary for comparable services rendered for similar projects in the geographic market where the services are provided; however, we will not pay a development fee to our advisor or its affiliates if our advisor or its affiliates elect to receive an acquisition fee based on the cost of such development.

For the year ended December 31, 2018, we incurred development fees of $6,000 to our advisor. For the years ended December 31, 2017 and 2016, we did no t incur any development fees to our advisor or its affiliates.

Reimbursement of Acquisition Expenses

We reimburse our advisor or its affiliates for acquisition expenses related to selecting, evaluating and acquiring assets, which are reimbursed regardless of whether an asset is acquired. The reimbursement of acquisition expenses, acquisition fees, total development costs and real estate commissions paid to unaffiliated third parties will not exceed, in the aggregate, 6.0% of the contract purchase price of the property or real estate-related investments, unless fees in excess of such limits are approved by a majority of our directors, including a majority of our independent directors, not otherwise interested in the transaction. For the years ended December 31, 2018, 2017 and 2016, such fees and expenses paid did not exceed 6.0% of the contract purchase price of our property acquisitions, except with respect to our acquisitions of Auburn MOB, Pottsville MOB, Lafayette Assisted Living Portfolio, Athens MOB and Northern California Senior Housing Portfolio, which excess fees were approved by our directors as set forth above. For a further discussion, see Note 3, Real Estate Investments, Net .

Reimbursements of acquisition expenses in connection with the acquisition of real estate investments accounted for as business combinations are expensed as incurred and included in acquisition related expenses in our accompanying consolidated statements of operations. Reimbursements of acquisition expenses in connection with the acquisition of properties accounted for as asset acquisitions or the acquisition of real estate-related investments are capitalized as part of the associated investment in our accompanying consolidated balance sheets. For each of the years ended December 31, 2018 and 2017, we incurred $2,000 in acquisition expenses to our advisor or its affiliates. We did no t incur any such acquisition expenses to our advisor or its affiliates for the year ended December 31, 2016.

Operational Stage

Asset Management Fee

We pay our advisor or its affiliates a monthly fee for services rendered in connection with the management of our assets equal to one-twelfth of 0.80% of average invested assets. For such purposes, average invested assets means the average of the aggregate book value of our assets invested in real estate investments and real estate-related investments, before deducting depreciation, amortization, bad debt and other similar non-cash reserves, computed by taking the average of such values at the end of each month during the period of calculation.

For the years ended December 31, 2018, 2017 and 2016, we incurred $4,975,000 , $2,344,000 and $151,000 , respectively, in asset management fees to our advisor. Our advisor agreed to waive certain asset management fees that may otherwise have been due to our advisor pursuant to the Advisory Agreement until such time as the amount of such waived asset management fees was equal to the amount of distributions payable to our stockholders for the period beginning on May 1, 2016 and ending on the date of the acquisition of our first property or real estate-related investment, as such terms are defined in the Advisory Agreement. We purchased our first property in June 2016. As such, the asset management fees of $80,000 that would have been incurred through December 2016 were waived by our advisor. Our advisor did not receive any additional securities, shares of our stock, or any other form of consideration or any repayment as a result of the waiver of such asset management fees. Asset management fees are included in general and administrative in our accompanying consolidated statements of operations.

Property Management Fee

American Healthcare Investors or its designated personnel may provide property management services with respect to our properties or may sub-contract these duties to any third party and provide oversight of such third-party property manager. We pay American Healthcare Investors a monthly management fee equal to a percentage of the gross monthly cash receipts of such property as follows: (i) a property management oversight fee of 1.0% of the gross monthly cash receipts of any stand-alone, single-tenant, net leased property, except for such properties operated utilizing a RIDEA structure, for which we pay a property management oversight fee of 1.5% of the gross monthly cash receipts with respect to such property; (ii) a property management oversight fee of 1.5% of the gross monthly cash receipts of any property that is not a stand-alone, single-tenant, net leased property and for which American Healthcare Investors or its designated personnel provide oversight of a third party that performs the duties of a property manager with respect to such property; or (iii) a fair and reasonable property management fee that is approved by a majority of our directors, including a majority of our independent directors, that is not less favorable to us than terms available from unaffiliated third parties for any property that is not a stand-alone, single-tenant, net leased property and for which American Healthcare Investors or its designated personnel directly serve as the property manager without sub-contracting such duties to a third party.

Property management fees are included in property operating expenses and rental expenses in our accompanying consolidated statements of operations. For the years ended December 31, 2018, 2017 and 2016, we incurred property management fees of $ 746,000 , $381,000 and $47,000 , respectively, to American Healthcare Investors.

Lease Fees

We may pay our advisor or its affiliates a separate fee for any leasing activities in an amount not to exceed the fee customarily charged in arm's-length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area. Such fee is generally expected to range from 3.0% to 6.0% of the gross revenues generated during the initial term of the lease.

Lease fees are capitalized as lease commissions, which are included in other assets, net in our accompanying consolidated balance sheets, and amortized over the term of the lease. For the year ended December 31, 2018 and 2017, we incurred lease fees of $94,000 and $64,000 , respectively. For the year ended December 31, 2016, we did no t incur any lease fees to our advisor or its affiliates.

Construction Management Fee

In the event that our advisor or its affiliates assist with planning and coordinating the construction of any capital or tenant improvements, we pay our advisor or its affiliates a construction management fee of up to 5.0% of the cost of such improvements. Construction management fees are capitalized as part of the associated asset and included in real estate investments, net in our accompanying consolidated balance sheets or are expensed and included in our accompanying consolidated statements of operations, as applicable. For the year ended December 31, 2018 and 2017, we incurred construction management fees of $28,000 and $1,000 , respectively. For the year ended December 31, 2016, we did no t incur any construction management fees to our advisor or its affiliates.

Operating Expenses

We reimburse our advisor or its affiliates for operating expenses incurred in rendering services to us, subject to certain limitations. However, we cannot reimburse our advisor or its affiliates at the end of any fiscal quarter for total operating expenses that, in the four consecutive fiscal quarters then ended, exceed the greater of: (i) 2.0% of our average invested assets, as defined in the Advisory Agreement; or (ii) 25.0% of our net income, as defined in the Advisory Agreement, unless our independent directors determined that such excess expenses were justified based on unusual and nonrecurring factors which they deem sufficient.

Our operating expenses as a percentage of average invested assets and as a percentage of net income were 1.2% and 28.3% , respectively, for the 12 months ended December 31, 2018; however, we did not exceed the aforementioned limitation. Our operating expenses as a percentage of average invested assets and as a percentage of net income were 1.3% and 27.9% , respectively, for the 12 months ended December 31, 2017; however, we did not exceed the aforementioned limitation. Our operating expenses as a percentage of average invested assets and as a percentage of net income were 3.3% and (27.5)% , respectively, for the 12 months ended December 31, 2016 and we exceeded the aforementioned limitation by $437,000 . During the early stages of our operations in 2016, our general and administrative expenses were relatively high compared with our net income and our average invested assets. Our board of directors determined that the relationship of our general and administrative expenses to our funds from operations and our average invested assets was justified for the 12 months ended December 31, 2016 given the costs of operating a public company and the early stages of our operations in 2016.

For the years ended December 31, 2018, 2017 and 2016, our advisor incurred operating expenses on our behalf of $65,000 , $82,000 and $386,000 , respectively. Operating expenses are generally included in general and administrative in our accompanying consolidated statements of operations.

Compensation for Additional Services

We pay our advisor and its affiliates for services performed for us other than those required to be rendered by our advisor or its affiliates under the Advisory Agreement. The rate of compensation for these services has to be approved by a majority of our board of directors, including a majority of our independent directors, and cannot exceed an amount that would be paid to unaffiliated parties for similar services. For the years ended December 31, 2018, 2017 and 2016, our advisor and its affiliates were not compensated for any additional services.

Liquidity Stage

Disposition Fees

For services relating to the sale of one or more properties, we pay our advisor or its affiliates a disposition fee up to the lesser of 2.0% of the contract sales price or 50.0% of a customary competitive real estate commission given the circumstances surrounding the sale, in each case as determined by our board of directors, including a majority of our independent directors, upon the provision of a substantial amount of the services in the sales effort. The amount of disposition fees paid, when added to the real estate commissions paid to unaffiliated parties, will not exceed the lesser of the customary competitive real estate commission or an amount equal to 6.0% of the contract sales price. For the years ended December 31, 2018, 2017 and 2016, we did not incur any disposition fees to our advisor or its affiliates.

Subordinated Participation Interest

Subordinated Distribution of Net Sales Proceeds

In the event of liquidation, we will pay our advisor a subordinated distribution of net sales proceeds. The distribution will be equal to 15.0% of the remaining net proceeds from the sales of properties, after distributions to our stockholders, in the aggregate, of: (i) a full return of capital raised from stockholders (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase plan); plus (ii) an annual 6.0% cumulative, non-compounded return on the gross proceeds from the sale of shares of our common stock, as adjusted for distributions of net sales proceeds. Actual amounts to be received depend on the sale prices of properties upon liquidation. For the years ended December 31, 2018, 2017 and 2016, we did not pay any such distributions to our advisor.

Subordinated Distribution Upon Listing

Upon the listing of shares of our common stock on a national securities exchange, in redemption of our advisor's limited partnership units, we will pay our advisor a distribution equal to 15.0% of the amount by which: (i) the market value of our outstanding common stock at listing plus distributions paid prior to listing exceeds (ii) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase plan) and the amount of cash equal to an annual 6.0% cumulative, non-compounded return on the gross proceeds from the sale of shares of our common stock through the date of listing. Actual amounts to be received depend upon the market value of our outstanding stock at the time of listing, among other factors. For the years ended December 31, 2018, 2017 and 2016, we did not pay any such distributions to our advisor.

Subordinated Distribution Upon Termination

Pursuant to the Agreement of Limited Partnership, as amended, of our operating partnership upon termination or non-renewal of the Advisory Agreement, our advisor will also be entitled to a subordinated distribution in redemption of its limited partnership units from our operating partnership equal to 15.0% of the amount, if any, by which: (i) the appraised value of our assets on the termination date, less any indebtedness secured by such assets, plus total distributions paid through the termination date, exceeds (ii) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase plan) an d the total amount of cash equal to an annual 6.0% cumula tive, non-compounded return on the gross proceeds from the sale of shares of our common stock through the termination date. In addition, our advisor may elect to defer its right to receive a subordinated distribution upon termination until either a listing or other liquidity event, including a liquidation, sale of substantially all of our assets or merger in which our stockholders receive in exchange for their shares of our common stock, shares of a company that are traded on a national securities exchange.

