Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2020

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: 333-136110

GTJ REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland	**20-5188065**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

60 Hempstead Avenue
West Hempstead, New York
11552
(Address of principal executive offices)
(Zip Code)

(516) 693-5500
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 13,627,220 shares of common stock as of August 4, 2020.

GTJ REIT, INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2020
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Part I – Financial Information

Item 1. Financial Statements

GTJ REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)

	June 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Real estate, at cost:		
Land	$ 197,745	$ 197,745
Buildings and improvements	301,085	300,063
Total real estate, at cost	498,830	497,808
Less: accumulated depreciation and amortization	(69,725)	(64,950)
Net real estate held for investment	429,105	432,858
Cash and cash equivalents	38,240	26,853
Restricted cash	2,568	2,232
Rental income in excess of amount billed	15,821	15,253
Acquired lease intangible assets, net	8,793	9,713
Investment in unconsolidated affiliate	4,052	4,096
Other assets	13,926	13,804
Total assets	$ 512,505	$ 504,809
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net	$ 363,537	$ 361,332
Secured revolving credit facility	50,000	40,000
Accounts payable and accrued expenses	3,834	4,306
Dividends payable	1,363	1,353
Acquired lease intangible liabilities, net	3,684	4,120
Other liabilities	6,772	8,049
Total liabilities	429,190	419,160
Commitments and contingencies (Note 8)	—	—
Equity:		
Series A, Preferred stock, $.0001 par value; 500,000 shares authorized; none issued and outstanding	—	—
Series B, Preferred stock, $.0001 par value; non-voting; 6,500,000 shares authorized; none issued and outstanding	—	—
Common stock, $.0001 par value; 100,000,000 shares authorized; 13,627,220 and 13,537,856 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	1	1
Additional paid-in capital	160,872	160,308
Distributions in excess of net income	(111,707)	(109,889)
Total stockholders' equity	49,166	50,420
Noncontrolling interest	34,149	35,229
Total equity	83,315	85,649
Total liabilities and equity	$ 512,505	$ 504,809

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

GTJ REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Six Months Ended June 30, 2020 and 2019
(Unaudited, amounts in thousands, except share and per share data)

	Three Months Ended, June 30,		Six Months Ended, June 30,	
	2020	2019	2020	2019
Revenues:				
Rental income	$ 14,398	$ 13,974	$ 28,715	$ 28,134
Total revenues	14,398	13,974	28,715	28,134
Operating Expenses:				
Property operating expenses	2,962	2,824	5,927	5,893
General and administrative	2,625	2,355	4,516	4,191
Depreciation and amortization	3,169	3,182	6,339	6,466
Total operating expenses	8,756	8,361	16,782	16,550
Operating income	5,642	5,613	11,933	11,584
Interest expense	(4,342)	(4,550)	(8,669)	(9,026)
Equity in earnings of unconsolidated affiliate	33	85	56	162
Other (loss) income	(7)	53	13	108
Net income	1,326	1,201	3,333	2,828
Less: Net income attributable to noncontrolling interest	421	386	1,080	912
Net income attributable to common stockholders	$ 905	$ 815	$ 2,253	$ 1,916
Net income per common share attributable to common stockholders - basic and diluted earnings per share	$ 0.07	$ 0.06	$ 0.17	$ 0.14
Weighted average common shares outstanding – basic	13,564,370	13,536,021	13,551,113	13,552,750
Weighted average common shares outstanding – diluted	13,601,818	13,557,108	13,588,561	13,573,837

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

GTJ REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2020 and 2019
(Unaudited, amounts in thousands, except share data)

	Preferred Stock	Common Stock Outstanding Shares	Common Stock Par Value	Additional-Paid-In-Capital	Distributions in Excess of Net Income	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at January 1, 2020	$ —	13,537,856	$ 1	$ 160,308	$ (109,889)	$ 50,420	$ 35,229	$ 85,649
Common stock dividends	—	—	—	—	(2,708)	(2,708)	—	(2,708)
Stock-based compensation	—	—	—	80	—	80	—	80
Distributions to noncontrolling interest	—	—	—	—	—	—	(1,437)	(1,437)
Net income	—	—	—	—	1,348	1,348	659	2,007
Balance at March 31, 2020	$ —	13,537,856	$ 1	$ 160,388	$ (111,249)	$ 49,140	$ 34,451	$ 83,591
Common stock dividends	—	—	—	—	(1,363)	(1,363)	—	(1,363)
Stock-based compensation	—	—	—	484	—	484	—	484
Issuance of shares	—	89,364	—	—	—	—	—	—
Distributions to noncontrolling interest	—	—	—	—	—	—	(723)	(723)
Net income	—	—	—	—	905	905	421	1,326
Balance at June 30, 2020	$ —	13,627,220	$ 1	$ 160,872	$ (111,707)	$ 49,166	$ 34,149	$ 83,315

	Preferred Stock	Common Stock Outstanding Shares	Common Stock Par Value	Additional-Paid-In-Capital	Distributions in Excess of Net Income	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at January 1, 2019	$ —	13,569,664	$ 1	$ 161,219	$ (107,730)	$ 53,490	$ 36,225	$ 89,715
Common stock dividends	—	—	—	—	(2,578)	(2,578)	—	(2,578)
Stock-based compensation	—	—	—	88	—	88	—	88
Distributions to noncontrolling interest	—	—	—	—	—	—	(1,357)	(1,357)
Net income	—	—	—	—	1,101	1,101	526	1,627
Balance at March 31, 2019	$ —	13,569,664	$ 1	$ 161,307	$ (109,207)	$ 52,101	$ 35,394	$ 87,495
Common stock dividends	—	—	—	—	(1,354)	(1,354)	—	(1,354)
Repurchases - common stock	—	(111,547)	—	(1,322)	—	(1,322)	—	(1,322)
Stock-based compensation	—	—	—	436	—	436	—	436
Issuance of shares	—	79,739	—	—	—	—	—	—
Distributions to noncontrolling interest	—	—	—	—	—	—	(718)	(718)
Net income	—	—	—	—	815	815	386	1,201
Reallocation of equity	—	—	—	(317)	—	(317)	317	—
Balance at June 30, 2019	$ —	13,537,856	$ 1	$ 160,104	$ (109,746)	$ 50,359	$ 35,379	$ 85,738

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

GTJ REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2020 and 2019
(Unaudited, amounts in thousands)

	Six Months Ended, June 30, 2020	Six Months Ended, June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,333	$ 2,828
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,806	4,841
Amortization of intangible assets and deferred charges	1,775	1,932
Stock-based compensation	564	524
Rental income in excess of amount billed	(558)	66
Distributions from unconsolidated affiliate	56	166
Income from equity investment in unconsolidated affiliate	(56)	(162)
Changes in operating assets and liabilities:		
Other assets	(1,123)	207
Accounts payable and accrued expenses	(307)	(628)
Other liabilities	(1,154)	(19)
Net cash provided by operating activities	7,336	9,755
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for improvements to real estate	(1,188)	(2,896)
Return of capital from unconsolidated affiliate	44	743
Net cash used in investing activities	(1,144)	(2,153)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage notes payable	8,400	—
Loan costs from mortgage notes payable	(246)	—
Proceeds from revolving credit facility	10,000	—
Repurchase of common stock	—	(1,322)
Payment of mortgage principal	(6,407)	(390)
Cash distributions to noncontrolling interests	(2,155)	(2,071)
Cash dividends paid	(4,061)	(3,935)
Net cash provided by (used in) financing activities	5,531	(7,718)
Net increase in cash and cash equivalents	11,723	(116)
Cash and cash equivalents including restricted cash of $2,232 and $3,895, respectively, at the beginning of period	29,085	25,070
Cash and cash equivalents including restricted cash of $2,568 and $4,754, respectively, at the end of period	$ 40,808	$ 24,954
SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION:		
Cash paid during the period for interest, net of amount capitalized of $96 for 2020 and $62 for 2019	$ 8,181	$ 8,499
Non-cash expenditures for real estate	$ 278	$ 266
Right-of-use assets, operating leases obtained in exchange for operating lease liabilities	$ 145	$ 415
Cash paid for income taxes	$ 43	$ 16

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

1. ORGANIZATION AND DESCRIPTION OF BUSINESS:

GTJ REIT, Inc. (the "Company" or "GTJ REIT") was incorporated on June 26, 2006, under the Maryland General Corporation Law. The Company is focused primarily on the acquisition, ownership, management, and operation of commercial real estate located in New York, New Jersey, Connecticut and Delaware.

The Company has elected to be treated as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended (the "Code"). The Company elected December 31 as its fiscal year end. Under the REIT operating structure, the Company is permitted to deduct the dividends paid to its stockholders when determining its taxable income. Assuming dividends equal or exceed the Company's taxable income, the Company generally will not be required to pay federal corporate income taxes on such income.

On January 17, 2013, the Company closed on a transaction with Wu/Lighthouse Portfolio, LLC, in which a limited partnership (the "Operating Partnership") owned and controlled by the Company, acquired all outstanding ownership interests of a portfolio consisting of 25 commercial properties (the "Acquired Properties") located in New York, New Jersey and Connecticut, in exchange for 33.29% of the outstanding limited partnership interest in the Operating Partnership. The outstanding limited partnership interest in the Operating Partnership exchanged for the Acquired Properties was increased to 33.78% due to post-closing adjustments, and to 34.67% due to the redemption of certain shares of GTJ REIT, Inc. common stock. The acquisition was recorded as a business combination and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed at fair value. At June 30, 2020, subject to certain anti-dilutive and other provisions contained in the governing agreements, the limited partnership interests in the Operating Partnership may be converted in the aggregate, into approximately 1.9 million shares of the Company's common stock and approximately 5.3 million shares of the Company's Series B preferred stock.

As of June 30, 2020, the Operating Partnership owned and operated 48 properties consisting of approximately 5.8 million square feet of primarily industrial space on approximately 389 acres of land in New York, New Jersey, Connecticut and Delaware. The Operating Partnership also owns, through a joint venture, a 50% interest in a recently constructed state-of-the-art industrial building in Piscataway, New Jersey.

On March 11, 2020, the World Health Organization declared COVID-19, a respiratory illness caused by the novel coronavirus, a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. The COVID-19 pandemic has caused state and local governments within New York, New Jersey, Connecticut, Delaware and elsewhere to institute quarantines, "shelter in place" rules and restrictions on travel, the types of business that may continue to operate, and/or the types of construction projects that may continue. The Company continues to monitor its operations and government recommendations and has made modifications to its normal operations, including having its employees work remotely.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law to provide widespread emergency relief for the economy and to provide aid to corporations. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. A number of the relief options contain restrictions on future business activities, including ability to repurchase shares and pay dividends, that require careful evaluation and consideration. The Company has elected not to apply for a Paycheck Protection Program loan or other relief provided by the CARES Act. The Company will continue to assess these options, and any subsequent legislation or other relief packages, including the accompanying restrictions on its business, as the pandemic continues to evolve.

The effects of the COVID-19 pandemic did not significantly impact the Company's results of operations, financial condition and cash flows for the six months ended June 30, 2020. However, the COVID-19 outbreak may materially affect the Company's financial condition and results of operations going forward, including but not limited to, its real estate rental revenues. The Company derives revenues primarily from rents and reimbursement payments received from tenants under leases at the Company's properties. The Company's operating results therefore depend materially on the ability of its tenants to make required rental payments. Given the Company's concentration in the Northeast United States, its entire portfolio could remain subject to quarantines, "shelter in place" rules, and various other restrictions for the foreseeable future. The extent to which the COVID-19 pandemic impacts the businesses of the Company's tenants, and the Company's results of operations, financial condition and cash flows will depend on future developments which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and such containment measures, among others. While the extent of the outbreak and its impact on the Company and its tenants is uncertain, a prolonged crisis could result in continued disruptions in the credit and financial markets, a continued rise in unemployment rates, and an overall worsening of global and U.S. economic conditions. The COVID-19 pandemic is negatively impacting almost every industry directly or indirectly, including industries in which the Company and its tenants operate. The factors described above, as well as additional factors that the Company may not currently be aware of, could materially negatively impact the Company's ability to collect rent and could lead to termination of leases by tenants, tenant bankruptcies, decreases in demand for properties, difficulties in accessing capital, impairment of the Company's long-lived assets and other impacts that could materially and adversely affect the Company's business, results of operations, financial condition and ability to pay distributions to stockholders. A prolonged outbreak could have a material adverse impact on the financial results and business operations of the Company.