As of December 31, 2018 and 2017, we did not have any liability related to the subordinated distribution upon termination.

Stock Purchase Plans

On February 29, 2016, our Chief Executive Officer and Chairman of the Board of Directors, Jeffrey T. Hanson, our President and Chief Operating Officer, Danny Prosky, and our Executive Vice President and General Counsel, Mathieu B. Streiff, each executed stock purchase plans, or the 2016 Stock Purchase Plans, whereby they each irrevocably agreed to invest 100% of their net after-tax base salary and cash bonus compensation earned as employees of American Healthcare Investors directly into our company by purchasing shares of our Class T common stock. In addition, on February 29, 2016, three Executive Vice Presidents of American Healthcare Investors, including our Executive Vice President of Acquisitions, Stefan K.L. Oh, each executed similar 2016 Stock Purchase Plans whereby they each irrevocably agreed to invest a portion of their net after-tax base salary or a portion of their net after-tax base salary and cash bonus compensation, ranging from 10.0% to 15.0% , as employees of American Healthcare Investors directly into our company by purchasing shares of our Class T common stock. The 2016 Stock Purchase Plans terminated on December 31, 2016.

Purchases of shares of our Class T common stock pursuant to the 2016 Stock Purchase Plans commenced after the initial release from escrow of the minimum offering amount, beginning with the officers' regularly scheduled payroll payment on April 13, 2016. The shares of Class T common stock were purchased at a price of $9.60 per share, reflecting the purchase price of the shares in our offering, exclusive of selling commissions and the dealer manager fee.

On December 30, 2016, Messrs. Hanson, Prosky and Streiff each executed stock purchase plans for the purchase of shares of our Class I common stock, or the 2017 Stock Purchase Plans, on terms similar to their 2016 Stock Purchase Plans. In addition, on December 30, 2016, Mr. Oh, as well as Wendie Newman and Christopher M. Belford, both of whom were appointed as our Executive Vice Presidents of Asset Management as of June 2017, each executed similar 2017 Stock Purchase Plans whereby they each irrevocably agreed to invest a portion of their net after-tax base salary or a portion of their net after-tax base salary and cash bonus compensation, ranging from 5.0% to 15.0% , earned as employees of American Healthcare Investors directly into our company by purchasing shares of our Class I common stock. The 2017 Stock Purchase Plans terminated on December 31, 2017.

Purchases of shares of our Class I common stock pursuant to the 2017 Stock Purchase Plans commenced beginning with the officers' regularly scheduled payroll payment on January 23, 2017. The shares of Class I common stock were purchased pursuant to the 2017 Stock Purchase Plans at a price of $9.21 per share, reflecting the purchase price of shares of Class I common stock offered to the public reduced by the dealer manager fees funded by us. No selling commissions, dealer manager fees (including the portion of such dealer manager fees funded by our advisor) or stockholder servicing fees were paid with respect to such sales of our Class I common stock pursuant to the 2017 Stock Purchase Plans.

On December 31, 2017, Messrs. Hanson, Prosky, and Streiff each executed stock purchase plans for the purchase of shares of our Class I common stock, or the 2018 Stock Purchase Plans, on terms similar to their 2017 Stock Purchase Plans. In addition, on December 31, 2017, four Executive Vice Presidents of American Healthcare Investors, including Messrs. Oh and Belford, Ms. Newman and Brian S. Peay, our Chief Financial Officer, each executed similar 2018 Stock Purchase Plans whereby they each irrevocably agreed to invest a portion of their net after-tax base salary or a portion of their net after-tax base salary and cash bonus compensation, ranging from 5.0% to 15.0% , earned on or after January 1, 2018 as employees of American Healthcare Investors directly into shares of our Class I common stock. The 2018 Stock Purchase Plans terminated on December 31, 2018.

Purchases of shares of our Class I common stock pursuant to the 2018 Stock Purchase Plans commenced beginning with the first regularly scheduled payroll payment on January 22, 2018. The shares of Class I common stock were purchased pursuant to the 2018 Stock Purchase Plans at a per share purchase price equal to the per share purchase price of our Class I common stock, which was $9.21 per share prior to April 11, 2018 and $9.65 per share effective as of April 11, 2018. No selling commissions, dealer manager fees (including the portion of such dealer manager fees funded by our advisor) or stockholder servicing fees were paid with respect to such sales of our Class I common stock pursuant to the 2018 Stock Purchase Plans.

For the years ended December 31, 2018, 2017 and 2016, our officers invested the following amounts and we issued the following shares of our Class T and Class I common stock pursuant to the applicable stock purchase plan:

		Years Ended December 31,					
		2018		2017		2016	
Officer's Name	**Title**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**
Jeffrey T. Hanson	Chief Executive Officer and Chairman of the Board of Directors	$ 329,000	34,690	$ 263,000	28,464	$ 184,000	19,213
Danny Prosky	President and Chief Operating Officer	352,000	37,111	272,000	29,480	204,000	21,265
Mathieu B. Streiff	Executive Vice President and General Counsel	324,000	34,262	263,000	28,462	199,000	20,707
Brian S. Peay	Chief Financial Officer	30,000	3,143	—	—	—	—
Stefan K.L. Oh	Executive Vice President of Acquisitions	34,000	3,534	32,000	3,416	23,000	2,447
Christopher M. Belford	Executive Vice President of Asset Management	55,000	5,866	65,000	7,014	18,000	1,828
Wendie Newman	Executive Vice President of Asset Management	9,000	918	8,000	828	—	—
Total		$ 1,133,000	119,524	$ 903,000	97,664	$ 628,000	65,460

Accounts Payable Due to Affiliates

The following amounts were outstanding to our affiliates as of December 31, 2018 and 2017:

	December 31,	
Fee	2018	2017
Contingent Advisor Payment	$ 7,866,000	$ 7,744,000
Asset management fees	595,000	316,000
Property management fees	97,000	43,000
Construction management fees	18,000	1,000
Operating expenses	6,000	6,000
Development fees	6,000	—
Lease commissions	—	8,000
Total	$ 8,588,000	$ 8,118,000

13. Fair Value Measurements

Financial Instruments Disclosed at Fair Value

Our accompanying consolidated balance sheets include the following financial instruments: cash and cash equivalents, accounts and other receivables, restricted cash, real estate deposits, accounts payable and accrued liabilities, accounts payable due to affiliates, mortgage loans payable and borrowings under the 2017 Credit Facility or 2018 Credit Facility.

We consider the carrying values of cash and cash equivalents, accounts and other receivables, restricted cash, real estate deposits and accounts payable and accrued liabilities to approximate the fair values for these financial instruments based upon the short period of time between origination of the instruments and their expected realization. The fair value of accounts payable due to affiliates is not determinable due to the related party nature of the accounts payable. These financial assets and liabilities are measured at fair value on a recurring basis based on quoted prices in active markets for identical assets and liabilities, and therefore are classified as Level 1 in the fair value hierarchy.

The fair value of our mortgage loans payable and the 2017 Credit Facility or 2018 Credit Facility is estimated using a discounted cash flow analysis using borrowing rates available to us for debt instruments with similar terms and maturities. We have determined that our mortgage loans payable and the 2017 Credit Facility or 2018 Credit Facility are classified in Level 2 within the fair value hierarchy as reliance is placed on inputs other than quoted prices that are observable, such as interest rates and yield curves.

The carrying amounts and estimated fair values of such financial instruments as of December 31, 2018 and 2017 were as follows:

	December 31,			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities:				
Mortgage loans payable	$ 16,892,000	$ 16,920,000	$ 11,567,000	$ 11,819,000
Line of credit and term loan	$ 270,553,000	$ 275,124,000	$ 82,644,000	$ 84,088,000

14. Income Taxes and Distributions

As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders. We have elected to treat certain of our consolidated subsidiaries as wholly-owned TRSs pursuant to the Code. TRSs may participate in services that would otherwise be considered impermissible for REITs and are subject to federal and state income tax at regular corporate tax rates.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation pursuant to the Tax Act. The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, reducing the U.S. federal corporate tax rate to 21.0%, eliminating the corporate alternative minimum tax, or AMT, and changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

We adopted ASU 2018-05 which allows us to record provisional amounts during the period of enactment. Any change to the provisional amounts would have been recorded as an adjustment to the provision for income taxes in the period the amounts are determined. The measurement period ends when we have obtained, prepared and analyzed the information necessary to finalize the provision, but cannot extend beyond one year of the enactment date. As of December 31, 2018, the measurement period has closed and there were no material changes to the provision for income taxes. The Tax Act is still unclear in some respects and could be subject to potential amendments and technical corrections. The federal income tax rules dealing with U.S. federal income taxation and REITs are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations. As a result, the long-term impact of the Tax Act on the overall economy, government revenues, our tenants, us, and the real estate industry cannot be reliably predicted at this time. We continue to work with our tax advisors to determine the full impact that the recent tax legislation as a whole will have on us.

We did not incur income taxes for the years ended December 31, 2017 and 2016. The components of income tax expense for the period then ended is as follows:

	Year Ended December 31, 2018
Federal deferred	$ (2,593,000)
State deferred	(675,000)
State current	8,000
Valuation allowance	3,268,000
Total income tax expense	$ 8,000

Current Income Tax

Federal and state income taxes are generally a function of the level of income recognized by our TRSs.

Deferred Taxes

Deferred income tax is generally a function of the period's temporary differences (primarily basis differences between tax and financial reporting for real estate assets and equity investments) and generation of tax net operating losses that may be realized in future periods depending on sufficient taxable income.

We recognize the financial statement effects of an uncertain tax position when it is more likely than not, based on the technical merits of the tax position, that such a position will be sustained upon examination by the relevant tax authorities. If the tax benefit meets the "more likely than not" threshold, the measurement of the tax benefit will be based on our estimate of the ultimate tax benefit to be sustained if audited by the taxing authority. As of December 31, 2018 and 2017, we did not have any tax benefits or liabilities for uncertain tax positions that we believe should be recognized in our accompanying consolidated financial statements.

We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A valuation allowance is established if we believe it is more likely than not that all or a portion of the deferred tax assets are not realizable. As of December 31, 2018 , our valuation allowance fully reserves the net deferred tax asset due to inherent uncertainty of future income. We will continue to monitor industry and economic conditions, and our ability to generate taxable income based on our business plan and available tax planning strategies, which would allow us to utilize the tax benefits of the net deferred tax assets and thereby allow us to reverse all, or a portion of, our valuation allowance in the future.