As of June 30, 2020, the Company agreed upon certain rent relief requests, most often in the form of rent deferral requests, as a result of COVID-19. Not all tenant requests resulted in modification agreements, nor did the Company forego its contractual rights under its lease agreements. These rent relief requests from the Company's tenants did not have a material impact on the Company's results of operations, financial condition or cash flows as of June 30, 2020. The rent relief requests resulted in the total payments required by the modified contract being substantially the same or less than the total payments required by the original contract. Therefore, the Company has elected to account for lease concessions related to the effects of the COVID-19 pandemic consistent with how those concessions would be accounted for under lease accounting pronouncements as though enforceable rights and obligations for the concessions existed, regardless of whether those enforceable rights and obligations for the concessions explicitly exist in the contract. Consequently, for concessions related to the effects of the COVID-19 pandemic, the Company did not analyze each contract to determine whether enforceable rights and obligations for concessions exist in the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the financial statements of the Company, its wholly owned subsidiaries, and the Operating Partnership, as the Company makes all operating and financial decisions for (i.e., exercises control over) the Operating Partnership. All material intercompany transactions have been eliminated. The ownership interests of the other investors in the Operating Partnership are presented as non-controlling interests.

The accompanying unaudited condensed consolidated interim financial information has been prepared according to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. The Company's management believes that the disclosures presented in these unaudited condensed consolidated financial statements are adequate to make the information presented not misleading. In management's opinion, all adjustments and eliminations, consisting only of normal recurring adjustments, necessary to present fairly the financial position and results of operations for the reported periods have been included. The results of operations for such interim periods are not necessarily indicative of the results for the full year. The accompanying unaudited condensed consolidated interim financial information should be read in conjunction with the Company's December 31, 2019, audited consolidated financial statements, as previously filed with the SEC on Form 10-K on March 24, 2020.

The Company has determined that redemptions of Company shares result in a reallocation between the Operating Partnership's non-controlling interest ("OP NCI") and Additional Paid-in-Capital ("APIC"). During the six months ended June 30, 2020, there were no redemptions of Company shares, and therefore, no reallocation was required. During the six months ended June 30, 2019, the Company redeemed 73,637 shares, resulting in a decrease to APIC with an offsetting increase to OP NCI of approximately $0.3 million.

Use of Estimates:

The preparation of the Company's condensed consolidated financial statements in conformity with GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. All of these estimates reflect management's best judgment about current economic and market conditions and their effects based on information available as of the date of these condensed consolidated financial statements. If such conditions persist longer or deteriorate further than expected, it is reasonably possible that the judgments and estimates could change, which may result in impairments of certain assets. Significant estimates include the useful lives of long-lived assets including property, equipment and intangible assets, impairment of assets, collectability of receivables, contingencies, stock-based compensation, and fair value of assets and liabilities acquired in business combinations.

Reclassification:

None of the prior year amounts have been reclassified for consistency with the current year presentation.

Real Estate:

Real estate assets are stated at cost, less accumulated depreciation and amortization. All costs related to the improvement or replacement of real estate properties, including interest expense on development properties, are capitalized. Acquisition related costs are capitalized for asset acquisitions. Additions, renovations, and improvements that enhance and/or extend the useful life of a property are also capitalized. Expenditures for ordinary maintenance, repairs, and improvements that do not materially prolong the normal useful life of an asset are charged to operations as incurred.

The Company capitalizes all direct costs of real estate under development until the end of the development period. In addition, the Company capitalizes the indirect cost of insurance and real estate taxes allocable to real estate under development during the development period. The Company also capitalizes interest using the avoided cost method for real estate under development during the development period. The Company will cease the capitalization of these costs when development activities are substantially completed and the property is available for occupancy by tenants, but no later than one year from the completion of major construction activity at which time the property is placed in service and depreciation commences. If the Company suspends substantially all activities related to development of a qualifying asset, the Company will cease capitalization of these costs until activities are resumed. Real estate under development was $5.8 million and $5.6 million as of June 30, 2020 and December 31, 2019, respectively, and is included in buildings and improvements on the Company's balance sheet.

Upon the acquisition of real estate properties, the relative fair value of the real estate purchased is allocated to the acquired tangible assets (generally consisting of land, buildings and building improvements, and tenant improvements) and identified intangible assets and liabilities (generally consisting of above-market and below-market leases and the origination value of in-place leases) on a relative fair value basis in accordance with GAAP. The Company utilizes methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The fair value of the tangible assets of an acquired property considers the value of the property "as-if-vacant." In allocating the purchase price to identified intangible assets and liabilities of an acquired property, the value of above-market and below-market leases is estimated based on the differences between contractual rentals and estimated market rents over the applicable lease term discounted back to the date of acquisition utilizing a discount rate adjusted for the credit risk associated with the respective tenants. Fixed-rate renewal options have been included in the calculation of the fair value of acquired leases where applicable. The aggregate value of in-place leases is measured based on the avoided costs associated with lack of revenue over a market oriented lease-up period, the avoided leasing commissions, and other avoided costs common in similar leasing transactions.

Mortgage notes payable assumed in connection with acquisitions are recorded at their fair value using current market interest rates for similar debt at the time of acquisitions.

The capitalized above-market lease values are amortized as a reduction of rental revenue over the remaining term of the respective leases and the capitalized below-market lease values are amortized as an increase to rental revenue over the remaining term of the respective leases. The value of in-place leases is based on the Company's evaluation of the specific characteristics of each tenant's lease. Factors considered include estimates of carrying costs during expected lease-up periods, current market conditions, and costs to execute similar leases. The values of in-place leases are amortized over the remaining term of the respective leases. If a tenant terminates its lease prior to its contractual expiration date, any unamortized balance of the related intangible assets or liabilities is recorded as income or expense in the period. The total net impact to rental revenues due to the amortization of above and below-market leases was a net increase of approximately $0.3 million for each of the six months ended June 30, 2020 and 2019.

As of June 30, 2020, above-market and in-place leases of approximately $0.7 million and $8.1 million (net of accumulated amortization), respectively, are included in acquired lease intangible assets, net in the accompanying condensed consolidated balance sheets. As of December 31, 2019, above-market and in-place leases of approximately $0.8 million and $8.9 million (net of accumulated amortization), respectively, are included in acquired lease intangible assets, net in the accompanying condensed consolidated balance sheets. As of June 30, 2020, and December 31, 2019, approximately $3.7 million and $4.1 million (net of accumulated amortization), respectively, relating to below-market leases are included in acquired lease intangible liabilities, net in the accompanying condensed consolidated balance sheets.

The following table presents the projected impact for the remainder of 2020, the next five years and thereafter related to the net increase to rental revenue from the amortization of the acquired above-market and below-market lease intangibles and the increase to amortization expense of the in-place lease intangibles for properties owned at June 30, 2020 (in thousands):

	Net increase to rental revenues	Increase to amortization expense
Remainder of 2020	$ 330	$ 814
2021	510	1,400
2022	533	1,344
2023	635	1,189
2024	497	903
2025	148	733
Thereafter	329	1,709
	$ 2,982	$ 8,092

Investment in Unconsolidated Affiliates:

The Company has investments in other entities that have been accounted for under the equity method of accounting. The equity method of accounting is used when an investor has influence, but not control, over the investee. The Company records its share of the profits and losses of the investee in the period when theses profits and losses are also reflected in the accounts of the investee.

On February 28, 2018, the Company purchased a 50% interest in Two CPS Developers LLC (the "Investee") for $5.25 million. The Company has the ability to exercise significant influence over the Investee, does not have a controlling interest in the Investee, and the Investee is not a variable interest entity. Therefore, the Company accounts for this investment under the equity method of accounting. The Company recorded income of approximately $0.1 million from this investment for the six months ended June 30, 2020 and 2019, respectively.

Depreciation and Amortization:

The Company uses the straight-line method for depreciation and amortization. Properties and property improvements are depreciated over their estimated useful lives, which range from 5 to 40 years. Furniture, fixtures, and equipment are depreciated over estimated useful lives that range from 5 to 10 years. Tenant improvements are amortized over the shorter of the remaining non-cancellable term of the related leases or their useful lives.

Asset Impairment:

Management reviews each real estate investment for impairment whenever events or circumstances indicate that the carrying value of a real estate investment may not be recoverable. The review of recoverability is based on an estimate of the undiscounted future cash flows that are expected to result from the real estate investment's use and eventual disposition. Such cash flow analyses consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If an impairment event exists due to the projected inability to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds estimated fair value. Management is required to make subjective assessments as to whether there are impairments in the value of the Company's real estate holdings. These assessments could have a direct impact on net income, because an impairment loss is recognized in the period the assessment is made. Management has determined that there was no impairment related to its long-lived assets at June 30, 2020.

Deferred Charges:

Deferred charges consist principally of leasing commissions, which are amortized over the life of the related tenant leases, and financing costs, relating to the Company's revolving credit facility, which are amortized over the terms of the respective debt agreements. These deferred charges are included in other assets on the consolidated balance sheets. If leases are terminated, the unamortized charges are expensed.

Reportable Segments:

The Company operates in one reportable segment, commercial real estate.

Revenue Recognition:

Rental income includes the base rent that each tenant is required to pay in accordance with the terms of their respective leases reported on a straight-line basis over the term of the lease. Rental income related to tenants where the collectability of lease payments is not deemed probable will be recorded on a cash basis. If the Company determines that the collectability of a tenant's lease payments is not probable, the write-off of the entire tenant receivable, including straight-line rent receivable, is presented as a reduction of revenue rather than an operating expense on the statement of operations.

Some of the leases provide for additional contingent rental revenue in the form of increases based on the consumer price index, subject to certain maximums and minimums.

Substantially all of the Company's properties are subject to long-term net leases under which the tenant is typically responsible to pay for its pro rata share of real estate taxes, insurance, and ordinary maintenance and repairs for the property.

Property operating expense recoveries from tenants of common area maintenance, real estate taxes, and other recoverable costs are included in revenues in the period that the related expenses are incurred.

Future minimum contractual lease payments to be received by the Company (without taking into account straight-line rent, amortization of intangibles and tenant reimbursements) as of June 30, 2020, under operating leases for the remainder of 2020, the next five years, and thereafter are as follows (in thousands):

Remainder of 2020	$	23,099
2021		45,652
2022		41,232
2023		35,481
2024		29,193
2025		26,503
Thereafter		57,623
Total	$	258,783

Earnings Per Share Information:

The Company presents both basic and diluted earnings per share. Basic earnings per share excludes dilution and is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower per share amount. Restricted stock and stock options were included in the computation of diluted earnings per share.

Cash and Cash Equivalents:

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Restricted Cash:

Restricted cash includes reserves used to pay real estate taxes, leasing costs and capital improvements. Restricted cash for prior periods included an additional reserve to pay for a construction bond.

Fair Value Measurement:

The Company determines fair value in accordance with Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurement." This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

Assets and liabilities disclosed at fair values are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are defined by ASC 820-10-35, are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities. Determining which category an asset or liability falls within the hierarchy requires significant judgment, and the Company evaluates its hierarchy disclosures each quarter. The three-tier fair value hierarchy is as follows:

Level 1 — Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 — Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Valuations based on unobservable inputs reflecting management's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Income Taxes:

The Company is organized and conducts its operations to qualify as a REIT for federal income tax purposes. Accordingly, the Company is generally not subject to federal income taxation on the portion of its distributable income that qualifies as REIT taxable income, to the extent that it distributes at least 90% of its REIT taxable income to its stockholders and complies with certain other requirements as defined in the Code.

The Company also participates in certain activities conducted by entities which elected to be treated as taxable subsidiaries under the Code. As such, the Company is subject to federal, state, and local taxes on the income from these activities.

The Company accounts for income taxes under the asset and liability method as required by the provisions of ASC 740-10-30. Under this method, deferred tax assets and liabilities are established based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

ASC 740-10-65 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10-65, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740-10-65 also provides guidance on de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures. As of June 30, 2020, and December 31, 2019, the Company had determined that no liabilities are required in connection with uncertain tax positions. As of June 30, 2020, the Company's tax returns for the prior three years are subject to review by the Internal Revenue Service. Any interest and penalties would be expensed as incurred.

The Tax Cuts and Jobs Act (the "Act") enacted in 2017 is a complex revision to the U.S. federal income tax laws with impacts on different categories of taxpayers and industries, and will require subsequent rulemaking and interpretation in a number of areas. The Act may impact certain of the Company's tenants' operating results, financial condition, and future business plans. There can be no assurance that the Act will not impact the Company's operating results, financial condition, and future business operations.

Concentrations of Credit Risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, which from time-to-time exceed the federal depository insurance coverage. Beginning January 1, 2013, all interest and noninterest bearing transaction accounts deposited at an insured depository institution are insured by the Federal Deposit Insurance Corporation up to the standard maximum deposit amount of $250,000. Management believes that the Company is not exposed to any significant credit risk due to the credit worthiness of the financial institutions.

For the six months ended June 30, 2020, rental income of $4.8 million derived from five leases with the City of New York represents approximately 17% of the Company's rental income.

Stock-Based Compensation:

The Company has a stock-based compensation plan which is described below in Note 5. The Company accounts for stock-based compensation in accordance with ASC Topic 718, "Compensation – Stock Compensation," which establishes accounting for stock-based awards exchanged for employee services. Under the provisions of ASC Topic 718, share-based compensation cost is measured at the grant date or service-inception date (if it precedes the grant date), based on the fair value of the award. Share-based compensation is expensed at the grant date (for awards or portion of awards that vested immediately), or ratably over the respective vesting periods, determined from the start of the grant date or service-inception date through the date of vesting.

Recent Accounting Pronouncements:

Lease Accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, "Leases (Topic No. 842)." ASU 2016-02 requires lessees to recognize, at the commencement date, a lease liability for all leases with a term greater than 12 months, which is the lessee's obligation to make lease payments arising from a lease and measure it on a discounted basis. A lessee must recognize an asset when it represents a lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged but updated to align with certain changes to the lessee model and the new revenue recognition standard. In addition, under the new guidance, if the Company determines that collectability of lease payments is not probable, the write-off of the entire tenant receivable, including straight-line rent receivable, is presented as a reduction of revenue rather than an operating expense on the statement of operations. Rental income related to tenants where the collectability of lease payments is not probable will be recorded on a cash basis. The new lease accounting permits companies to utilize certain practical expedients in the implementation of the new standard. The Company has elected to utilize a package of three practical expedients for all leases which includes, (i) not reassessing expired or existing contracts as to whether they are or contain leases; (ii) not reassessing lease classification of existing leases; and (iii) not reassessing the amount of capitalized initial direct costs for existing leases. ASU 2016-02 also specifies that upon adoption, lessors will no longer be able to capitalize and amortize certain leasing related costs and instead will only be permitted to capitalize and amortize incremental direct leasing costs. Subsequent to adoption, there was no change in the capitalization of costs as compared to what we have historically capitalized. ASU 2016-02 initially provided for one retrospective transition method for lessors; however, a second transition method was subsequently provided by ASU 2018-11 as described below.

In July 2018, the FASB issued ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements," which amended ASU 2016-02 to provide entities with an additional optional transition method to adopt ASU 2016-02. ASU 2018-11 simplifies transition requirements and, for lessors, provides a practical expedient for the separation of non-lease components from lease components. Specifically, ASU 2018-11 provides an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in the financial statements. In addition, ASU 2018-11 provides a practical expedient, by class of underlying asset, that permits lessors to make a policy election not to separate non-lease components from the associated lease component, and, instead, to account for those components as a single component if the non-lease components would otherwise be accounted for under the new revenue guidance (Topic 606). If certain conditions are met, the single component is to be accounted for under either Topic 842 or Topic 606 depending on which component(s) are predominant.

In July 2018, the FASB issued ASU No. 2018-10, "Codification Improvements to Topic 842, Leases." These amendments provide clarifications and corrections to ASU 2016-02, Leases (Topic 842).

In December 2018, the FASB issued ASU No. 2018-20, "Leases, (Topic 842): Narrow-Scope Improvements for Lessors". These amendments clarify or simplify certain narrow aspects of ASC 842 for lessors. This ASU modifies ASU No. 2016-02 to permit lessors, as an accounting policy election, not to evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. Instead, those lessors will account for those costs as if they are lessee costs. Consequently, a lessor making this election will exclude from the consideration in the contract and from variable payments not included in the consideration in the contract all collections from lessees of taxes within the scope of the election and will provide certain disclosures (the accounting policy election includes sales, use, value added, and some excise taxes but excludes real estate taxes). The Company has elected not to evaluate whether the aforementioned costs are lessor or lessee costs. This ASU also provides that certain lessor costs require lessors to exclude from variable payments, and therefore revenue, specifically lessor costs paid by lessees directly to third parties. The amendments also require lessors to account for costs excluded from the consideration of a contract that are paid by the lessor and reimbursed by the lessee as variable payments. A lessor will record those reimbursed costs as revenue. The adoption of ASU 2018-20 did not have a material impact on the Company's consolidated financial statements.

ASU 2016-02 is effective for fiscal periods and interim periods within those fiscal periods beginning after December 15, 2018. The Company adopted ASU 2016-02 (as amended by subsequent ASUs) effective January 1, 2019 utilizing the new transition method described in ASU 2018-11 and the package of three practical expedients provided by ASU 2016-02 as described above. As lessor, the Company has more than sixty (60) leases primarily with industrial tenants and a significant majority of its leases are on a triple-net basis. The Company's leases will continue to be classified as operating leases and the adoption of ASU 2016-02 did not have a material impact on the Company's financial position or results from operations. The Company has elected to use the practical expedient related to the separation of lease and non-lease components provided by ASU 2018-11. The Company has determined that the effect of electing this lessor practical expedient is that revenues related to leases will be reported on one line in the presentation within the consolidated statement of operations. The timing of revenue recognition is expected to be the same for the majority of the Company's new leases as compared to similar existing leases. As lessee, the Company has elected to utilize the practical expedients in the implementation of ASU 2016-02 related to not separating non-lease components from the associated lease component. As lessee, the Company is a party to an office lease with future lease obligations aggregating to approximately $145,000 and $289,000 as of June 30, 2020 and December 31, 2019, respectively. The Company has recorded a right-of-use asset and corresponding right-of use liability at the present value of the remaining minimum rental payments, based upon an incremental borrowing rate of 5.256%, of approximately $541,000 as of January 1, 2019. The Company did not record any cumulative effect of change in accounting principle upon the adoption of ASC Topic 842 as lessor or lessee.

Other Accounting Topics

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles when accounting for contract modifications, hedging relationships and other transactions impacted by rate reform, subject to meeting certain criteria. ASU 2020-04 is effective as of March 12, 2020 through December 31, 2022. The Company had no transactions to which the ASU was applied since adoption and we are considering the impact of reference rate reform on our consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation - Stock Compensation (Topic 718) – Improvements to Nonemployee Share-Based Payment Accounting." These amendments provide specific guidance for transactions for acquiring goods and services from nonemployees and specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (i) financing to the issuer or (ii) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. This guidance is effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption was permitted but not earlier than the adoption of Topic 606. The adoption of ASU 2018-07 did not have a material impact on the Company's consolidated financial statements.

3. MORTGAGE NOTES PAYABLE:

The following table sets forth a summary of the Company's mortgage notes payable (in thousands):

Loan	Interest Rate	Principal Outstanding as of June 30, 2020	Principal Outstanding as of December 31, 2019	Maturity
Hartford Accident & Indemnity Company	5.20%	$ -	$ 6,000	3/1/2020
People's United Bank	5.23%	2,046	2,089	10/1/2020
People's United Bank	4.18%	15,500	15,500	10/15/2024
American International Group	4.05%	233,100	233,100	3/1/2025
Allstate Life Insurance Company	4.00%	37,573	37,937	4/1/2025
United States Life Insurance Company	3.82%	39,000	39,000	1/1/2028
United States Life Insurance Company	4.25%	33,000	33,000	4/1/2028
Transamerica Life Insurance Company	3.45%	5,980	-	4/1/2030
Transamerica Life Insurance Company	3.45%	2,420	-	4/1/2030
	Subtotal	368,619	366,626	
	Unamortized loan costs	(5,082)	(5,294)	
	Total	$ 363,537	$ 361,332	

People's United Bank Loan Agreement:

In connection with the acquisition in 2014 of an 84,000 square foot parking lot in Long Island City, Queens, NY, a wholly owned subsidiary of the Operating Partnership entered into a mortgage loan agreement with People's United Bank in the aggregate amount of $15.5 million. The loan has a ten-year term and bears interest at 4.18%. Payments for the first seven years are interest only. Payments over the remaining three years of the term are based on a 25-year amortization schedule, with a balloon payment of $14.4 million due at maturity.

American International Group Loan Agreement:

On February 20, 2015 (the "Loan Closing Date"), the Operating Partnership refinanced the current outstanding debt on certain properties and placed new financing on others by entering into a Loan Agreement (the "AIG Loan Agreement") with American General Life Insurance Company, the Variable Life Insurance Company, the United States Life Insurance Company in the City of New York, American Home Assurance Company and Commerce and Industry Insurance Company.

The AIG Loan Agreement provides a secured loan in the principal amount of $233.1 million (the "AIG Loan"). The AIG Loan is a 10-year term loan that requires interest-only payments at the rate of 4.05% per annum. During the period from April 1, 2015, to February 1, 2025, payments of interest-only will be payable in arrears with the entire principal balance plus any accrued and unpaid interest due and payable on March 1, 2025. The Operating Partnership's obligation to pay the interest, principal and other amounts under the Loan Agreement are evidenced by the secured promissory notes executed on the Loan Closing Date (the "AIG Notes"). The AIG Notes are secured by certain mortgages encumbering 28 properties in New York, New Jersey and Connecticut.

Allstate Loan Agreement:

On March 13, 2015, in connection with the acquisition of six properties in Piscataway, NJ, the Operating Partnership closed on a $39.1 million cross-collateralized mortgage (the "Allstate Loan") from Allstate Life Insurance Company, Allstate Life Insurance Company of New York and American Heritage Life Insurance Company. The Allstate Loan agreement provided a secured facility with a 10-year term loan. During the first three years of the term of the loan, it required interest-only payments at the rate of 4% per annum. Following this period until the loan matures on April 1, 2025, payments will be based on a 30-year amortization schedule with a balloon payment of $33.8 million due at maturity.

United States Life Insurance Company Loan Agreement:

On December 20, 2017 (the "Closing Date"), four wholly owned subsidiaries of the Operating Partnership (collectively, the "U.S. Life Borrowers") entered in a loan agreement (the "U.S. Life Loan Agreement") with the United States Life Insurance Company in the City of New York (the "Lender").

The U.S. Life Loan Agreement provides for a secured loan facility in the principal amount of $39.0 million (the "Loan Facility"). The Loan Facility is a 10-year term loan that requires interest-only payments at the rate of 3.82% per annum. During the period from February 1, 2018 to December 1, 2027, payments of interest only on the principal balance of the Note (as defined below) will be payable in arrears, with the entire principal balance due and payable on January 1, 2028, the loan maturity date. Subject to certain conditions, the U.S. Life Borrowers may prepay the outstanding loan amount in whole on or after January 1, 2023, by providing advance notice of the prepayment to the Lender and remitting a prepayment premium equal to the greater of 1% of the then outstanding principal amount of the Loan Facility or the then present value of the Note. The U.S. Life Borrowers paid the Lender a one-time application fee of $50,000 in connection with the Loan Facility. The U.S. Life Borrowers' obligation to pay the principal, interest and other amounts under the Loan Facility are evidenced by the secured promissory note executed by the U.S. Life Borrowers as of the Closing Date (the "Note"). The Note is secured by certain mortgages encumbering the U.S. Life Borrowers' properties (a total of four properties) located in New York, New Jersey and Delaware. In the event of default, the initial rate of interest on the Note will increase to the greatest of (i) 18% per annum, (ii) a per annum rate equal to 4% over the prime established rate, or (iii) a per annum rate equal to 5% over the original interest rate, all subject to the applicable state or federal laws. The Note contains other terms and provisions that are customary for instruments of this nature.