Any increases or decreases to the deferred income tax assets or liabilities are reflected in income tax expense (benefit) in our accompanying consolidated statements of operations. We did not have deferred tax assets or liabilities as of December 31, 2016. The components of deferred tax assets as of December 31, 2018 and 2017 was as follows:

	Years Ended December 31,	
	2018	2017
Deferred income tax assets:		
Fixed assets & intangibles	$ 2,484,000	$ 388,000
Expense accruals & other	469,000	(41,000)
Net operating loss	791,000	129,000
Valuation allowances	(3,744,000)	(476,000)
Total deferred income tax assets	$ —	$ —

At December 31, 2018, we had a net operating loss, or NOL, carryforward of $2,983,000 related to the TRSs. These amounts can be used to offset future taxable income, if any. The NOL carryforwards that were incurred before January 1, 2018 begin to expire in 2037 with respect to the TRSs. The NOL carryforwards incurred after December 31, 2017 will be carried forward indefinitely.

Tax Treatment of Distributions

For federal income tax purposes, distributions to stockholders are characterized as ordinary income, capital gain distributions or nontaxable distributions. Nontaxable distributions will reduce U.S. stockholders' basis (but not below zero) in their shares. The income tax treatment for distributions reportable for the years ended December 31, 2018, 2017 and 2016 was as follows:

	Years Ended December 31,					
	2018		2017		2016	
Ordinary income	$ 11,909,000	37.7%	$ 6,021,000	39.9%	$ —	—%
Capital gain	—	—	—	—	—	—
Return of capital	19,673,000	62.3	9,055,000	60.1	1,345,000	100
	$ 31,582,000	100%	$ 15,076,000	100%	$ 1,345,000	100%

Amounts listed above do not include distributions paid on nonvested shares of our restricted common stock which have been separately reported.

15. Future Minimum Rent

Rental Income

We have operating leases with tenants that expire at various dates through 2099 and in some cases are subject to scheduled fixed increases or adjustments based on a consumer price index. Generally, our leases grant tenants renewal options. Our leases also generally provide for additional rents based on certain operating expenses. Future minimum base rent contractually due under operating leases, excluding tenant reimbursements of certain costs, as of December 31, 2018 for each of the next five years ending December 31 and thereafter was as follows:

Year	Amount
2019	$ 52,764,000
2020	52,207,000
2021	50,886,000
2022	48,249,000
2023	44,397,000
Thereafter	290,103,000
Total	$ 538,606,000

Rental Expense

We have ground and other lease obligations that generally require fixed annual rental payments and may also include escalation clauses and renewal options. These leases expire at various dates through 2107, excluding extension options. Future minimum lease obligations under non-cancelable ground and other lease obligations as of December 31, 2018 for each of the next five years ending December 31 and thereafter was as follows:

Year		Amount
2019	$	307,000
2020		307,000
2021		307,000
2022		307,000
2023		307,000
Thereafter		11,978,000
Total	$	13,513,000

16. Business Combinations

For the years ended December 31, 2018 and 2017, none of our property acquisitions were accounted for as business combinations. See Note 3, Real Estate Investments, Net , for a discussion of our 2018 and 2017 property acquisitions accounted for as asset acquisitions. For the year ended December 31, 2016, using net proceeds from our offering and debt financing, we completed nine property acquisitions comprising 12 buildings, which were accounted for as business combinations. The aggregate contract purchase price for these property acquisitions was $138,820,000 , plus closing costs and base acquisition fees of $4,522,000 , which are included in acquisition related expenses in our accompanying consolidated statements of operations. In addition, we incurred Contingent Advisor Payments of $3,123,000 to our advisor for these property acquisitions. See Note 12, Related Party Transactions , for a further discussion of the Contingent Advisor Payment.

Results of operations for our property acquisitions during the year ended December 31, 2016 are reflected in our accompanying consolidated statements of operations for the period from the date of acquisition of each property through December 31, 2016. For the period from the acquisition date through December 31, 2016, we recognized the following amounts of revenue and net income (loss) for the property acquisitions:

Acquisition		Revenue		Net Income (Loss)
Auburn MOB	$	432,000	$	144,000
Pottsville MOB	$	311,000	$	136,000
Charlottesville MOB	$	555,000	$	203,000
Rochester Hills MOB	$	288,000	$	35,000
Cullman MOB III	$	403,000	$	151,000
Iron MOB Portfolio	$	701,000	$	147,000
Mint Hill MOB	$	270,000	$	75,000
Lafayette Assisted Living Portfolio	$	127,000	$	73,000
Evendale MOB	$	69,000	$	(10,000)

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed of our nine property acquisitions in 2016:

	Auburn MOB	Pottsville MOB	Charlottesville MOB	Rochester Hills MOB	Cullman MOB III
Building and improvements	$ 4,600,000	$ 7,050,000	$ 13,330,000	$ 5,763,000	$ 13,989,000
Land	406,000	1,493,000	4,768,000	1,727,000	—
In-place leases	386,000	740,000	2,030,000	1,089,000	1,249,000
Leasehold interests	—	—	—	—	1,412,000
Total assets acquired	5,392,000	9,283,000	20,128,000	8,579,000	16,650,000
Mortgage loan payable, net	—	—	—	4,129,000	—
Below-market leases	—	133,000	—	117,000	—
Total liabilities assumed	—	133,000	—	4,246,000	—
Net assets acquired	$ 5,392,000	$ 9,150,000	$ 20,128,000	$ 4,333,000	$ 16,650,000

	Iron MOB Portfolio	Mint Hill MOB	Lafayette Assisted Living Portfolio	Evendale MOB
Building and improvements	$ 25,050,000	$ 16,585,000	$ 12,469,000	$ 7,583,000
Land	—	—	2,308,000	1,620,000
In-place leases	2,563,000	1,705,000	1,973,000	1,199,000
Above-market leases	790,000	—	—	20,000
Leasehold interests	2,953,000	2,047,000	—	—
Total assets acquired	31,356,000	20,337,000	16,750,000	10,422,000
Below-market leases	646,000	—	—	227,000
Total liabilities assumed	646,000	—	—	227,000
Net assets acquired	$ 30,710,000	$ 20,337,000	$ 16,750,000	$ 10,195,000

Assuming the property acquisitions in 2016 discussed above had occurred on January 23, 2015 (Date of Inception), for the year ended December 31, 2016, unaudited pro forma revenue, net income, net income attributable to controlling interest and net income per Class T and Class I common share attributable to controlling interest — basic and diluted would have been as follows:

	(Unaudited) December 31, 2016
Revenue	$ 14,654,000
Net income	$ 207,700
Net income attributable to controlling interest	$ 2,077,000
Net income per Class T and Class I common share attributable to controlling interest — basic and diluted	$ 0.12

The unaudited pro forma adjustments assume that the offering proceeds, at a price of $10.00 per share, net of offering costs, were raised as of January 23, 2015 (Date of Inception). In addition, acquisition related expenses associated with the acquisitions have been excluded from the pro forma results in 2016. The pro forma results are not necessarily indicative of the operating results that would have been obtained had the acquisitions occurred at the beginning of the periods presented, nor are they necessarily indicative of future operating results.

17. Segment Reporting

As of December 31, 2018 , we evaluated our business and made resource allocations based on four reportable business segments — medical office buildings, senior housing, senior housing — RIDEA and skilled nursing facilities.

Our medical office buildings are typically leased to multiple tenants under separate leases in each building, thus requiring active management and responsibility for many of the associated operating expenses (although many of these are, or can effectively be, passed through to the tenants). Our senior housing facilities and skilled nursing facilities are primarily single-tenant properties for which we lease the facilities to unaffiliated tenants under “triple-net” and generally “master” leases that transfer the obligation for all facility operating costs (including maintenance, repairs, taxes, insurance and capital expenditures) to the tenant. Our senior housing — RIDEA properties include senior housing facilities that are owned and operated utilizing a RIDEA structure.

We evaluate performance based upon segment net operating income. We define segment net operating income as total revenues, less rental expenses, which excludes depreciation and amortization, general and administrative expenses, acquisition related expenses, interest expense, loss from unconsolidated entity, other income and income tax expense for each segment. We believe that net income (loss), as defined by GAAP, is the most appropriate earnings measurement. However, we believe that segment net operating income serves as an appropriate supplemental performance measure to net income (loss) because it allows investors and our management to measure unlevered property-level operating results and to compare our operating results to the operating results of other real estate companies and between periods on a consistent basis.

Interest expense, depreciation and amortization and other expenses not attributable to individual properties are not allocated to individual segments for purposes of assessing segment performance.

Non-segment assets primarily consist of corporate assets including cash and cash equivalents, other receivables, real estate deposits and other assets not attributable to individual properties.

Summary information for the reportable segments during the years ended December 31, 2018, 2017 and 2016 was as follows:

	Medical Office Buildings	Senior Housing	Senior Housing — RIDEA	Skilled Nursing Facilities	Year Ended December 31, 2018
Revenues:					
Real estate revenue	$ 34,339,000	$ 8,994,000	$ —	$ 4,266,000	$ 47,599,000
Resident fees and services	—	—	36,857,000	—	36,857,000
Total revenues	34,339,000	8,994,000	36,857,000	4,266,000	84,456,000
Expenses:					
Rental expenses	9,934,000	1,214,000	—	351,000	11,499,000
Property operating expenses	—	—	30,023,000	—	30,023,000
Segment net operating income	$ 24,405,000	$ 7,780,000	$ 6,834,000	$ 3,915,000	$ 42,934,000
Expenses:					
General and administrative					$ 9,172,000
Acquisition related expenses					2,795,000
Depreciation and amortization					32,658,000
Other income (expense):					
Interest expense (including amortization of deferred financing costs and debt discount/premium)					(6,788,000)
Loss from unconsolidated entity					(110,000)
Other income					11,000
Loss before income taxes					(8,578,000)
Income tax expense					(8,000)
Net loss					$ (8,586,000)

	Medical Office Buildings	Senior Housing	Senior Housing — RIDEA	Year Ended December 31, 2017
Revenues:				
Real estate revenue	$ 22,320,000	$ 5,450,000	$ —	$ 27,770,000
Resident fees and services	—	—	5,563,000	5,563,000
Total revenues	22,320,000	5,450,000	5,563,000	33,333,000
Expenses:				
Rental expenses	6,694,000	598,000	—	7,292,000
Property operating expenses	—	—	4,203,000	4,203,000
Segment net operating income	$ 15,626,000	$ 4,852,000	$ 1,360,000	$ 21,838,000
Expenses:				
General and administrative				$ 4,338,000
Acquisition related expenses				655,000
Depreciation and amortization				13,639,000
Other income (expense):				
Interest expense (including amortization of deferred financing costs and debt premium)				(2,699,000)
Other income				1,000
Net income				$ 508,000

	Medical Office Buildings	Senior Housing	Senior Housing — RIDEA	Year Ended December 31, 2016
Revenue:				
Real estate revenue	$ 3,029,000	$ 127,000	$ —	$ 3,156,000
Expenses:				
Rental expenses	887,000	11,000	—	898,000
Segment net operating income	$ 2,142,000	$ 116,000	$ —	$ 2,258,000
Expenses:				
General and administrative				$ 1,221,000
Acquisition related expenses				4,745,000
Depreciation and amortization				1,252,000
Other income (expense):				
Interest expense (including amortization of deferred financing costs and debt premium)				(514,000)
Net loss				$ (5,474,000)

Assets by reportable segment as of December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Medical office buildings	$ 417,708,000	$ 262,260,000
Senior housing	154,716,000	98,519,000
Senior housing — RIDEA	146,965,000	115,402,000
Skilled nursing	115,657,000	—
Other	61,326,000	3,972,000
Total assets	$ 896,372,000	$ 480,153,000

18. Concentration of Credit Risk

Financial instruments that potentially subject us to a concentration of credit risk are primarily cash and cash equivalents, accounts and other receivables, restricted cash and real estate deposits. Cash and cash equivalents are generally invested in investment-grade, short-term instruments with a maturity of three months or less when purchased. We have cash and cash equivalents in financial institutions that are insured by the Federal Deposit Insurance Corporation, or FDIC. As of December 31, 2018 and 2017, we had cash and cash equivalents in excess of FDIC insured limits. We believe this risk is not significant. Concentration of credit risk with respect to accounts receivable from tenants is limited. In general, we perform credit evaluations of prospective tenants and security deposits are obtained at the time of property acquisition and upon lease execution.

Based on leases in effect as of December 31, 2018 , three states in the United States accounted for 10.0% or more of our total property portfolio's annualized base rent or annualized net operating income. Our properties located in Missouri, Michigan and Florida accounted for approximately 14.0% , 10.6% and 10.3% , respectively, of our total property portfolio's annualized base rent or annualized net operating income. Accordingly, there is a geographic concentration of risk subject to fluctuations in each state's economy.

Based on leases in effect as of December 31, 2018, our four reportable business segments, medical office buildings, senior housing, skilled nursing facilities and senior housing — RIDEA accounted for 53.6% , 17.4% , 15.4% and 13.6% , respectively, of our total property portfolio's annualized base rent or annualized net operating income.

As of December 31, 2018 , we had one tenant that accounted for 10.0% or more of our total property portfolio's annualized base rent or annualized net operating income, as follows:

Tenant	Annualized Base Rent(1)	Percentage of Annualized Base Rent	Acquisition	Reportable Segment	GLA (Sq Ft)	Lease Expiration Date
RC Tier Properties, LLC	$ 7,629,000	12.5%	Missouri SNF Portfolio	Skilled Nursing	385,000	09/30/33

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(1) Annualized base rent is based on contractual base rent from leases in effect as of December 31, 2018 . The loss of this tenant or its inability to pay rent could have a material adverse effect on our business and results of operations.

19. Per Share Data

Basic earnings (loss) per share for all periods presented are computed by dividing net income (loss) applicable to common stock by the weighted average number of shares of our common stock outstanding during the period. Net income (loss) applicable to common stock is calculated as net income (loss) attributable to controlling interest less distributions allocated to participating securities of $19,000 , $12,000 and $5,000 for the years ended December 31, 2018, 2017 and 2016, respectively. Diluted earnings (loss) per share are computed based on the weighted average number of shares of our common stock and all potentially dilutive securities, if any. Nonvested shares of our restricted common stock and redeemable limited partnership units of our operating partnership are participating securities and give rise to potentially dilutive shares of our common stock. As of December 31, 2018 and 2017 , there were 37,500 and 27,000 nonvested shares, respectively, of our restricted common stock outstanding, but such shares were excluded from the computation of diluted earnings per share because such shares were anti-dilutive during these periods. As of December 31, 2018 and 2017, there were 208 units of redeemable limited partnership units of our operating partnership outstanding, but such units were excluded from the computation of diluted earnings per share because such units were anti-dilutive during these periods.

20. Selected Quarterly Financial Data (Unaudited)

Set forth below is the unaudited selected quarterly financial data. We believe that all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly, and in accordance with GAAP, the unaudited selected quarterly financial data when read in conjunction with our consolidated financial statements.

	Quarters Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenues	$ 25,323,000	$ 22,281,000	$ 19,010,000	$ 17,842,000
Expenses	(25,961,000)	(22,384,000)	(18,808,000)	(18,994,000)
Other expense	(3,047,000)	(1,596,000)	(1,160,000)	(1,084,000)
Income tax expense	(4,000)	(4,000)	—	—
Net loss	(3,689,000)	(1,703,000)	(958,000)	(2,236,000)
Less: net loss attributable to redeemable noncontrolling interests	35,000	72,000	58,000	67,000
Net loss attributable to controlling interest	$ (3,654,000)	$ (1,631,000)	$ (900,000)	$ (2,169,000)
Net loss per Class T and Class I common share attributable to controlling interest — basic and diluted	$ (0.06)	$ (0.03)	$ (0.02)	$ (0.05)
Weighted average number of Class T and Class I common shares outstanding — basic and diluted	64,954,525	57,769,964	51,277,753	45,136,647

	Quarters Ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Revenues	$ 14,595,000	$ 8,488,000	$ 6,198,000	$ 4,052,000
Expenses	(14,285,000)	(6,954,000)	(5,169,000)	(3,719,000)
Other expense	(1,092,000)	(780,000)	(408,000)	(418,000)
Net (loss) income	(782,000)	754,000	621,000	(85,000)
Less: net loss income attributable to redeemable noncontrolling interest	33,000	—	—	—
Net (loss) income attributable to controlling interest	$ (749,000)	$ 754,000	$ 621,000	$ (85,000)
Net (loss) income per Class T and Class I common share attributable to controlling interest — basic and diluted	$ (0.02)	$ 0.02	$ 0.03	$ (0.01)
Weighted average number of Class T and Class I common shares outstanding — basic and diluted	39,409,207	32,593,321	24,035,973	14,655,107

21. Subsequent Events

Interest Rate Swaps

On February 5, 2019, we, through our operating partnership, entered into interest rate swap transactions with Citizens Bank; Comerica Bank; Fifth Third Financial Risk Solutions, a division of Fifth Third Bank, an Ohio banking corporation, or Fifth Third; and The Huntington National Bank, or Huntington, or collectively referred to herein as the Swaps. We entered into the Swaps to fix and mitigate the risk associated with $250,000,000 of our floating rate term loan (without incurring substantial prepayment penalties or defeasance costs typically associated with fixed rate indebtedness) under our existing 2018 Credit Facility. The Swaps have a trade date of February 5, 2019, an effective date of February 11, 2019 and a termination date of November 19, 2021. Beginning on March 11, 2019, we are required to make monthly fixed rate payments while the counterparties are obligated to make monthly floating rate payments based on London Interbank Offered Rate.

The following is a summary of the Swaps:

Financial Institution	Interest Rate	Notional Amount
Citizens Bank	2.49%	$ 139,500,000
Comerica Bank	2.49%	36,700,000
Fifth Third	2.49%	58,800,000
Huntington	2.53%	15,000,000
		$ 250,000,000

We may, subject to certain limitations, modify or terminate any of the foregoing Swaps or enter into additional swap transactions in the future from time to time. Notwithstanding the terms of the Swaps, our operating partnership remains ultimately obligated for all amounts due and payable under the 2018 Credit Facility in accordance with the terms thereof.

Property Acquisition

Subsequent to December 31, 2018, we completed one property acquisition comprising one building from an unaffiliated third party. The following is a summary of our property acquisition subsequent to December 31, 2018:

Acquisition(1)	Location	Type	Date Acquired	Contract Purchase Price	Total Acquisition Fee(2)
Lithonia MOB	Lithonia, GA	Medical Office	03/05/19	$ 10,600,000	$ 477,000

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(1) We own 100% of our property acquired subsequent to December 31, 2018.

(2) Our advisor was paid, as compensation for services rendered in connection with the investigation, selection and acquisition of our property, a base acquisition fee of 2.25% of the portion of the aggregate contract purchase price paid by us. In addition, the total acquisition fee includes a Contingent Advisor Payment, as defined in Note 12, Related Party Transactions , in the amount of 2.25% of the portion of the aggregate contract purchase price paid by us. See Note 12, Related Party Transactions — Acquisition and Development Stage — Acquisition Fee, for a further discussion.