United States Life Insurance Company Loan Agreement:

On March 21, 2018, four wholly owned subsidiaries of the Operating Partnership refinanced the current outstanding debt on certain properties by entering into a loan agreement with the United States Life Insurance Company in the City of New York. The loan agreement provides for a secured loan facility in the principal amount of $33.0 million. The loan facility is a ten-year term loan that requires interest-only payments at the rate of 4.25% per annum on the principal balance for the first five years of the term and principal and interest payments (amortized over a 30-year period) during the second five years of the term. The remaining principal balance of $30.0 million is due and payable on April 1, 2028, the loan maturity date. The Company used a portion of the proceeds from the loan facility to repay the remaining balance of a mortgage loan from Genworth Life Insurance Company.

Transamerica Life Insurance Company Loan Agreement:

On March 24, 2020, two wholly owned subsidiaries of the Operating Partnership entered into a loan agreement with Transamerica Life Insurance Company. The loan agreement provides for a cross-defaulted, cross-collateralized portfolio of commercial mortgage loans in the aggregate principal amount of $8.4 million. The loan is evidenced by secured promissory notes. Each note is made by one of the borrowers and the combined principal amounts of the notes are equal to the amount of the loan.

The term of each note is ten (10) years and requires (i) interest-only payments at the rate of 3.45% per annum on the principal balance of the note until April 1, 2022 and (ii) principal and interest payments (amortized over a 25-year period commencing at the end of the interest-only period) from May 1, 2022 through March 1, 2030. The entire principal balance of each note is due and payable on April 1, 2030, the loan maturity date. Subject to the terms of the loan agreement, each note may be prepaid in whole upon not less than 30 days' prior written notice to the lender. Subject to certain exceptions, upon prepayment, the borrowers must remit a prepayment premium equal to the greater of (i) 1% of the prepayment amount and (ii) a yield protection amount calculated in accordance with the terms of the notes. If a default exists, the outstanding principal balance of the notes shall, at the option of the lender, bear interest at a rate equal to the lesser of (i) 10% per annum over the note rate and (ii) the highest rate of interest permitted to be paid or collected by applicable law with respect to the loan. The notes contain other terms and provisions that are customary for instruments of this nature.

Assumption of Loans:

Certain of the Company's acquired properties were encumbered by certain mortgage indebtedness. Concurrent with the acquisition of these properties, the Company, the Operating Partnership and the entity owners of the properties acquired entered into certain loan assumption and modification documents to facilitate the acquisition of the properties acquired. Below is a summary of the material terms of the arrangement with each lender.

Hartford Accident & Indemnity Loan:

In connection with the April 2014 acquisition of the Windsor Locks, CT property, a wholly owned subsidiary of the Operating Partnership assumed a $9.0 million mortgage that bore interest at 6.07%. A principal payment of $3.0 million was made in February 2017, and the interest rate was reduced to 5.20%. On February 25, 2020, the Company paid the remaining mortgage balance of $6.0 million from its existing cash balances.

People's United Bank Loan:

Wu/LH 15 Progress Drive L.L.C., a wholly owned subsidiary of the Operating Partnership, entered into a $2.7 million mortgage loan on September 30, 2010. The loan is secured by the properties located at 15 Progress Road and 30 Commerce Drive, Shelton, Connecticut and bears interest at a rate of 5.23%. The Operating Partnership is required to make monthly payments of principal and interest until the loan matures on October 1, 2020. The obligations under this loan agreement are also guaranteed by GTJ REIT.

In connection with the loan agreements, the Company is required to comply with certain covenants. As of June 30, 2020, the Company was in compliance with all covenants.

The mortgage notes payable are collateralized by certain properties and require monthly interest payments until maturity and are generally non-recourse. Some of the loans also require amortization of principal. As of June 30, 2020, scheduled principal repayments for the remainder of 2020, the next five years and thereafter are as follows (in thousands):

Remainder of 2020	$ 2,418
2021	852
2022	1,300
2023	1,794
2024	16,343
2025	267,878
Thereafter	78,034
Total	$ 368,619

4. **SECURED REVOLVING CREDIT FACILITY**:

On December 2, 2015, the Operating Partnership entered into a Credit Agreement (the "Key Bank Credit Agreement") with Keybank National Association and Keybanc Capital Markets Inc., as lead arranger (collectively, "Key Bank"). The Key Bank Credit Agreement contemplated a $50.0 million revolving line of credit facility, with an initial term of two years, with a one-year extension option, subject to certain other customary conditions.

Loans drawn down by the Operating Partnership under the facility will need to specify, at the Operating Partnership's option, whether they are base-rate loans or LIBOR-rate loans. The base-rate loans initially bore a base rate of interest calculated as the sum of (i) the greater of: (a) the fluctuating annual rate of interest announced from time to time by Key Bank as its "prime rate," (b) 0.5% above the rate announced by the Federal Reserve Bank of Cleveland (or Federal Funds Effective Rate), or (c) LIBOR plus 100 basis points (bps); plus (ii) 200 to 250 bps, depending on the overall leverage of the properties. The LIBOR-rate loans initially bore interest at a rate of LIBOR rate plus 300 to 350 bps, depending upon the overall leverage of the properties. Each revolving credit loan under the facility will be evidenced by separate promissory note(s). The Operating Partnership agreed to pay to Key Bank a facility unused fee in the amount calculated as 0.30% for usage less than 50% and 0.20% for usage 50% or greater, calculated as a per diem rate, multiplied by the excess of the total commitment over the outstanding principal amount of the loans under the facility at the time of the calculation. Key Bank has the right to reduce the amount of loan commitments under the facility provided that, among other things, they give an advance written notice of such reductions and that in no event the total commitment under the facility is less than $25.0 million. The Operating Partnership may at its option convert any of the revolving credit loans into a revolving credit loan of another type which loan will then bear interest as a base-rate loan or a LIBOR-rate loan, subject to certain conversion conditions. In addition, Key Bank also agreed to extend, from time to time, as the Operating Partnership may request, upon an advance written notice, swing loans in the total amount not to exceed $5.0 million. Such loans, if and when extended, will also be evidenced by separate promissory note(s).

Due to the revolving nature of the facility, amounts prepaid under the facility may be borrowed again. The Key Bank Credit Agreement contemplates (i) mandatory prepayments by the Operating Partnership of any borrowings under the facility in excess of the total allowable commitment, among other events, and (ii) optional prepayments, without any penalty or premium, in whole or in part, subject to payments of any amounts due associated with the prepayment of LIBOR rate contracts.

The Operating Partnership's obligations under the facility are secured by a first priority lien and security interest to be held by the agents for Key Bank, in certain of the property, rights and interests of the Operating Partnership, the Guarantors (as defined below) and their subsidiaries now existing and as may be acquired (collectively, the "Collateral"). GTJ REIT, Inc., and each party to the Guaranty are collectively referred to as the "Guarantors." The parties to the Key Bank Credit Agreement also entered into several side agreements, including, the Joinder Agreements, the Assignment of Interests, the Acknowledgments, the Mortgages, the Guaranty, and other agreements and instruments to facilitate the transactions contemplated under the Key Bank Credit Agreement. Such agreements contain terms and provisions that are customary for instruments of this nature.

The Operating Partnership's continuing ability to borrow under the facility will be subject to its ongoing compliance with various affirmative and negative covenants, including, among others, with respect to liquidity, minimum occupancy, total indebtedness and minimum net worth. The Key Bank Credit Agreement contains events of default and remedies customary for loan transactions of this sort including, among others, those related to a default in the payment of principal or interest, a material inaccuracy of a representation or warranty, and a default with regard to performance of certain covenants. The Key Bank Credit Agreement also includes customary events of default (in certain cases subject to customary cure), in the event of which, amounts outstanding under the facility may be accelerated. The Key Bank Credit Agreement includes customary representations and warranties of the Operating Partnership which must continue to be true and correct in all material respects as a condition to future draws.

On July 27, 2017, the Operating Partnership increased its line of credit facility with Key Bank from $50.0 million to $88.0 million. The $38.0 million increase could only be used for the acquisition of certain properties specified in the second amendment to the Key Bank Credit Agreement (including earnest money deposits) and the payment of customary closing costs. In addition, the maturity date under the Key Bank Credit Agreement was extended from December 1, 2017 to February 28, 2018, with an additional extension option to June 30, 2019, subject to the satisfaction of certain conditions.

On December 20, 2017, the Operating Partnership refinanced certain properties acquired with its secured line of credit facility with Key Bank. As of result, the secured line of credit facility with Key Bank was reduced to $50.5 million, with the excess over $50.0 million only available for the purchase of a specified property.

On February 27, 2018, the Operating Partnership increased its secured line of credit facility with Key Bank from $50.5 million to $55.0 million. In addition, the Operating Partnership exercised its option to extend the maturity date of the secured revolving line of credit facility with Key Bank to June 30, 2019.

On July 31, 2018, the Operating Partnership reduced its line of credit facility with Key Bank from $55.0 million to $50.0 million. In addition, the maturity date of the secured revolving credit facility with Key Bank was extended from June 30, 2019 to June 30, 2020 and the applicable margin for LIBOR-rate loans and base-rate loans applicable to the secured revolving credit facility with Key Bank was reduced by 50 bps. The base rate loans bore a base rate of interest calculated as the sum of (i) the greater of: (a) the fluctuating annual rate of interest announced from time to time by Key Bank as its “prime rate,” (b) 50 bps above the rate announced by the Federal Reserve Bank of Cleveland (or Federal Funds Effective Rate), or (c) LIBOR plus 100 bps; plus (ii) 150 to 200 bps, depending on the overall leverage of the properties. The LIBOR rate loans bore interest at a rate of LIBOR plus 250 to 300 bps, depending upon the overall leverage of the properties.

On September 11, 2019, the Operating Partnership entered into an amendment to the Key Bank Credit Agreement which reduced the applicable margin for LIBOR-rate loans and base-rate loans by 10 bps. The base-rate loans will bear a base rate of interest calculated as the sum of (i) the greater of: (a) the fluctuating annual rate of interest announced from time to time by Key Bank as its “prime rate,” (b) 50 bps above the rate announced by the Federal Reserve Bank of Cleveland (or Federal Funds Effective Rate), or (c) LIBOR plus 100 bps; plus (ii) 140 to 190 bps, depending on the overall leverage of the properties. The LIBOR-rate loans will bear interest at a rate of LIBOR plus 240 to 290 bps, depending upon the overall leverage of the properties. In addition, the maturity date of the secured revolving credit facility with Key Bank was extended from June 30, 2020 to June 30, 2022.

On March 27, 2020, the Operating Partnership drew down $10.0 million under the secured revolving credit facility with Key Bank. The Operating Partnership increased its borrowings under the secured revolving credit facility with Key Bank as a precautionary measure in order to increase liquidity and preserve financial flexibility in light of current uncertainty resulting from the COVID-19 pandemic.

The contemplated uses of proceeds under the Key Bank Credit Agreement include, among others, repayment of indebtedness, funding of acquisitions, development and capital improvements, as well as working capital expenditures. Outstanding borrowings under the secured revolving credit facility with Key Bank as of June 30, 2020, and December 31, 2019 were $50.0 million and $40.0 million, respectively, which are considered LIBOR-rate loans.

As of June 30, 2020, the Operating Partnership was in compliance with all covenants required in connection with the Key Bank Credit Agreement.

5. STOCKHOLDERS’ EQUITY:

Preferred Stock:

The Company is authorized to issue 10,000,000 shares of preferred stock, $.0001 par value per share. Voting and other rights and preferences may be determined from time to time by the Board of Directors (the “Board”) of the Company. The Company has designated 500,000 shares of preferred stock as Series A preferred stock, $.0001 par value per share. In addition, the Company has designated 6,500,000 shares of preferred stock as Series B preferred stock, $.0001 par value per share. There are no voting rights associated with the Series B preferred stock. There was no Series A preferred stock or Series B preferred stock outstanding as of June 30, 2020, or December 31, 2019.

Common Stock:

The Company is authorized to issue 100,000,000 shares of common stock, $.0001 par value per share. As of June 30, 2020, and December 31, 2019, the Company had a total of 13,627,220 and 13,537,856 shares issued and outstanding, respectively.