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GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.
SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018

Description(a)		Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings and Improvements	Cost Capitalized Subsequent to Acquisition(b)	Gross Amount of Which Carried at Close of Period(d): Land	Gross Amount of Which Carried at Close of Period(d): Buildings and Improvements	Gross Amount of Which Carried at Close of Period(d): Total(c)	Accumulated Depreciation (e)(f)	Date of Construction	Date Acquired
Auburn MOB (Medical Office)	Auburn, CA	$ —	$ 406,000	$ 4,600,000	$ 65,000	$ 406,000	$ 4,665,000	$ 5,071,000	$ (407,000)	1997	06/28/16
Pottsville MOB (Medical Office)	Pottsville, PA	—	1,493,000	7,050,000	78,000	1,493,000	7,128,000	8,621,000	(630,000)	2004	09/16/16
Charlottesville MOB (Medical Office)	Charlottesville, VA	—	4,768,000	13,330,000	51,000	4,768,000	13,381,000	18,149,000	(1,102,000)	2001	09/22/16
Rochester Hills MOB (Medical Office)	Rochester Hills, MI	3,385,000	1,727,000	5,763,000	65,000	1,727,000	5,828,000	7,555,000	(541,000)	1990	09/29/16
Cullman MOB III (Medical Office)	Cullman, AL	—	—	13,989,000	48,000	—	14,037,000	14,037,000	(934,000)	2010	09/30/16
Iron MOB Portfolio (Medical Office)	Cullman, AL	—	—	10,237,000	635,000	—	10,872,000	10,872,000	(894,000)	1994	10/13/16
	Cullman, AL	—	—	6,906,000	110,000	—	7,016,000	7,016,000	(639,000)	1998	10/13/16
	Sylacauga, AL	—	—	7,907,000	63,000	—	7,970,000	7,970,000	(510,000)	1997	10/13/16
Mint Hill MOB (Medical Office)	Mint Hill, NC	—	—	16,585,000	1,100,000	—	17,685,000	17,685,000	(1,465,000)	2007	11/14/16
Lafayette Assisted Living Portfolio (Senior Housing)	Lafayette, LA	—	1,328,000	8,225,000	70,000	1,327,000	8,296,000	9,623,000	(508,000)	1996	12/01/16
	Lafayette, LA	—	980,000	4,244,000	—	980,000	4,244,000	5,224,000	(281,000)	2014	12/01/16
Evendale MOB (Medical Office)	Evendale, OH	—	1,620,000	7,583,000	606,000	1,620,000	8,189,000	9,809,000	(696,000)	1988	12/13/16
Battle Creek MOB (Medical Office)	Battle Creek, MI	—	960,000	5,717,000	99,000	960,000	5,816,000	6,776,000	(545,000)	1996	03/10/17
Reno MOB (Medical Office)	Reno, NV	—	—	64,718,000	297,000	—	65,015,000	65,015,000	(3,384,000)	2005	03/13/17
Athens MOB Portfolio (Medical Office)	Athens, GA	—	809,000	5,227,000	422,000	809,000	5,649,000	6,458,000	(335,000)	2006	05/18/17
	Athens, GA	—	1,084,000	8,772,000	109,000	1,084,000	8,881,000	9,965,000	(475,000)	2006	05/18/17
SW Illinois Senior Housing Portfolio (Senior Housing)	Columbia, IL	—	1,086,000	9,651,000	3,000	1,086,000	9,654,000	10,740,000	(541,000)	2007	05/22/17
	Columbia, IL	—	121,000	1,656,000	—	121,000	1,656,000	1,777,000	(83,000)	1999	05/22/17
	Millstadt, IL	—	203,000	3,827,000	—	203,000	3,827,000	4,030,000	(185,000)	2004	05/22/17
	Red Bud, IL	—	198,000	3,553,000	51,000	198,000	3,604,000	3,802,000	(178,000)	2006	05/22/17
	Waterloo, IL	—	470,000	8,369,000	—	470,000	8,369,000	8,839,000	(390,000)	2012	05/22/17
Lawrenceville MOB (Medical Office)	Lawrenceville, GA	7,862,000	1,363,000	9,099,000	5,000	1,363,000	9,104,000	10,467,000	(538,000)	2005	06/12/17
Northern California Senior Housing Portfolio (Senior Housing)	Belmont, CA	—	10,760,000	13,631,000	—	10,760,000	13,631,000	24,391,000	(603,000)	1958/2000	06/28/17
	Fairfield, CA	—	317,000	6,584,000	—	317,000	6,584,000	6,901,000	(304,000)	1974	06/28/17
	Menlo Park, CA	—	5,188,000	2,177,000	5,000	5,188,000	2,182,000	7,370,000	(95,000)	1945	06/28/17
	Sacramento, CA	—	1,266,000	2,818,000	702,000	1,266,000	3,520,000	4,786,000	(151,000)	1978	06/28/17
Roseburg MOB (Medical Office)	Roseburg, OR	—	—	20,925,000	34,000	—	20,959,000	20,959,000	(990,000)	2003	06/29/17

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.
SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION — (Continued)
December 31, 2018

			Initial Cost to Company			Gross Amount of Which Carried at Close of Period(d)					
Description(a)		Encumbrances	Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition(b)	Land	Buildings and Improvements	Total(c)	Accumulated Depreciation (e)(f)	Date of Construction	Date Acquired
Fairfield County MOB Portfolio (Medical Office)	Stratford, CT	$ —	$ 1,011,000	$ 3,538,000	$ 295,000	$ 1,011,000	$ 3,833,000	$ 4,844,000	$ (257,000)	1963	09/29/17
	Trumbull, CT	—	2,250,000	6,879,000	412,000	2,250,000	7,291,000	9,541,000	(409,000)	1987	09/29/17
Central Florida Senior Housing Portfolio (Senior Housing — RIDEA)	Bradenton, FL	—	1,058,000	5,118,000	479,000	1,058,000	5,597,000	6,655,000	(237,000)	1973/1983	11/01/17
	Brooksville, FL	—	1,377,000	10,217,000	182,000	1,378,000	10,398,000	11,776,000	(526,000)	1960/2007	11/01/17
	Brooksville, FL	—	934,000	6,550,000	318,000	934,000	6,868,000	7,802,000	(278,000)	2008	11/01/17
	Lake Placid, FL	—	949,000	3,476,000	182,000	950,000	3,657,000	4,607,000	(173,000)	2008	11/01/17
	Lakeland, FL	—	528,000	17,541,000	555,000	529,000	18,095,000	18,624,000	(576,000)	1985	11/01/17
	Pinellas Park, FL	—	1,118,000	9,005,000	583,000	1,118,000	9,588,000	10,706,000	(413,000)	2016	11/01/17
	Sanford, FL	—	2,782,000	10,019,000	538,000	2,783,000	10,556,000	13,339,000	(412,000)	1984	11/01/17
	Spring Hill, FL	—	930,000	6,241,000	386,000	930,000	6,627,000	7,557,000	(260,000)	1988	11/01/17
	Winter Haven, FL	—	3,118,000	21,973,000	1,061,000	3,119,000	23,033,000	26,152,000	(1,052,000)	1984	11/01/17
Central Wisconsin Senior Care Portfolio (Skilled Nursing)	Sun Prairie, WI	—	586,000	3,487,000	—	586,000	3,487,000	4,073,000	(102,000)	1960/2006	03/01/18
	Waunakee, WI	—	1,930,000	14,352,000	—	1,930,000	14,352,000	16,282,000	(421,000)	1974/2005	03/01/18
Sauk Prairie MOB (Medical Office)	Prairie du Sac, WI	—	2,154,000	15,194,000	—	2,154,000	15,194,000	17,348,000	(443,000)	2014	04/09/18
Surprise MOB (Medical Office)	Surprise, AZ	—	1,759,000	9,037,000	30,000	1,759,000	9,067,000	10,826,000	(225,000)	2012	04/27/18
Southfield MOB (Medical Office)	Southfield, MI	6,009,000	1,639,000	12,907,000	8,000	1,639,000	12,915,000	14,554,000	(364,000)	1975/2014	05/11/18
Pinnacle Beaumont ALF (Senior Housing — RIDEA)	Beaumont, TX	—	1,586,000	17,483,000	23,000	1,586,000	17,506,000	19,092,000	(246,000)	2012	07/01/18
Grand Junction MOB (Medical Office)	Grand Junction, CO	—	1,315,000	27,528,000	—	1,315,000	27,528,000	28,843,000	(433,000)	2013	07/06/18
Edmonds MOB (Medical Office)	Edmonds, WA	—	4,167,000	16,770,000	—	4,167,000	16,770,000	20,937,000	(223,000)	1991/2008	07/30/18
Pinnacle Warrenton ALF (Senior Housing — RIDEA)	Warrenton, MO	—	462,000	7,125,000	83,000	462,000	7,208,000	7,670,000	(93,000)	1986	08/01/18
Glendale MOB (Medical Office)	Glendale, WI	—	794,000	5,541,000	563,000	794,000	6,104,000	6,898,000	(131,000)	2004	08/13/18
Missouri SNF Portfolio (Skilled Nursing)	Kansas City, MO	—	1,710,000	10,699,000	—	1,710,000	10,699,000	12,409,000	(97,000)	1974	09/28/18
	Salisbury, MO	—	252,000	7,581,000	—	252,000	7,581,000	7,833,000	(61,000)	1970	09/28/18
	Florissant, MO	—	1,064,000	9,301,000	—	1,064,000	9,301,000	10,365,000	(77,000)	1987	09/28/18
	Trenton, MO	—	122,000	4,507,000	—	122,000	4,507,000	4,629,000	(35,000)	1967	09/28/18
	Sedalia, MO	—	266,000	22,397,000	—	266,000	22,397,000	22,663,000	(159,000)	1975	09/28/18
	Milan, MO	—	181,000	5,972,000	—	181,000	5,972,000	6,153,000	(48,000)	1980	09/28/18
	Missouri, MO	—	473,000	9,856,000	—	473,000	9,856,000	10,329,000	(78,000)	1963	09/28/18
	St. Elizabeth, MO	—	329,000	4,282,000	—	329,000	4,282,000	4,611,000	(36,000)	1981	09/28/18

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.
SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION — (Continued)
December 31, 2018

Description(a)		Encumbrances	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition(b)	Gross Amount of Which Carried at Close of Period(d)					
			Land	Buildings and Improvements		Land	Buildings and Improvements	Total(c)	Accumulated Depreciation (e)(f)	Date of Construction	Date Acquired
Flemington MOB Portfolio (Medical Office)	Flemington, NJ	$ —	$ 1,473,000	$ 10,728,000	$ —	$ 1,473,000	$ 10,728,000	$ 12,201,000	$ (33,000)	2002	11/29/2018
	Flemington, NJ	—	586,000	2,949,000	—	586,000	2,949,000	3,535,000	(10,000)	1993	11/29/2018
Lawrenceville MOB II (Medical Office)	Lawrenceville, GA	—	1,000,000	7,737,000	—	1,000,000	7,737,000	8,737,000	—	1990	12/19/2018
Mill Creek MOB (Medical Office)	Mill Creek, WA	—	1,452,000	5,935,000	—	1,452,000	5,935,000	7,387,000	—	1991	12/21/2018
Modesto MOB (Medical Office)	Modesto, CA	—	—	12,789,000	—	—	12,789,000	12,789,000	—	1991/2016	12/28/2018
Michigan ALF Portfolio (Senior Housing)	Lansing, MI	—	1,175,000	12,052,000	—	1,175,000	12,052,000	13,227,000	—	1988/2015	12/28/2018
	Holland, MI	—	799,000	6,984,000	—	799,000	6,984,000	7,783,000	—	2007/2017	12/28/2018
	Howell, MI	—	728,000	5,404,000	—	728,000	5,404,000	6,132,000	—	2003	12/28/2018
	Grand Rapids, MI	—	1,334,000	8,422,000	—	1,334,000	8,422,000	9,756,000	—	1953/2016	12/28/2018
	Wyoming, MI	—	1,542,000	12,873,000	—	1,542,000	12,873,000	14,415,000	—	1964/2016	12/28/2018
		$ 17,256,000	$ 83,080,000	$ 663,592,000	$ 10,316,000	$ 83,084,000	$ 673,904,000	$ 756,988,000	$ (25,312,000)		

(a) We own 100% of our properties as of December 31, 2018, with the exception of Central Florida Senior Housing Portfolio, Pinnacle Beaumont ALF and Pinnacle Warrenton ALF.

(b) The cost capitalized subsequent to acquisition is shown net of dispositions.

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.
SCHEDULE III — REAL ESTATE AND
ACCUMULATED DEPRECIATION — (Continued)
December 31, 2018

(c) The changes in total real estate for the years ended December 31, 2018, 2017 and 2016 are as follows:

	Amount
Balance — December 31, 2015	$ —
Acquisitions	118,741,000
Additions	23,000
Dispositions	—
Balance — December 31, 2016	$ 118,764,000
Acquisitions	$ 307,384,000
Additions	2,476,000
Dispositions	(74,000)
Balance — December 31, 2017	$ 428,550,000
Acquisitions	$ 320,822,000
Additions	8,985,000
Dispositions	(1,369,000)
Balance — December 31, 2018	$ 756,988,000

(d) As of December 31, 2018 , for federal income tax purposes, the aggregate cost of our properties is $841,468,000 .

(e) The changes in accumulated depreciation for the years ended December 31, 2018, 2017 and 2016 are as follows:

	Amount
Balance — December 31, 2015	$ —
Additions	822,000
Dispositions	—
Balance — December 31, 2016	$ 822,000
Additions	$ 8,090,000
Dispositions	(27,000)
Balance — December 31, 2017	$ 8,885,000
Additions	$ 16,672,000
Dispositions	(245,000)
Balance — December 31, 2018	$ 25,312,000

(f) The cost of buildings and capital improvements is depreciated on a straight-line basis over the estimated useful lives of the buildings and capital improvements, up to 39 years , and the cost for tenant improvements is depreciated over the shorter of the lease term or useful life, up to 14 years . Furniture, fixtures and equipment is depreciated over the estimated useful life, up to 10 years .

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.
EXHIBITS LIST
December 31, 2018

The following exhibits are included, or incorporated by reference, in this Annual Report on Form 10-K for the period ended December 31, 2018 (and are numbered in accordance with Item 601 of Regulation S-K).

3.1	Third Articles of Amendment and Restatement of Griffin-American Healthcare REIT IV, Inc., dated December 28, 2015 (included as Exhibit 3.1 to Pre-effective Amendment No. 2 to our Registration Statement on Form S-11 (File No. 333-205960) filed January 5, 2016 and incorporated herein by reference)
3.2	Articles Supplementary of Griffin-American Healthcare REIT IV, Inc. filed May 25, 2016 (included as Exhibit 3.1 to our Current Report on Form 8-K filed May 26, 2016 and incorporated herein by reference)
3.3	Second Amended and Restated Bylaws of Griffin-American Healthcare REIT IV, Inc. (included as Exhibit 3.2 to Pre-effective Amendment No. 2 to our Registration Statement on Form S-11 (File No. 333-205960) filed January 5, 2016 and incorporated herein by reference)
4.1	Form of Subscription Agreement of Griffin-American Healthcare REIT IV, Inc. (included as Exhibit 4.1 to Post-effective Amendment No. 14 to our Registration Statement on Form S-11 (File No. 333-205960) filed November 30, 2018 and incorporated herein by reference)
4.2	Amended and Restated Distribution Reinvestment Plan of Griffin-American Healthcare REIT IV, Inc. (included as Exhibit 4.6 to our Registration Statement on Form S-3 (File No. 333-229301) filed January 18, 2019 and incorporated herein by reference)
4.3	Share Repurchase Plan of Griffin-American Healthcare REIT IV, Inc. (included as Exhibit 4.3 to Post-effective Amendment No. 14 to our Registration Statement on Form S-11 (File No. 333-205960) filed November 30, 2018 and incorporated herein by reference)
4.4	Escrow Agreement by and among Griffin-American Healthcare REIT IV, Inc., Griffin Capital Securities, LLC and UMB Bank, N.A., dated February 16, 2016 (included as Exhibit 4.4 to our Annual Report on Form 10-K for the year ended December 31, 2015 filed March 7, 2016 and incorporated herein by reference)
10.1	Amended and Restated Agreement of Limited Partnership of Griffin-American Healthcare REIT IV Holdings, LP, dated February 16, 2016 (included as Exhibit 10.5 to our Annual Report on Form 10-K for the year ended December 31, 2015 filed March 7, 2016 and incorporated herein by reference)
10.2	Amendment No. 1 to Amended and Restated Limited Partnership Agreement of Griffin-American Healthcare REIT IV Holdings, LP, dated June 17, 2016 (included as Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed August 10, 2016 and incorporated herein by reference)
10.3	Dealer Manager Agreement by and among Griffin-American Healthcare REIT IV, Inc., Griffin Capital Securities, LLC and Griffin-American Healthcare REIT IV Advisor, LLC, dated February 16, 2016 (included as Exhibit 10.3 to our Annual Report on Form 10-K for the year ended December 31, 2015 filed March 7, 2016 and incorporated herein by reference)
10.4	Advisory Agreement by and among Griffin-American Healthcare REIT IV, Inc., Griffin-American Healthcare REIT IV Holdings, LP and Griffin-American Healthcare REIT IV Advisor, LLC, dated February 16, 2016 (included as Exhibit 10.4 to our Annual Report on Form 10-K for the year ended December 31, 2015 filed March 7, 2016 and incorporated herein by reference)
10.5	Form of Indemnification Agreement between Griffin-American Healthcare REIT IV, Inc. and Indemnitee made effective as of February 10, 2015 (included as Exhibit 10.3 to our Registration Statement on Form S-11 (File No. 333-205960) filed July 30, 2015 and incorporated herein by reference)
10.6	Griffin-American Healthcare REIT IV, Inc. 2015 Incentive Plan (including the 2015 Independent Directors Compensation Sub-Plan) (included as Exhibit 10.4 to Pre-effective Amendment No. 2 to our Registration Statement on Form S-11 (File No. 333-205960) filed January 5, 2016 and incorporated herein by reference)
10.7	Amendment No. 1 to Dealer Manager Agreement by and among Griffin-American Healthcare REIT IV, Inc., Griffin Capital Securities, LLC and Griffin-American Healthcare REIT IV Advisor, LLC, dated June 17, 2016 (included as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed August 10, 2016 and incorporated herein by reference)

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.
EXHIBITS LIST — (Continued)
December 31, 2018

10.8	Amendment No. 2 to Dealer Manager Agreement by and among Griffin-American Healthcare REIT IV, Inc., Griffin Capital Securities, LLC and Griffin-American Healthcare REIT IV Advisor, LLC, dated February 13, 2017 and effective as of March 1, 2017 (included as Exhibit 10.1 to our Current Report on Form 8-K filed February 17, 2017 and incorporated herein by reference)
10.9	Amendment No. 3 to Dealer Manager Agreement by and among Griffin-American Healthcare REIT IV, Inc., Griffin Capital Securities, LLC and Griffin-American Healthcare REIT IV Advisor, LLC, dated March 29, 2017 (included as Exhibit 1.4 to Post-effective Amendment No. 7 to our Registration Statement on Form S-11 (File No. 333-205960) filed March 29, 2017 and incorporated herein by reference)
10.10	Purchase and Sale Agreement and Escrow Instructions by and among Bridgewood Associates, L.L.C., Salisbury Associates LLC, Crestwood Associates, L.L.C., Sedalia Associates, L.P., Milan Associates, L.L.C., Eastview Associates, L.L.C., M-S Associates, L.P. and BKY Properties of St. Elizabeth LLC, Bridgewood Health Care Center, L.L.C., Chariton Park Health Care Center, L.L.C., Crestwood Health Care Center, L.L.C., Four Seasons Living Center, L.L.C., BKY Healthcare of Milan, Inc., Eastview Manor, Inc., North Village Park, L.L.C., and MMA Healthcare of St. Elizabeth, Inc., and TLG II, L.L.P., and GAHC4 Missouri SNF Portfolio, LLC dated June 7, 2018 (included as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 filed August 10, 2018 and incorporated herein by reference)
10.11	First Amendment to Purchase and Sale Agreement and Escrow Instructions by and among Bridgewood Associates, L.L.C., Salisbury Associates LLC, Crestwood Associates, L.L.C., Sedalia Associates, L.P., Milan Associates, L.L.C., Eastview Associates, L.L.C., M-S Associates, L.P. and BKY Properties of St. Elizabeth LLC, Bridgewood Health Care Center, L.L.C., Chariton Park Health Care Center, L.L.C., Crestwood Health Care Center, L.L.C., Four Seasons Living Center, L.L.C., BKY Healthcare of Milan, Inc., Eastview Manor, Inc., North Village Park, L.L.C., and MMA Healthcare of St. Elizabeth, Inc., and TLG II, L.L.P., and GAHC4 Missouri SNF Portfolio, LLC and First American Title Insurance Company dated July 18, 2018 (included as Exhibit 10.79 to Post-effective Amendment No. 13 to our Registration Statement on Form S-11 (File No. 333-205960) filed August 29, 2018 and incorporated herein by reference)
10.12	Purchase and Sale Agreement by and amoung GAHC4 Songbird SNF Portfolio, LLC, Midwest Health Properties, LLC, Petersen - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care III, LLC, Petersen Health Care VIII, LLC, Petersen Health Care XI, LLC, Petersen Health Care XIII, LLC, Petersen Health Group, LLC, Petersen Health Care XII, LLC, Robings, LLC, Midwest Health Operations, LLC, Petersen Health & Wellness, LLC, Petersen Health Business, LLC, Petersen Health Care - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care VII, LLC, Petersen Health Group, LLC, Petersen Health Quality, LLC, POP, LLC and Mark B. Petersen dated July 24, 2018 (included as Exhibit 10.80 to Post-effective Amendment No. 13 to our Registration Statement on Form S-11 (File No. 333-205960) filed August 29, 2018 and incorporated herein by reference)
10.13	Second Amendment to Purchase and Sale Agreement and Escrow Instructions by and among Bridgewood Associates, L.L.C., Salisbury Associates LLC, Crestwood Associates, L.L.C., Sedalia Associates, L.P., Milan Associates, L.L.C., Eastview Associates, L.L.C., M-S Associates, L.P. and BKY Properties of St. Elizabeth LLC, Bridgewood Health Care Center, L.L.C., Chariton Park Health Care Center, L.L.C., Crestwood Health Care Center, L.L.C., Four Seasons Living Center, L.L.C., BKY Healthcare of Milan, Inc., Eastview Manor, Inc., North Village Park, L.L.C., and MMA Healthcare of St. Elizabeth, Inc., and TLG II, L.L.P., and GAHC4 Missouri SNF Portfolio, LLC and First American Title Insurance Company dated August 7, 2018 (included as Exhibit 10.81 to Post-effective Amendment No. 13 to our Registration Statement on Form S-11 (File No. 333-205960) filed August 29, 2018 and incorporated herein by reference)
10.14	Third Amendment to Purchase and Sale Agreement and Escrow Instructions by and among Bridgewood Associates, L.L.C., Salisbury Associates LLC, Crestwood Associates, L.L.C., Sedalia Associates, L.P., Milan Associates, L.L.C., Eastview Associates, L.L.C., M-S Associates, L.P. and BKY Properties of St. Elizabeth LLC, Bridgewood Health Care Center, L.L.C., Chariton Park Health Care Center, L.L.C., Crestwood Health Care Center, L.L.C., Four Seasons Living Center, L.L.C., BKY Healthcare of Milan, Inc., Eastview Manor, Inc., North Village Park, L.L.C., and MMA Healthcare of St. Elizabeth, Inc., and TLG II, L.L.P., and GAHC4 Missouri SNF Portfolio, LLC and First American Title Insurance Company dated August 10, 2018 (included as Exhibit 10.82 to Post-effective Amendment No. 13 to our Registration Statement on Form S-11 (File No. 333-205960) filed August 29, 2018 and incorporated herein by reference)