Dividend Distributions:

The following table presents dividends declared by the Company on its common stock during the six months ended June 30, 2020:

Declaration Date	Record Date	Payment Date	Dividend Per Share	
March 17, 2020	March 31, 2020	April 15, 2020	$ 0.10	(1)
March 17, 2020	March 31, 2020	April 17, 2020	$ 0.10	
June 4, 2020	June 30, 2020	July 10, 2020	$ 0.10	

(1) This represents a 2019 supplemental dividend.

The cash flows from operations were sufficient to pay the dividends declared and paid to date in 2020.

Purchase of Securities:

Share Redemption Program

On November 8, 2016, the Board approved a share redemption program (the "Program") authorizing redemption of the Company's shares of common stock (the "Shares"), subject to certain conditions and limitations. The following is a summary of terms and provisions of the Program:

- the Company will redeem the Shares on a semi-annual basis (each redemption period ending on May 31st and November 30th of each year), at a specified price per share (which price will be equal to 90% of its net asset value per share for the most recently completed calendar year, subject to adjustment) up to a yearly maximum of $1.0 million in Shares, subject to sufficient funds being available.
- the Program will be open to all stockholders (other than current directors, officers and employees, subject to certain exceptions), indefinitely with no specific end date (although the Board may choose to amend, suspend or terminate the Program at any time by providing 30 days' advance notice to stockholders).
- stockholders can tender their Shares for redemption at any time during the period in which the Program is open; stockholders can also withdraw tendered Shares at any time prior to 10 days before the end of the applicable semi-annual period.
- if the annual volume limitation is reached in any given semi-annual period or the Company determines to redeem fewer Shares than have been submitted for redemption in any particular semi-annual period due to the insufficiency of funds, the Company will redeem Shares on a *pro rata* basis in accordance with the policy on priority of redemptions set forth in the Program.
- the redemption price for the Shares will be paid in cash no later than 3 business days following the last calendar day of the applicable semi-annual period.
- the Program will be terminated if the Shares are listed on a national securities exchange or included for quotation in a national securities market, or in the event a secondary market for the Shares develops or if the Company merges with a listed company.
- the Company's transfer agent, American Stock Transfer & Trust Company, LLC, will act as the redemption agent in connection with the Program.

Pursuant to the Program, on December 5, 2017, the Company redeemed 79,681 Shares at a redemption price of $12.55 per Share, for aggregate consideration of $999,996.55.

Pursuant to the Program, on June 5, 2018, the Company redeemed 77,399 Shares at a redemption price of $12.92 per Share, for aggregate consideration of $999,995.08.

Pursuant to the Program, on June 5, 2019, the Company redeemed 73,637 Shares at a redemption price of $13.58 per Share, for aggregate consideration of $999,990.46.

The Company received redemption requests during each of 2017, 2018 and 2019 exceeding the Program's $1 million per year limit. As a result, the Company was unable to purchase all Shares presented for redemption. The Company honored the requests it received on a pro rata basis in accordance with the policy on priority of redemptions set forth in the Program, subject to giving certain priorities in accordance with the Program. The Company treats any unsatisfied portions of redemption requests as requests for redemption in the next semi-annual period.

Redemptions under the Program are limited to an aggregate of $1 million during any calendar year. Because this limit was met for the 2019 calendar year when the Company redeemed shares on June 5, 2019, the Company did not redeem any shares for the semi-annual period running from June 1, 2019 to November 30, 2019.

On March 17, 2020, the Board unanimously approved the Company's annual valuation as of December 31, 2019. The annual valuation resulted in an adjustment to the redemption price under the Program from $13.58 to $13.99 per share. The redemption price of $13.99 per share will be effective until such time as the Board determines a new estimated per share Net Asset Value ("NAV"). The Company's stockholders are permitted to withdraw any redemption requests upon written notice to us at any time prior to ten (10) days before the end of the applicable semi-annual period.

On March 27, 2020, the Company's Board unanimously approved suspending repurchases under the Program effective as of May 1, 2020. The Board determined that it was in the best interests of the Company to suspend the Program in order to preserve financial flexibility in light of current uncertainty resulting from the COVID-19 pandemic. The Board will reassess the Company's ability to recommence the Program in future periods and will notify stockholders of any such recommencement. Any unprocessed requests will automatically roll over to be considered for repurchase when the Company reopens the Program, unless such requests are withdrawn in accordance with the terms of the Program.

Tender Offers:

On February 15, 2019, MacKenzie Badger Acquisition Co. 4, LLC, MPF DeWaay Premier Fund 3, LLC, MPF Northstar Fund, LP, MPF Northstar Fund 2, LP and Mackenzie Capital Management, LP commenced a tender offer to purchase up to 100,000 shares of the Company's common stock, par value $0.0001 per share, for cash at a purchase price equal to $7.00 per share. The offer and withdrawal rights expired at 11:59 p.m., Pacific Time, on March 22, 2019. No shares were tendered pursuant to the tender offer.

On February 15, 2019, the Company commenced a self-tender offer to purchase up to 100,000 shares of the Company's common stock, par value $0.0001 per share, for cash at a purchase price equal to $8.50 per share. The offer and withdrawal rights expired at 12:00 midnight, New York City Time, on April 5, 2019. The Program was temporarily suspended during this offer as required by SEC rules. No repurchases were made under the Program during the offer and for ten (10) business days thereafter. Pursuant to the self-tender offer, 37,910 shares were tendered and the Company purchased these shares for $322,235 on April 9, 2019. The suspension of the Program was terminated on April 22, 2019, and thereafter the Company recommenced purchases under the Program.

On February 13, 2020, the Company commenced a self-tender offer to purchase up to 425,531 shares of the Company's common stock, par value $0.0001 per share, for cash at a purchase price equal to $11.75 per share. On March 30, 2020, the Company announced that it had terminated the offer as a result of conditions to the offer not having been satisfied resulting from the COVID-19 pandemic. As a result of this termination, no shares were purchased in the offer and all shares previously tendered and not withdrawn were promptly returned to tendering holders.

Stock Based Compensation:

The Company had a 2007 Incentive Award Plan (the "2007 Plan") that had the intended purpose of furthering the growth, development, and financial success of the Company and obtaining and retaining the services of those individuals considered essential to the long-term success of the Company. The 2007 Plan provided for awards in the form of restricted shares, incentive stock options, non-qualified stock options and stock appreciation rights. The aggregate number of shares of common stock which may have been awarded under the 2007 Plan was 1,000,000 shares. The 2007 Plan expired by its terms on June 11, 2017.

The 2017 Incentive Award Plan (the "2017 Plan") was adopted by the Board and became effective on April 24, 2017, subject to the approval of the Company's stockholders, which was obtained on June 8, 2017. The 2017 Plan has the intended purpose of furthering the growth, development, and financial success of the Company and obtaining and retaining the services of those individuals considered essential to the long-term success of the Company. The 2017 Plan provides for awards in the form of stock, stock units, incentive stock options, non-qualified stock options and stock appreciation rights. The aggregate number of shares of common stock which may be awarded under the 2017 Plan is 2,000,000 shares. As of June 30, 2020, the Company had 1,772,959 shares available for future issuance under the 2017 Plan. Dividends paid on restricted shares are recorded as dividends on shares of the Company's common stock whether or not they are vested. In accordance with ASC 718-10-35, the Company measures the compensation costs for these shares as of the date of the grant and the expense is recognized in earnings at the grant date (for the portion that vest immediately) and then ratably over the respective vesting periods.

On June 9, 2011, the Company granted 10,000 options to a non-employee director which vested immediately.

On November 8, 2016, 200,000 non-qualified stock options were granted to key officers of the Company and had a three-year vesting period. For this grant, the exercise price was $10.40 per share and was equal to the value per share based upon a valuation of the shares conducted by an independent third party for the purpose of valuing shares of the Company's common stock. The fair value of these stock options was based upon the Black-Scholes option pricing model, calculated at the grant date.

All options expire ten years from the date of grant. For the three months ended June 30, 2020, there was no stock compensation expense relating to these stock options as these options have fully vested. For the six months ended June 30, 2019, the stock compensation expense relating to these stock options was approximately $55,000.

The following table presents shares issued by the Company under the 2007 Plan and the 2017 Plan:

Shares Issued Under the 2007 Plan

Grant Date	Total Shares Issued	Value Per Share	Approximate Value of Shares	Vesting Period	
April 30, 2012	55,149	$ 6.80	$ 375,000	3 Years	(2)
June 7, 2012	5,884	$ 6.80	$ 40,000	Immediately	(1)
March 21, 2013	46,876	$ 6.40	$ 300,000	3 Years	(2)
March 21, 2013	3,126	$ 6.40	$ 20,000	Immediately	(1)
June 6, 2013	9,378	$ 6.40	$ 60,000	Immediately	(1)
June 4, 2014	44,704	$ 6.80	$ 304,000	5 years	(2)
June 19, 2014	8,820	$ 6.80	$ 60,000	Immediately	(1)
March 26, 2015	43,010	$ 9.30	$ 400,000	5 years	(2)
June 19, 2015	16,436	$ 10.65	$ 175,000	Immediately	(1)
March 24, 2016	47,043	$ 10.40	$ 489,000	5 years	(2)
June 9, 2016	14,424	$ 10.40	$ 150,000	Immediately	(1)
May 22, 2017	34,482	$ 11.60	$ 400,000	9 years	(2)
May 31, 2017	7,929	$ 11.60	$ 92,000	Immediately	(3)
June 8, 2017	15,516	$ 11.60	$ 180,000	Immediately	(1)

Shares Issued Under the 2017 Plan

Grant Date	Total Shares Issued	Value Per Share	Approximate Value of Shares	Vesting Period	
June 7, 2018	42,918	$ 11.65	$ 500,000	9 Years	(2)
June 7, 2018	15,020	$ 11.65	$ 175,000	Immediately	(1)
June 5, 2019	64,654	$ 11.60	$ 750,000	9 Years	(2)
June 5, 2019	15,085	$ 11.60	$ 175,000	Immediately	(1)
June 4, 2020	72,834	$ 12.70	$ 925,000	9 Years	(2)
June 4, 2020	16,530	$ 12.70	$ 210,000	Immediately	(1)

(1) Shares issued to non-management members of the Board of Directors.
(2) Shares issued to certain executives of the Company.
(3) Shares issued to current and former executives of the Company in connection with the exercise of previously issued options.

The Board of Directors has determined the value of a share of common stock to be $12.70 based on a valuation completed on March 13, 2020, with the assistance of an independent third-party for the purpose of valuing shares of the Company's common stock pursuant to the 2017 Plan. This value is not necessarily indicative of the fair market value of a share of the Company's common stock.

For the six months ended June 30, 2020 and 2019, the Company's total stock compensation expense was approximately $564,000 and $524,000, respectively. As of June 30, 2020, there was approximately $1,407,000 of unamortized stock compensation related to restricted stock. That cost is expected to be recognized over a weighted average period of 2.6 years.

As of June 30, 2020, there were 210,000 stock options that are outstanding, 210,000 of which are exercisable, and 669,828 shares of restricted stock are outstanding, of which 553,901 are vested.

The following is a summary of restricted stock activity:

	Shares	Weighted Average Grant Date Fair Value
Non-vested shares outstanding as of December 31, 2019	72,306	$ 11.57
New shares issued through June 30, 2020	89,364	$ 12.70
Vested	(45,743)	$ 12.38
Non-vested shares outstanding as of June 30, 2020	115,927	$ 12.13

The following is a vesting schedule of the non-vested shares of restricted stock outstanding as of June 30, 2020:

	Number of Shares
Remainder of 2020	18,152
2021	29,366
2022	21,363
2023	16,075
2024	11,972
2025	8,506
Thereafter	10,493
Total Non-vested Shares	115,927

6. EARNINGS PER SHARE:

In accordance with ASC Topic 260 "Earnings Per Share," basic earnings per common share ("Basic EPS") is computed by dividing the net income attributable to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings per common share ("Diluted EPS") is computed by dividing net income attributable to common stockholders by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding. There are 37,448 and 21,087 common share equivalents in the six months ended June 30, 2020 and 2019, respectively, presented in Diluted EPS.