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.
EXHIBITS LIST — (Continued)
December 31, 2018

10.15	Fourth Amendment to Purchase and Sale Agreement and Escrow Instructions by and among Bridgewood Associates, L.L.C., Salisbury Associates LLC, Crestwood Associates, L.L.C., Sedalia Associates, L.P., Milan Associates, L.L.C., Eastview Associates, L.L.C., M-S Associates, L.P. and BKY Properties of St. Elizabeth LLC, Bridgewood Health Care Center, L.L.C., Chariton Park Health Care Center, L.L.C., Crestwood Health Care Center, L.L.C., Four Seasons Living Center, L.L.C., BKY Healthcare of Milan, Inc., Eastview Manor, Inc., North Village Park, L.L.C., and MMA Healthcare of St. Elizabeth, Inc., and TLG II, L.L.P., and GAHC4 Missouri SNF Portfolio, LLC and First American Title Insurance Company dated August 13, 2018 (included as Exhibit 10.83 to Post-effective Amendment No. 13 to our Registration Statement on Form S-11 (File No. 333-205960) filed August 29, 2018 and incorporated herein by reference)
10.16	First Amendment to Purchase and Sale Agreement by and among GAHC4 Songbird SNF Portfolio, LLC, Midwest Health Properties, LLC, Petersen - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care III, LLC, Petersen Health Care VIII, LLC, Petersen Health Care XI, LLC, Petersen Health Care XIII, LLC, Petersen Health Group, LLC, Petersen Health Care XII, LLC, Robings, LLC, Midwest Health Operations, LLC, Petersen Health & Wellness, LLC, Petersen Health Business, LLC, Petersen Health Care - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care VII, LLC, Petersen Health Group, LLC, Petersen Health Quality, LLC, POP, LLC and Mark B. Petersen dated August 30, 2018 (included as Exhibit 10.6 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed November 13, 2018 and incorporated herein by reference)
10.17	Second Amendment to Purchase and Sale Agreement by and among GAHC4 Songbird SNF Portfolio, LLC, Midwest Health Properties, LLC, Petersen - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care III, LLC, Petersen Health Care VIII, LLC, Petersen Health Care XI, LLC, Petersen Health Care XIII, LLC, Petersen Health Group, LLC, Petersen Health Care XII, LLC, Robings, LLC, Midwest Health Operations, LLC, Petersen Health & Wellness, LLC, Petersen Health Business, LLC, Petersen Health Care - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care VII, LLC, Petersen Health Group, LLC, Petersen Health Quality, LLC, POP, LLC and Mark B. Petersen dated September 13, 2018 (included as Exhibit 10.7 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed November 13, 2018 and incorporated herein by reference)
10.18	Third Amendment to Purchase and Sale Agreement by and among GAHC4 Songbird SNF Portfolio, LLC, Midwest Health Properties, LLC, Petersen - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care III, LLC, Petersen Health Care VIII, LLC, Petersen Health Care XI, LLC, Petersen Health Care XIII, LLC, Petersen Health Group, LLC, Petersen Health Care XII, LLC, Robings, LLC, Midwest Health Operations, LLC, Petersen Health & Wellness, LLC, Petersen Health Business, LLC, Petersen Health Care - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care VII, LLC, Petersen Health Group, LLC, Petersen Health Quality, LLC, POP, LLC and Mark B. Petersen dated September 21, 2018 (included as Exhibit 10.8 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed November 13, 2018 and incorporated herein by reference)
10.19	Fourth Amendment to Purchase and Sale Agreement by and among GAHC4 Songbird SNF Portfolio, LLC, Midwest Health Properties, LLC, Petersen - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care III, LLC, Petersen Health Care VIII, LLC, Petersen Health Care XI, LLC, Petersen Health Care XIII, LLC, Petersen Health Group, LLC, Petersen Health Care XII, LLC, Robings, LLC, Midwest Health Operations, LLC, Petersen Health & Wellness, LLC, Petersen Health Business, LLC, Petersen Health Care - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care VII, LLC, Petersen Health Group, LLC, Petersen Health Quality, LLC, POP, LLC and Mark B. Petersen dated September 28, 2018 (included as Exhibit 10.9 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed November 13, 2018 and incorporated herein by reference)
10.20	Second Amendment to Credit Agreement by and among Griffin-American Healthcare REIT IV Holdings, LP, certain subsidiary guarantors, certain lender parties and Bank of America, N.A., dated September 28, 2018 (included as Exhibit 10.10 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed November 13, 2018 and incorporated herein by reference)
10.21	Fifth Amendment to Purchase and Sale Agreement by and among GAHC4 Songbird SNF Portfolio, LLC, Midwest Health Properties, LLC, Petersen - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care III, LLC, Petersen Health Care VIII, LLC, Petersen Health Care XI, LLC, Petersen Health Care XIII, LLC, Petersen Health Group, LLC, Petersen Health Care XII, LLC, Robings, LLC, Midwest Health Operations, LLC, Petersen Health & Wellness, LLC, Petersen Health Business, LLC, Petersen Health Care - Farmer City, LLC, Petersen Health Care II, Inc., Petersen Health Care VII, LLC, Petersen Health Group, LLC, Petersen Health Quality, LLC, POP, LLC and Mark B. Petersen dated September 28, 2018 (included as Exhibit 10.11 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed November 13, 2018 and incorporated herein by reference)

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.
EXHIBITS LIST — (Continued)
December 31, 2018

10.22	Credit Agreement dated as of November 20, 2018, among Griffin-American Healthcare REIT IV Holdings, LP, Griffin-American Healthcare REIT IV, Inc. and certain subsidiaries, certain lender parties, Bank of America, N.A., KeyBank, National Association, Citizens Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated and KeyBanc Capital Markets (included as Exhibit 10.1 to our Current Report on Form 8-K filed November 27, 2018 and incorporated herein by reference)
10.23	Master Lease between GAHC4 Kansas City MO SNF, LLC, GAHC4 Salisbury MO SNF, LLC, GAHC4 Florissant MO SNF, LLC, GAHC4 Sedalia MO SNF, LLC, GAHC4 Milan MO SNF, LLC, GAHC4 Trenton MO SNF, LLC, GAHC4 Moberly MO SNF, LLC and GAHC4 St. Elizabeth MO SNF, LLC and RC TIER Properties, L.L.C, dated as of September 28, 2018 (included as Exhibit 10.12 to our Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2018 filed December 11, 2018 and incorporated herein by reference)
10.24	Master Lease between GAHC4 Holland MI ALF, LLC, GAHC4 Wyoming MI ALF, LLC, GAHC4 Riverside Grand Rapids MI ALF, LLC, GAHC4 Lansing MI ALF, LLC and GAHC4 Howell MI ALF, LLC and Vista Michigan Operations LLC dated December 28, 2018 (included as Exhibit 10.1 to our Current Report on Form 8-K filed January 4, 2019 and incorporated herein by reference)
21.1*	Subsidiaries of Griffin-American Healthcare REIT IV, Inc.
23.1*	Consent of Deloitte & Touche LLP
31.1*	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

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* Filed herewith.

** Furnished herewith. In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

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.

Griffin-American Healthcare REIT IV, Inc.
(Registrant)

By	/s/ JEFFREY T. HANSON	Chief Executive Officer and Chairman of the Board of Directors
	Jeffrey T. Hanson	

Date: March 18, 2019

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

By	/s/ JEFFREY T. HANSON	Chief Executive Officer and Chairman of the Board of Directors
	Jeffrey T. Hanson	(Principal Executive Officer)

Date: March 18, 2019

By	/s/ BRIAN S. PEAY	Chief Financial Officer
	Brian S. Peay	(Principal Financial Officer and Principal Accounting Officer)

Date: March 18, 2019

By	/s/ RICHARD S. WELCH	Director
	Richard S. Welch	

Date: March 18, 2019

By	/s/ BRIAN J. FLORNES	Independent Director
	Brian J. Flornes	

Date: March 18, 2019

By	/s/ DIANNE HURLEY	Independent Director
	Dianne Hurley	

Date: March 18, 2019

By	/s/ WILBUR H. SMITH III	Independent Director
	Wilbur H. Smith III	

Date: March 18, 2019

Exhibit 21.1

Griffin-American Healthcare REIT IV, Inc.