The following table sets forth the computation of basic and diluted earnings per share information for the six months ended June 30, 2020 and 2019 (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator:				
Net income attributable to common stockholders	$ 905	$ 815	$ 2,253	$ 1,916
Denominator:				
Weighted average common shares outstanding – basic	13,564,370	13,536,021	13,551,113	13,552,750
Weighted average common shares outstanding – diluted	13,601,818	13,557,108	13,588,561	13,573,837
Basic and Diluted Per Share Information:				
Net income per share – basic and diluted	$ 0.07	$ 0.06	$ 0.17	$ 0.14

7. RELATED PARTY TRANSACTIONS:

Paul Cooper, the Chairman and Chief Executive Officer of the Company, and Louis Sheinker, the President, Secretary and Chief Operating Officer of the Company, each hold passive, minority interests in a real estate brokerage firm, The Rochlin Organization. The firm acted as the exclusive broker for one of the Company's properties. In 2013, the firm introduced a new tenant to the property, resulting in the execution of a lease agreement and subsequent lease modification and the firm earning brokerage cash commissions. In subsequent years, the tenant has expanded square footage and exercised renewal options, resulting in the firm earning additional brokerage commissions. In February 2020, the tenant exercised its option to renew its lease for the premises resulting in approximately $45,000 of brokerage commissions on the additional future lease payments of approximately $4,500,000.

The Company's executive and administrative offices, located at 60 Hempstead Avenue, West Hempstead, NY, are leased from Lighthouse Sixty, L.P., a partnership of which Paul Cooper and Louis Sheinker are managing members of the general partner. This lease agreement expires on December 31, 2020 and has a current annual base rent of $289,000 with aggregate lease payments totaling $1.8 million.

On November 4, 2014, the Company invested $1.8 million for a limited partnership interest in Garden 1101 Stewart, L.P. ("Garden 1101"). Garden 1101 was formed for the purpose of acquiring a 90,000 square foot office building in Garden City, NY that was subsequently converted to a medical office building. The general partners of Garden 1101 include the members of Green Holland Ventures, Paul Cooper and Louis Sheinker. On February 9, 2018, the property acquired by Garden 1101 was sold and the Company received a distribution from the partnership of $3.7 million which resulted in a realized gain from unconsolidated affiliate of $2.5 million in 2018. A gain of approximately $108,000 is included in equity in earnings of unconsolidated affiliate on the consolidated statement of operations for the six months ended June 30, 2019.

8. COMMITMENTS AND CONTINGENCIES:

Legal Matters:

The Company is involved in lawsuits and other disputes which arise in the ordinary course of business. However, management believes that these matters will not have a material adverse effect, individually or in the aggregate, on the Company's financial position or results of operations.

Divestiture:

The Company has a pension withdrawal liability relating to a previous divestiture. As of June 30, 2020, and December 31, 2019, the remaining liability was approximately $1.0 million and is included in other liabilities on the accompanying condensed consolidated balance sheets. The liability is payable in monthly installments of approximately $8,100, including interest, over a twenty-year term ending in 2032.

Environmental Matters:

As of June 30, 2020, three of the Company's six former bus depot sites have received final regulatory closure, satisfying outstanding clean-up obligations related to legacy site contamination issues. Three sites continue with on-going cleanup, monitoring and reporting activities. The Company believes each of the six sites remain in compliance with existing local, state and federal obligations.

9. FAIR VALUE:

Fair Value of Financial Instruments:

The fair value of the Company's financial instruments is determined based upon applicable accounting guidance. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance requires disclosure of the level within the fair value hierarchy in which the fair value measurements fall, including measurements using quoted prices in active markets for identical assets or liabilities (Level 1), quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active (Level 2), and significant valuation assumptions that are not readily observable in the market (Level 3).

The fair values of cash and cash equivalents, restricted cash, rent and other receivables, accounts payable and accrued expenses approximated their carrying value because of the short-term nature based on Level 1 inputs. The fair values of mortgage notes payable and pension withdrawal liability are based on borrowing rates available to the Company, which are Level 2 inputs. The following table summarizes the carrying values and the estimated fair values of the financial instruments (in thousands):

	June 30, 2020		December 31, 2019	
	Carrying Value	Estimated Value	Carrying Value	Estimated Value
Financial assets:				
Cash and cash equivalents	$ 38,240	$ 38,240	$ 26,853	$ 26,853
Restricted cash	2,568	2,568	2,232	2,232
Rent and other receivables	1,907	1,907	517	517
Financial liabilities:				
Accounts payable and accrued expenses	$ 3,834	$ 3,834	$ 4,306	$ 4,306
Secured revolving credit facility	50,000	50,000	40,000	40,000
Mortgage notes payable	368,619	389,840	366,626	367,856
Pension withdrawal liability	962	1,088	996	1,051

10. SUBSEQUENT EVENTS

The Company has evaluated events from June 30, 2020 through the date the financial statements were issued. There were no subsequent events that need to be disclosed.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This report contains statements that we believe to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give our current expectations or forecasts of future events. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “project,” “seek,” or “continue,” or similar words or the negative thereof. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Any or all of our forward-looking statements in this report and in any public statements we make could be materially different from actual results. They can be affected by assumptions we might make or by known or unknown risks or uncertainties. Consequently, we cannot provide any assurance with respect to these or any other forward-looking statements. Investors are cautioned not to place undue reliance on any forward-looking statements. See the risk factors identified in Part II, Item 1A of this Quarterly Report on Form 10-Q and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission (“SEC”) on March 24, 2020, for a discussion of some, although not all, of the risks and uncertainties that could cause actual results to differ materially from those presented in our forward-looking statements. Investors should understand that it is not possible to predict or identify all such factors and should not consider the potential risks and uncertainties set forth herein and in our Annual Report on Form 10-K for the year ended December 31, 2019 (and our subsequently filed public reports) as being exhaustive, and new factors may emerge that could affect our business. We assume no obligation, and disclaim any duty, to update the forward-looking statements in this report, unless otherwise required by law. You should read the following discussion in conjunction with the condensed consolidated financial statements and notes appearing elsewhere in this filing and our previously filed annual audited financial statements.

Executive Summary:

GTJ REIT, Inc. (the “Company,” “we,” “us,” or “our”) is a self-administered and self-managed real estate investment trust (“REIT”) which, as of June 30, 2020, owned and operated, through our Operating Partnership, a total of 48 properties consisting of approximately 5.8 million square feet of primarily industrial space on approximately 389 acres of land in New York, New Jersey, Connecticut and Delaware. As of June 30, 2020, our properties were 94% leased to 63 tenants, with certain tenants having lease agreements in place at multiple locations. The Operating Partnership also owns, through a joint venture, a 50% interest in a newly constructed 150,325 square foot state-of-the-art industrial building in Piscataway, New Jersey.

We focus primarily on the acquisition, ownership, management and operation of commercial real estate located in New York, New Jersey, Connecticut and Delaware. To the extent it is in the interests of our stockholders, we will seek to invest in a diversified portfolio of properties that will satisfy our primary investment objectives of providing our stockholders with stable cash flow, preservation of capital, income growth, and enhancing stockholder value without taking undue risk. We anticipate that the majority of properties we acquire will have both the potential for growth in value and the ability to provide cash distributions to stockholders. In addition, we may continue to look for attractive opportunities to divest certain of our properties, potentially redeploying that capital in our focus markets.

Critical Accounting Policies:

Management’s Discussion and Analysis of Financial Condition and Results of Operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that could affect the reported amounts in our condensed consolidated financial statements. Actual results could differ from these estimates. Please refer to the section of our Annual Report on Form 10-K for the year ended December 31, 2019, entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies” for a discussion of our critical accounting policies. During the six months ended June 30, 2020, there were no material changes to these policies.

Recent Developments:

Impact of COVID-19:

On March 11, 2020, the World Health Organization declared COVID-19, a respiratory illness caused by the novel coronavirus, a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. The COVID-19 pandemic has caused state and local governments within New York, New Jersey, Connecticut, Delaware and elsewhere to institute quarantines, “shelter in place” rules and restrictions on travel, the types of business that may continue to operate, and/or the types of construction projects that may continue. We continue to monitor our operations and government recommendations and have made modifications to our normal operations, including having our employees work remotely.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law to provide widespread emergency relief for the economy and to provide aid to corporations. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. A number of the relief options contain restrictions on future business activities, including ability to repurchase shares and pay dividends, that require careful evaluation and consideration. The Company has elected not to apply for a Paycheck Protection Program loan or other relief provided by the CARES Act. We will continue to assess these options, and any subsequent legislation or other relief packages, including the accompanying restrictions on our business, as the pandemic continues to evolve.

We have implemented measures to mitigate the impact of COVID-19 on our business. These efforts include increasing our cash position, bolstering liquidity and eliminating, reducing or deferring non-essential expenditures. To bolster liquidity, we increased our cash and cash equivalents to $38.2 million as of June 30, 2020, by drawing down $10.0 million under the revolving credit facility with Key Bank and completing a secured financing transaction for $8.4 million. We took these proactive steps to preserve financial flexibility in light of current uncertainty resulting from the COVID-19 pandemic.

The effects of the COVID-19 pandemic did not significantly impact our results of operations, financial condition and cash flows for the six months ended June 30, 2020. However, the COVID-19 outbreak may materially affect our financial condition and results of operations going forward, including but not limited to, our real estate rental revenues. The Company derives revenues primarily from rents and reimbursement payments received from tenants under leases at the Company’s properties. The Company’s operating results therefore depend materially on the ability of its tenants to make required rental payments. Given our concentration in the Northeast United States, our entire portfolio could remain subject to quarantines, “shelter in place” rules, and various other restrictions for the foreseeable future. The extent to which the COVID-19 pandemic impacts the businesses of the Company’s tenants, and the Company’s results of operations, financial condition and cash flows will depend on future developments which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and such containment measures, among others. While the extent of the outbreak and its impact on the Company and its tenants is uncertain, a prolonged crisis could result in continued disruptions in the credit and financial markets, a continued rise in unemployment rates, and an overall worsening of global and U.S. economic conditions. The COVID-19 pandemic is negatively impacting almost every industry directly or indirectly, including industries in which the Company and our tenants operate. The factors described above, as well as additional factors that the Company may not currently be aware of, could materially negatively impact the Company’s ability to collect rent and could lead to termination of leases by tenants, tenant bankruptcies, decreases in demand for properties, difficulties in accessing capital, impairment of the Company’s long-lived assets and other impacts that could materially and adversely affect the Company’s business, results of operations, financial condition and ability to pay distributions to stockholders. For more information, see Part II, Item 1A. Risk Factors included elsewhere in this Quarterly Report on Form 10-Q.

As of June 30, 2020, the Company agreed upon certain rent relief requests, most often in the form of rent deferral requests, as a result of COVID-19. Not all tenant requests resulted in modification agreements, nor did the Company forego its contractual rights under its lease agreements. These rent relief requests from the Company’s tenants did not have a material impact on the Company’s results of operations, financial condition or cash flows as of June 30, 2020.

The comparability of the Company’s results of operations for the six months ended June 30, 2020 to future periods may be significantly impacted by the effects of the outbreak of the COVID-19 pandemic.

Tender Offer:

On February 13, 2020, the Company commenced a self-tender offer to purchase up to 425,531 shares of the Company's common stock, par value $0.0001 per share, for cash at a purchase price equal to $11.75 per share. On March 30, 2020, the Company filed an amendment to its Schedule TO and a Current Report on Form 8-K with the SEC to announce that it had terminated the offer as a result of conditions to the offer not having been satisfied resulting from the COVID-19 pandemic.

Share Redemption Program:

On March 27, 2020, the Company's board of directors unanimously approved suspending repurchases under the Program effective as of May 1, 2020. The Board determined that it was in the best interests of the Company to suspend the Program in order to preserve financial flexibility in light of current uncertainty resulting from the COVID-19 pandemic. The Board will reassess the Company's ability to recommence the Program in future periods and will notify stockholders of any such recommencement. Any unprocessed requests will automatically roll over to be considered for repurchase when the Company reopens the Program, unless such requests are withdrawn in accordance with the terms of the Program.

Financial Condition and Results of Operations:

Three Months Ended June 30, 2020 vs. Three Months Ended June 30, 2019

The following table sets forth our results of operations for the periods indicated (in thousands):

	Three Months Ended June 30,		Increase/(Decrease)	
	2020	2019	Amount	Percent
	(Unaudited)			
Revenues:				
Rental income	$ 14,398	$ 13,974	$ 424	3%
Total revenues	14,398	13,974	424	3%
Operating Expenses:				
Property operating expenses	2,962	2,824	138	5%
General and administrative	2,625	2,355	270	11%
Depreciation and amortization	3,169	3,182	(13)	(0%)
Total operating expenses	8,756	8,361	395	5%
Operating income	5,642	5,613	29	1%
Interest expense	(4,342)	(4,550)	(208)	(5%)
Equity in earnings of unconsolidated affiliate	33	85	(52)	(61%)
Other income	(7)	53	(60)	(113%)
Net income	1,326	1,201	125	10%
Less: Net income attributable to noncontrolling interest	421	386	35	9%
Net income attributable to common stockholders	$ 905	$ 815	$ 90	11%

Revenues

Total revenues increased approximately $0.4 million, or 3%, to $14.4 million for the three months ended June 30, 2020 from $14.0 million for the three months ended June 30, 2019. The increase is primarily due to increased rental income attributable to higher tenant occupancy and increased tenant reimbursements in the second quarter of 2020.

Operating Expenses

Operating expenses of $8.8 million for the three months ended June 30, 2020 increased $0.4 million, or 5%, from $8.4 million for the three months ended June 30, 2019 due to higher property operating expenses and general and administrative expenses. The increase in property operating expenses is primarily attributable to increased real estate taxes and repairs and maintenance. The increase in general and administrative expenses is primarily attributable to higher compensation expense.

Interest Expense

Interest expense decreased $0.2 million, or 5%, to $4.3 million for the three months ended June 30, 2020 from approximately $4.5 million for the three months ended June 30, 2019. The decrease is primarily due to a lower interest rate on the Company's secured line of credit with Key Bank during the second quarter of 2020 compared to the second quarter of 2019.

Six Months Ended June 30, 2020 vs. Six Months Ended June 30, 2019

The following table sets forth our results of operations for the periods indicated (in thousands):

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Increase/(Decrease) Amount	Increase/(Decrease) Percent
	(Unaudited)			
Revenues:				
Rental income	$ 28,715	$ 28,134	$ 581	2%
Total revenues	28,715	28,134	581	2%
Operating Expenses:				
Property operating expenses	5,927	5,893	34	1%
General and administrative	4,516	4,191	325	8%
Depreciation and amortization	6,339	6,466	(127)	(2%)
Total operating expenses	16,782	16,550	232	1%
Operating income	11,933	11,584	349	3%
Interest expense	(8,669)	(9,026)	(357)	(4%)
Equity in earnings of unconsolidated affiliate	56	162	(106)	(65%)
Other income	13	108	(95)	(88%)
Net income	3,333	2,828	505	18%
Less: Net income attributable to noncontrolling interest	1,080	912	168	18%
Net income attributable to common stockholders	$ 2,253	$ 1,916	$ 337	18%

Revenues

Total revenues increased $0.6 million, or 2%, to $28.7 million for the six months ended June 30, 2020 from $28.1 million for the six months ended June 30, 2019. The increase is primarily due to increased rental income attributable to higher tenant occupancy and increased tenant reimbursements.

Operating Expenses

Operating expenses of $16.8 million for the six months ended June 30, 2020 increased $0.2 million, or 1%, from $16.6 million for the six months ended June 30, 2019 due to higher property operating expenses and general and administrative expenses, partially offset by lower depreciation and amortization. The increase in property operating expenses is attributable to higher real estate taxes and repairs and maintenance, partially offset by lower weather-related expenses. The increase in general and administrative expenses is primarily attributable to higher compensation expense.

Interest Expense

Interest expense decreased $0.4 million, or 4%, to approximately $8.6 million for the six months ended June 30, 2020 from $9.0 million for the six months ended June 30, 2019. The decrease is primarily due to a lower interest rate on the Company's secured line of credit with Key Bank in 2020 compared to 2019.

Liquidity and Capital Resources

We derive substantially all of our revenues from rents received from tenants under existing leases on each of our properties. These revenues include fixed base rents and recoveries of certain property operating expenses that we have incurred and that we pass through to the individual tenants. As discussed above, the COVID-19 pandemic has adversely impacted states and cities where the Company's tenants operate their businesses and where the Company's properties are located. As a result, the Company has received certain rent relief requests, most often in the form of rent deferral requests. The Company evaluated each tenant rent relief request on an individual basis, considering a number of factors. Not all tenant requests resulted in modification agreements, nor did the Company forego its contractual rights under its lease agreements. The impact of the COVID-19 pandemic on our rental revenue and cash from operations for the third quarter of 2020 and thereafter cannot, however, be determined at present.

Our primary cash disbursements consist of property operating expenses (which include real estate taxes, repairs and maintenance, insurance, and utilities), general and administrative expenses (which include compensation costs, office expenses, professional fees and other administrative expenses), leasing and acquisition costs (which include third-party costs paid to brokers and consultants), and principal payments and interest expense on our mortgage loans.

Our sources of liquidity and capital include cash flow from operations, cash and cash equivalents, borrowings under our revolving credit facility, refinancing existing mortgage loans, obtaining loans secured by our unencumbered properties, and property sales.

On December 2, 2015, the Company (through its Operating Partnership) entered into the Key Bank Credit Agreement with Key Bank for a $50.0 million revolving credit facility with an initial term of two years, with a one-year extension option, subject to certain other customary conditions. On July 27, 2017, the Operating Partnership increased its line of credit facility with Key Bank from $50.0 million to $88.0 million. The $38.0 million increase could only be used for the acquisition of certain properties specified in the second amendment to the Key Bank Credit Agreement (including earnest money deposits) and the payment of customary closing costs. In addition, the maturity date under the Key Bank Credit Agreement was extended from December 1, 2017 to February 28, 2018, with an additional extension option to June 30, 2019, subject to the satisfaction of certain conditions.

On December 20, 2017, the Operating Partnership refinanced certain properties acquired with its secured line of credit with Key Bank, resulting in the secured line of credit with Key Bank being reduced to $50.5 million.

On February 27, 2018, the Operating Partnership increased its secured line of credit facility with Key Bank from $50.5 million to $55.0 million. In addition, the Operating Partnership exercised its option to extend the maturity date of the secured revolving line of credit facility with Key Bank to June 30, 2019.

On July 31, 2018, the Operating Partnership reduced its line of credit facility with Key Bank from $55.0 million to $50.0 million. In addition, the maturity date of the secured revolving credit facility with Key Bank was extended from June 30, 2019 to June 30, 2020 and the applicable margin for LIBOR rate loans and base rate loans applicable to the secured revolving credit facility with Key Bank was reduced by 50 basis points (bps).

On September 11, 2019, the Operating Partnership entered into an amendment to the Key Bank Credit Agreement which reduced the applicable margin for LIBOR-rate loans and base-rate loans by 10 bps. The base-rate loans will bear a base rate of interest calculated as the sum of (i) the greater of: (a) the fluctuating annual rate of interest announced from time to time by Key Bank as its “prime rate,” (b) 50 bps above the rate announced by the Federal Reserve Bank of Cleveland (or Federal Funds Effective Rate), or (c) LIBOR plus 100 bps; plus (ii) 140 to 190 bps, depending on the overall leverage of the properties. The LIBOR- rate loans will bear interest at a rate of LIBOR plus 240 to 290 bps, depending upon the overall leverage of the properties. In addition, the maturity date of the secured revolving credit facility with Key Bank was extended from June 30, 2020 to June 30, 2022.

On March 27, 2020, the Operating Partnership drew down $10.0 million under the secured revolving credit facility with Key Bank. The Operating Partnership increased its borrowings under the secured revolving credit facility with Key Bank as a precautionary measure in order to increase liquidity and preserve financial flexibility in light of current uncertainty resulting from the COVID-19 pandemic.

Our available liquidity at June 30, 2020 was approximately $38.2 million, consisting of cash and cash equivalents. As of June 30, 2020, the Company had $50.0 million of outstanding borrowings under the Key Bank Credit Agreement.

Net Cash Flows:

Six Months Ended June 30, 2020 vs. Six Months Ended June 30, 2019

Operating Activities

Net cash provided by operating activities was $7.3 million for the six months ended June 30, 2020. Cash provided by operating activities included (i) income before depreciation, amortization, stock compensation, rental income in excess of amounts billed and income from equity investment in unconsolidated affiliate of approximately $9.8 million, (ii) distribution from unconsolidated affiliate of $0.1 million, partially offset by (iii) a decrease in other liabilities of $1.2 million primarily from reduced leasing commissions payable, (iv) an increase in other assets of $1.1 million primarily from increased rent and other receivables and (v) a decrease in accounts payable and accrued expenses of $0.3 million. Net cash provided by operating activities was $9.8 million for the six months ended June 30, 2019. Cash provided by operating activities included (i) income before depreciation, amortization, stock compensation, rental income in excess of amounts billed and income from equity investment in unconsolidated affiliate of $10.0 million, (ii) distribution from unconsolidated affiliate of $0.2 million, (iii) a decrease in other assets of $0.2 million, partially offset by (iv) an increase in accounts payable and accrued expenses of $0.6 million.

Investing Activities

Net cash used in investing activities was $1.1 million for the six months ended June 30, 2020. Cash used in investing activities resulted from property improvements of approximately $1.1 million. Net cash used in investing activities was $2.2 million for the six months ended June 30, 2019. Cash used in investing activities resulted from (i) property improvements of $2.9 million, partially offset by (ii) a return of capital from unconsolidated affiliate of $0.7 million.

Financing Activities

Net cash provided by financing activities was $5.5 million for the six months ended June 30, 2020. Cash provided by financing activities resulted from (i) proceeds from the secured loan facility with Transamerica Life Insurance Company of $8.4 million, (ii) proceeds from the Company's revolving credit line facility with Key Bank of $10.0 million, partially offset by (iii) the payment of mortgage principal of $6.4 million, including the remaining balance of a mortgage loan of $6.0 million with Hartford Accident & Indemnity Company, (iv) the payment of the Company's fourth quarter 2019 dividend, 2019 supplemental dividend and 2020 first quarter dividend totaling $4.1 million, (v) distributions to non-controlling interests of $2.2 million and (vi) loan costs from the Company's secured loan facility with Key Bank of $0.2 million. Net cash used in financing activities was $7.7 million for the six months ended June 30, 2019. Cash used in financing activities resulted from (i) the payment of mortgage principal of $0.4 million, (ii) the payment of the Company's fourth quarter 2018 dividend, 2018 supplemental dividend and 2019 first quarter dividend totaling $3.9 million, (iii) distributions to non-controlling interests of $2.1 million and (iv) repurchases of the Company's common stock of $1.3 million.

Non-GAAP Financial Measures

Funds from Operations and Adjusted Funds from Operations

We consider Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO"), each of which are non-GAAP measures, to be additional measures of an equity REIT's operating performance. We report FFO in addition to our net income and net cash provided by operating activities. Management has adopted the definition suggested by the National Association of Real Estate Investment Trusts ("NAREIT") and defines FFO to equal net income computed in accordance with GAAP, excluding gains or losses from sales of property, excluding impairment write-downs of depreciated property, plus real estate-related depreciation and amortization. We believe these measurements provide a more complete understanding of our performance when compared year over year and better reflect the impact on our operations from trends in occupancy rates, rental rates, operating costs and general and administrative expense which may not be immediately apparent from net income.

Management considers FFO a meaningful additional measure of operating performance because it primarily excludes the assumption that the value of our real estate assets diminishes predictably over time and industry analysts have accepted it as a performance measure. FFO is presented to assist investors in analyzing our performance. It is helpful because it excludes various items included in net income that are not indicative of operating performance, such as gains or losses from sales of property, impairment write-downs and depreciation and amortization. Management believes AFFO to be a meaningful, additional measure of operating performance because it provides information consistent with the Company's analysis of its operating performance by excluding non-cash income and expense items such as straight-lined rent, amortization of other intangible assets, mark to market debt adjustments, financing costs, our realized gain from an investment in a limited partnership, and stock compensation expense, which are not indicative of the results of our operating portfolio.