List of Subsidiaries

As of March 18, 2019

Griffin-American Healthcare REIT IV Holdings, LP (Delaware)
GAHC4 Aledo IL SNF, LLC (Delaware)
GAHC4 Arcola IL SNF, LLC (Delaware)
GAHC4 Athens GA MOB Portfolio, LLC (Delaware)
GAHC4 Athens GA MOB I, LLC (Delaware)
GAHC4 Athens GA MOB II, LLC (Delaware)
GAHC4 Auburn CA MOB, LLC (Delaware)
GAHC4 Balmoral FL SH, LLC (Delaware)
GAHC4 Balmoral FL TRS Sub, LLC (Delaware)
GAHC4 Battle Creek MI MOB, LLC (Delaware)
GAHC4 Bayside FL SH, LLC (Delaware)
GAHC4 Bayside FL TRS Sub, LLC (Delaware)
GAHC4 Beaumont TX ALF, LLC (Delaware)
GAHC4 Beaumont TX TRS Sub, LLC (Delaware)
GAHC4 Belmont CA ALF, LLC (Delaware)
GAHC4 Belmont CA TRS SUB, LLC (Delaware)
GAHC4 Blue Springs MO SNF, LLC (Delaware)
GAHC4 Bradenton FL SH, LLC (Delaware)
GAHC4 Bradenton FL TRS Sub, LLC (Delaware)
GAHC4 Brighton IL SNF, LLC (Delaware)
GAHC4 Charlottesville VA MOB, LLC (Delaware)
GAHC4 Central FL Senior Housing Portfolio, LLC (Delaware)
GAHC4 Central Wisconsin SC Portfolio, LLC (Delaware)
GAHC4 Collinsville IL SNF, LLC (Delaware)
GAHC4 Columbia IL MC, LLC (Delaware)
GAHC4 Columbia IL SH, LLC (Delaware)
GAHC4 Cullman AL MOB I, LLC (Delaware)
GAHC4 Cullman AL MOB II, LLC (Delaware)
GAHC4 Cullman AL MOB III, LLC (Delaware)
GAHC4 Decatur GA MOB, LLC (Delaware)
GAHC4 Edmonds WA MOB, LLC (Delaware)
GAHC4 Effingham IL SNF, LLC (Delaware)
GAHC4 Evendale OH MOB, LLC (Delaware)
GAHC4 Fairfield CA MC, LLC (Delaware)
GAHC4 Fairfield CA TRS Sub, LLC (Delaware)
GAHC4 Fairfield County CT MOB Portfolio, LLC (Delaware)
GAHC4 Farmer City IL SNF, LLC (Delaware)
GAHC4 Flemington NJ MOB Portfolio, LLC (Delaware)
GAHC4 Flemington 1 Wescott NJ MOB, LLC (Delaware)
GAHC4 Flemington Sand Hill NJ MOB, LLC (Delaware)
GAHC4 Forest Oaks FL SH, LLC (Delaware)
GAHC4 Forest Oaks FL TRS Sub, LLC (Delaware)
GAHC4 Glendale WI MOB, LLC (Delaware)
GAHC4 Grand Junction CO MOB, LLC (Delaware)
GAHC4 Grande FL SH, LLC (Delaware)
GAHC4 Grande FL TRS Sub, LLC (Delaware)
GAHC4 Great Nord MOB Portfolio, LLC (Delaware)
GAHC4 Havana IL SNF, LLC (Delaware)
GAHC4 Holland MI ALF, LLC (Delaware)
GAHC4 Howell MI ALF, LLC (Delaware)
GAHC4 Iron MOB Portfolio, LLC (Delaware)

GAHC4 Kewanee IL SNF, LLC (Delaware)
GAHC4 Lafayette LA ALF Portfolio, LLC (Delaware)
GAHC4 Lafayette LA ALF, LLC (Delaware)
GAHC4 Lafayette LA MC, LLC (Delaware)
GAHC4 Lafayette TRS OpCo Holdco, LLC (Delaware)
GAHC4 Lafayette ALF TRS Sub, LLC (Delaware)
GAHC4 Lafayette MC TRS Sub, LLC (Delaware)
GAHC4 La Harpe IL SNF, LLC (Delaware)
GAHC4 Lake Morton FL SH, LLC (Delaware)
GAHC4 Lake Morton FL TRS Sub, LLC (Delaware)
GAHC4 Lansing MI ALF, LLC (Delaware)
GAHC4 Lawrenceville GA MOB, LLC (Delaware)
GAHC4 Lawrenceville GA MOB II, LLC (Delaware)
GAHC4 Lebanon IL SNF, LLC (Delaware)
GAHC4 Lithonia GA MOB, LLC (Delaware)
GAHC4 McLeansboro IL SNF, LLC (Delaware)
GAHC4 Menlo Park CA MC, LLC (Delaware)
GAHC4 Menlo Park CA TRS Sub, LLC (Delaware)
GAHC4 Michigan ALF Portfolio, LLC (Delaware)
GAHC4 Mill Creek WA MOB, LLC (Delaware)
GAHC4 Mint Hill NC MOB, LLP (Delaware)
GAHC4 Millstadt IL SH, LLC (Delaware)
GAHC4 Missouri SNF Portfolio, LLC (Delaware)
GAHC4 Modesto CA MOB, LLC (Delaware)
GAHC4 Northern CA Senior Housing Portfolio, LLC (Delaware)
GAHC4 Northern CA TRS OpCo Holdco, LLC (Delaware)
GAHC4 Northview Grand Rapids MI ALF, LLC (Delaware)
GAHC4 Paris IL SNF, LLC (Delaware)
GAHC4 Peninsula FL JV, LLC (Delaware)
GAHC4 Peninsula FL JV Partner, LLC (Delaware)
GAHC4 Pinnacle Senior Housing Portfolio, LLC (Delaware)
GAHC4 Pinnacle SH JV, LLC (Delaware)
GAHC4 Pinnacle SH JV Partner, LLC (Delaware)
GAHC4 Pottsville PA MOB, LLC (Delaware)
GAHC4 Red Bud IL SH, LLC (Delaware)
GAHC4 Renaissance FL SH, LLC (Delaware)
GAHC4 Renaissance FL TRS Sub, LLC (Delaware)
GAHC4 Reno NV MOB, LLC (Delaware)
GAHC4 Reno NV MOB Sole Member, LLC (Delaware)
GAHC4 Riverside Grand Rapids MI ALF, LLC (Delaware)
GAHC4 Rochester Hills MI MOB, LLC (Delaware)
GAHC4 Roseburg OR MOB, LLC (Delaware)
GAHC4 Roseburg OR MOB Sole Member, LLC (Delaware)
GAHC4 Rosiclare IL SNF, LLC (Delaware)
GAHC4 Sacramento CA ALF, LLC (Delaware)
GAHC4 Sacramento CA TRS Sub, LLC (Delaware)
GAHC4 Sauk Prairie WI MOB, LLC (Delaware)
GAHC4 Sauk Prairie WI MOB Member, LLC (Delaware)
GAHC4 Shelbyville IL SNF, LLC (Delaware)
GAHC4 Songbird SNF Portfolio, LLC (Delaware)
GAHC4 Southfield MI MOB, LLC (Delaware)
GAHC4 Southfield MI MOB Member, LLC (Delaware)
GAHC4 Spring Haven FL SH, LLC (Delaware)
GAHC4 Spring Haven FL TRS Sub, LLC (Delaware)
GAHC4 Spring Oaks FL SH, LLC (Delaware)
GAHC4 Spring Oaks FL TRS Sub, LLC (Delaware)
GAHC4 Stratford CT MOB, LLC (Delaware)
GAHC4 Sullivan IL ALF, LLC (Delaware)

GAHC4 Sullivan IL SNF, LLC (Delaware)
GAHC4 Sullivan IL SNF II, LLC (Delaware)
GAHC4 Sun Prairie WI SC, LLC (Delaware)
GAHC4 Surprise AZ MOB, LLC (Delaware)
GAHC4 Swansea IL SNF, LLC (Delaware)
GAHC4 SW Illinois Senior Housing Portfolio, LLC (Delaware)
GAHC4 Sylacauga AL MOB, LLC (Delaware)
GAHC4 Tarkio MO SNF, LLC (Delaware)
GAHC4 Trilogy JV, LLC (Delaware)
GAHC4 TRS Peninsula Holdings, LLC (Delaware)
GAHC4 TRS Pinnacle Holdings, LLC (Delaware)
GAHC4 Trumbull CT MOB, LLC (Delaware)
GAHC4 Tuscola IL SNF, LLC (Delaware)
GAHC4 Vandalia IL SNF, LLC (Delaware)
GAHC4 Warrenton MO ALF, LLC (Delaware)
GAHC4 Warrenton MO TRS Sub, LLC (Delaware)
GAHC4 Watseka IL SNF, LLC (Delaware)
GAHC4 Waunakee WI SC, LLC (Delaware)
GAHC4 Waterloo IL SH, LLC (Delaware)
GAHC4 West Des Moines IA ALF, LLC (Delaware)
GAHC4 West Frankfort IL SNF, LLC (Delaware)
GAHC4 Wyoming MI ALF, LLC (Delaware)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-229301 on Form S-3 of our report dated March 18, 2019 , relating to the consolidated financial statements of Griffin-American Healthcare REIT IV, Inc., appearing in this Annual Report on Form 10-K of Griffin-American Healthcare REIT IV, Inc. for the year ended December 31, 2018 .

/s/ Deloitte & Touche LLP

Costa Mesa, California
March 18, 2019

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey T. Hanson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Griffin-American Healthcare REIT IV, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer 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.

March 18, 2019	By:	/s/ JEFFREY T. HANSON
Date		Jeffrey T. Hanson
		Chief Executive Officer and Chairman of the Board of Directors
		(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brian S. Peay, certify that:

1. I have reviewed this Annual Report on Form 10-K of Griffin-American Healthcare REIT IV, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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.

March 18, 2019	By:	/s/ BRIAN S. PEAY
Date		Brian S. Peay
		Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Griffin-American Healthcare REIT IV, Inc., or the Company, hereby certifies, to his knowledge, that:

(1) the accompanying Annual Report on Form 10-K of the Company for the period ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 18, 2019	By:	/s/ JEFFREY T. HANSON
Date		Jeffrey T. Hanson
		Chief Executive Officer and Chairman of the Board of Directors
		(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Griffin-American Healthcare REIT IV, Inc., or the Company, hereby certifies, to his knowledge, that:

(1) the accompanying Annual Report on Form 10-K of the Company for the period ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 18, 2019	By:	/s/ BRIAN S. PEAY
Date		Brian S. Peay
		Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)