However, FFO and AFFO:

- do not represent cash flows from operating activities in accordance with GAAP, which unlike FFO and AFFO, generally reflect all cash effects of transactions and other events in the determination of net income;
- are non-GAAP financial measures and do not represent net income as defined by GAAP; and
- should not be considered alternatives to net income as indications of our performance.

FFO and AFFO as defined by us may not be comparable to similarly titled items reported by other real estate investment trusts due to possible differences in the application of the NAREIT definition used by such REITs.

The reconciliation of net income attributable to our common stockholders in accordance with GAAP to FFO and AFFO for the six months ended June 30, 2020 and 2019 is as follows (in thousands). All amounts are net of noncontrolling interest.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income attributable to common stockholders	$ 905	$ 815	$ 2,253	$ 1,916
Add NAREIT defined adjustments				
Real estate depreciation	1,593	1,582	3,187	3,170
Amortization of intangibles and deferred costs	505	519	1,011	1,067
Funds From Operations ("FFO"), as defined by NAREIT	3,003	2,916	6,451	6,153
Adjustments to arrive at Adjusted FFO ("AFFO"):				
Straight-lined rents	12	(39)	(382)	(1)
Amortization of other intangible assets	(82)	(75)	(164)	(150)
Amortization of debt mark-to-market adjustments and financing costs	164	176	324	351
Realized gain on limited partnership investment	—	(56)	—	(106)
Stock compensation expense	251	236	336	310
AFFO, as defined by GTJ REIT, Inc.	$ 3,348	$ 3,158	$ 6,565	$ 6,557

The Company is no longer presenting EDITDA*re* and Adjusted EBITDA*re* as optional non-GAAP financial measures. The Company believes FFO and AFFO to be the most appropriate supplemental disclosure of operating performance for a REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO and AFFO provide a uniform supplemental basis for evaluating the earnings performance of REITs considering the unique capital structure of each REIT.

Cash Payments for Financing

Payments of interest under our mortgage notes payable will consume a portion of our cash flow, reducing net income and consequently, the distributions to be made to our stockholders.

Trend in Financial Resources

We expect to receive additional rent payments over time due to scheduled increases in rent set forth in the leases on our properties. It should be noted, however, that the additional rent payments are expected to result in an approximately equal obligation to make additional distributions to stockholders, and will therefore not result in a material increase in working capital.

Divestiture

On February 16, 2012, we received a notice from the Joint Industry Board of the Electrical Industry claiming a pension withdrawal liability in the amount of $1.5 million in connection with the divestiture of Shelter Electric Maintenance Corp. The Company determined the liability was probable, and the Company agreed to pay the obligation in monthly installments of approximately $8,100 over a twenty-year term. As of June 30, 2020, the remaining liability of this obligation was approximately $1.0 million and is included in other liabilities on our condensed consolidated balance sheets.

Inflation

Low to moderate levels of inflation during the past several years have favorably impacted our operations by stabilizing operating expenses and borrowing costs. At the same time, low inflation has had the indirect effect of reducing our ability to increase tenant rents. However, our properties have tenants whose leases include expense reimbursements and other provisions to minimize the effect of inflation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risks that arise from changes in interest rates, foreign currency exchange rates and other market changes affect market sensitive instruments. In pursuing our business strategies, the primary market risk which we are exposed to is interest rate risk. As of June 30, 2020, the Company (through its Operating Partnership) had a variable rate line of credit facility with Key Bank for $50.0 million. The base-rate loans will bear a base rate of interest calculated as the sum of (i) the greater of: (a) the fluctuating annual rate of interest announced from time to time by Key Bank as its “prime rate,” (b) 50 bps above the rate announced by the Federal Reserve Bank of Cleveland (or Federal Funds Effective Rate), or (c) LIBOR plus 100 bps; plus (ii) 140 to 190 bps, depending on the overall leverage of the properties. The LIBOR-rate loans will bear interest at a rate of LIBOR plus 240 to 290 bps, depending upon the overall leverage of the properties. As of June 30, 2020, interest expense on our variable rate line of credit facility with Key Bank would increase by as much as $500,000 annually if LIBOR increased by 100 bps.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). As required by Rule 15d-15(b) under the Exchange Act, management, under the direction of our Company’s Chief Executive Officer and Chief Financial Officer, reviewed and performed an evaluation of the effectiveness of design and operation of our disclosure controls and procedures (as defined in Rule 15d-15(e) under the Exchange Act) as of June 30, 2020, the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective to provide reasonable assurance that (i) information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (ii) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

From time to time, the Company is involved in lawsuits and other disputes that arise in the ordinary course of business. Our management is currently not aware of any legal matters or pending litigation that would have a significant effect, individually or in the aggregate, on the Company's financial position or results of operations.

Item 1A. Risk Factors

There have been no material changes to the risk factors that were disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, other than set forth below.

The current outbreak of COVID-19, or the future outbreak of any other highly infectious or contagious diseases, could adversely impact or cause disruption to our business, financial condition, results of operations and cash flows. Further, the spread of the COVID-19 outbreak has caused severe disruptions in the U.S. and global economy, may further disrupt financial markets and could potentially create widespread business continuity issues.

Since being reported in December 2019, COVID-19 has spread globally, including to every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19.

The COVID-19 pandemic has had, and another pandemic in the future could have, repercussions across regional and global economies and financial markets. The global impact of the outbreak has been rapidly evolving and many countries, including the United States (including the states and cities that comprise the Northeast region, where we own properties and have our corporate headquarters) have also instituted quarantines, "shelter in place" rules, and restrictions on travel, the types of business that may continue to operate, and/or the types of construction projects that may continue. As a result, the COVID-19 pandemic is negatively impacting almost every industry directly or indirectly, including industries in which we and our tenants operate. The full extent of the impacts on our business are largely uncertain and dependent on a number of factors beyond our control.

The COVID-19 outbreak has caused severe disruptions in the U.S. and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. The effects of COVID-19 or another pandemic on our or our tenants' ability to successfully operate could be adversely impacted due to, among other factors:

- our tenants' ability to pay rent on their leases or our inability to lease space in our properties on favorable terms;
- a deterioration in our and our tenants' ability to operate or operate in affected areas, or delays in the supply of products or services from our and our tenants' vendors that are needed for us and our tenants to operate effectively;
- a complete or partial closure of one or more of our properties resulting from government or tenant action;
- a general decline in business activity and demand which would adversely affect our ability or desire to grow our industrial portfolio or to divest interests in properties;
- difficulty accessing debt and equity capital on attractive terms, or at all, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect our or our tenants' ability to access capital necessary to fund business operations or replace or renew maturing liabilities on a timely basis, and may adversely affect the valuation of financial assets and liabilities, any of which could affect our ability to meet liquidity and capital expenditure requirements or have a material adverse effect on our business, financial condition, results of operations and cash flows;
- the financial impact of the COVID-19 pandemic could negatively impact our future compliance with financial covenants of our credit facility and other debt agreements;
- any impairment in value of our tangible or intangible assets which could be recorded as a result of a weaker economic conditions;
- the continued service and availability of personnel, including our executive officers and our ability to recruit, attract and retain skilled personnel—to the extent our management or personnel are impacted in significant numbers by the outbreak of

pandemic or epidemic disease and are not available or allowed to conduct work, our business and operating results may be negatively impacted;

- the increased vulnerability to cyber-attacks or cyber intrusions while employees are working remotely has the potential to disrupt our operations or cause material harm to our financial condition;

- unanticipated costs and operating expenses and decreased revenue related to compliance with regulations;

- our insurance may not cover loss of revenue or other expenses resulting from the pandemic and related shelter-in-place rules;

- complying with REIT requirements during a period of reduced cash flow could cause us to liquidate otherwise attractive investments or borrow funds on unfavorable conditions; and

- our ability to ensure business continuity in the event our continuity of operations plan is not effective or is improperly implemented or deployed during a disruption.

The extent to which the COVID-19 pandemic impacts our operations and those of our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, among others.

The demand for industrial space in the United States is generally related to the level of economic output. Accordingly, the outbreak of COVID-19 has led to an economic slowdown in the United States and reduced economic output. The extent to which federal, state or local governmental authorities grant rent relief or other relief or enact amnesty programs applicable to our tenants in response to the COVID-19 outbreak may exacerbate the negative impacts of a slowdown or recession. The concentration of our investments, among other factors, in industrial assets may expose us to the risk of economic downturns specific to industrial assets to a greater extent than if our investments were diversified among property types.

Further, adverse economic conditions, including as a result of COVID-19, may have an impact on the results of operations and financial condition of our tenants and result in additional requests for rent relief or deferral and a resulting decline in rent or an increased incidence of default under existing leases of our properties. In response to COVID-19, we may have tenants decline to extend their leases upon expiration, fail to make rental payments when due, become insolvent or declare bankruptcy. However, as the full impact of COVID-19 cannot yet be determined, it is not yet possible to assess how many of our tenants may seek relief or otherwise fail to pay rent or defer the payment of rent. Bankruptcy filings by or relating to any of our tenants could bar us from collecting pre-bankruptcy debts from that tenant (including tenants whose business and operations are severely impacted by COVID-19 pandemic), unless we receive an order permitting us to do so from the bankruptcy court. Under current bankruptcy law, a tenant can generally assume or reject a lease within a certain number of days of filing its bankruptcy petition. If a tenant rejects the lease, a landlord’s damages, subject to availability of funds from the bankruptcy estate, are generally limited to the greater of (i) one year’s rent and (ii) the rent for 15% of the remaining term of the lease, not to exceed three years. Any unsecured claim we hold against a bankrupt entity may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. We may recover substantially less than the full value of any unsecured claims, which would harm our financial condition. In addition, in the event we modify a lease to provide rent deferral in exchange for an extension of the lease term or other consideration, we may have near term earnings dilution.

The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. Nevertheless, the COVID-19 outbreak, and future pandemics, could have a significant adverse impact on economic and market conditions of economies around the world, including the United States, and trigger a period of global economic slowdown or global recession which would present material uncertainty and risk with respect to our performance, financial condition, results of operations and cash flows. Moreover, many risk factors set forth in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 should be interpreted as heightened risks as a result of the impact of the COVID-19 pandemic.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company did not engage in any unregistered sales of equity securities or repurchases of shares of its common stock during the fiscal quarter ended June 30, 2020. Our common stock is currently not registered under Section 12 of the Exchange Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit	Description
3.1	Composite Amended and Restated Articles of Incorporation, Inclusive of All Amendments Through June 8, 2018 (Incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2018).
3.2	Composite Bylaws, Inclusive of All Amendments Through September 3, 2015 (Incorporated by reference to Exhibit 3.2 to Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2018).
31.1	Certification of Chief Executive Officer Pursuant to Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer Pursuant to Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer Pursuant to Rule 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer Pursuant to Rule 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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

GTJ REIT, INC.

Dated: August 6, 2020

/s/ Paul Cooper
Paul Cooper
Chief Executive Officer (Principal Executive Officer)

Dated: August 6, 2020

/s/ Stuart Blau
Stuart Blau
Chief Financial Officer (Principal Financial and Accounting Officer)

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Section 2: EX-31.1 (EX-31.1)

EXHIBIT 31.1

CERTIFICATIONS

I, Paul Cooper, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GTJ REIT, Inc. for the quarter ended June 30, 2020;

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.

Date: August 6, 2020

/s/ Paul Cooper
Paul Cooper
Chief Executive Officer

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Section 3: EX-31.2 (EX-31.2)

EXHIBIT 31.2

CERTIFICATIONS

I, Stuart Blau, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GTJ REIT, Inc. for the quarter ended June 30, 2020;
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.

Date: August 6, 2020

/s/ Stuart Blau
Stuart Blau
Chief Financial Officer

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Section 4: EX-32.1 (EX-32.1)

EXHIBIT 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of GTJ REIT, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission (the "Periodic Report"), I, Paul Cooper, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2020

/s/ Paul Cooper
Paul Cooper
Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 5: EX-32.2 (EX-32.2)

EXHIBIT 32.2

CERTIFICATIONS OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of GTJ REIT, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission (the “Periodic Report”), I, Stuart Blau, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: August 6, 2020

/s/ Stuart Blau
Stuart Blau
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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