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

# FORM 10-Q

x **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended June 30, 2017**

¨ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

**Commission File Number 333-207711**

# HARTMAN vREIT XXI, INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Maryland** | **38-3978914** |
| **(State of Organization)** | **(I.R.S. Employer Identification Number)** |
| **2909 Hillcroft, Suite 420, Houston, Texas** | **77057** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(713) 467-2222**
**(Registrant's telephone number, including area code)**

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or 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 Act). Yes ☐ No ☒

As of August 9, 2017, there were 1,287,032 shares of the registrant's common stock issued and outstanding, 22,100 of which were held by an affiliate of the registrant.

**HARTMAN vREIT XXI, INC.**
**Table of Contents**

**PART I**

FINANCIAL INFORMATION

## Item 1. Financial Statements

**HARTMAN vREIT XXI, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| **ASSETS** | (Unaudited) | |
| Real estate assets, at cost | $ 7,242,351 | $ - |
| Accumulated depreciation and amortization | (66,414) | - |
| Real estate assets, net | 7,175,937 | - |
| Cash and cash equivalents | 902,074 | 97,810 |
| Investment in unconsolidated joint venture | 5,493,422 | 1,376,439 |
| Escrowed investor proceeds | 328,000 | 320,775 |
| Accrued rent and accounts receivable, net | 28,182 | - |
| Prepaid expenses and other assets | 32,318 | - |
| Total assets | $ 13,959,933 | $ 1,795,024 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Liabilities:** | | |
| Note payable, net | $ 3,469,118 | $ - |
| Accounts payable and accrued expenses | 277,789 | 57,240 |
| Due to related parties | 411,813 | 19,107 |
| Subscriptions for common stock | 327,995 | 320,000 |
| Tenants' security deposits | 52,208 | - |
| Total liabilities | 4,538,923 | 396,347 |
| Commitments and contingencies | | |
| Special Limited Partnership Interests | 1,000 | 1,000 |
| Stockholders' equity: | | |
| Common stock, Class A, $0.01 par value, 850,000,000 shares authorized, 1,133,846 and 160,775 shares issued and outstanding at June 30, 2017 and December 31, 2016 respectively | 11,339 | 1,608 |
| Common stock, Class T, $0.01 par value, 50,000,000 shares authorized, 43,102 shares and 0 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively | 431 | - |
| Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively | - | - |
| Additional paid-in capital | 10,462,465 | 1,452,653 |
| Accumulated distributions and net loss | (1,054,225) | (56,584) |
| Total stockholders' equity | 9,420,010 | 1,397,677 |
| Total liabilities and equity | $ 13,959,933 | $ 1,795,024 |

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

HARTMAN SHORT TERM INCOME PROPERTIES XXI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Rental revenues | $ 179,055 | $ - | $ 289,241 | $ - |
| Tenant reimbursements and other revenues | 64,969 | - | 129,888 | - |
| Total revenues | 244,024 | - | 419,129 | - |
| | | | | |
| **Expenses** | | | | |
| Property operating expenses | 53,868 | - | 78,569 | - |
| Asset management and acquisition fees | 13,219 | - | 23,794 | - |
| Organization and offering costs | 848,978 | - | 848,978 | - |
| Real estate taxes and insurance | 38,572 | - | 69,864 | - |
| Depreciation and amortization | 46,398 | - | 66,414 | - |
| General and administrative | 56,259 | - | 77,788 | - |
| Interest expense | 37,558 | - | 66,839 | - |
| Total expenses | 1,094,852 | - | 1,232,246 | - |
| | | | | |
| Loss from operations | (850,828) | - | (813,117) | - |
| Equity in earnings of unconsolidated subsidiary | 43,422 | - | 51,821 | - |
| Less net income attributable to non-controlling interest | - | - | (5,400) | - |
| Loss on remeasurement | - | - | (2,194) | - |
| Net loss attributable to Hartman vREIT XXI | $ (807,406) | $ - | $ (768,890) | $ - |
| | | | | |
| Basic and diluted net loss per common share: | | | | |
| Net loss attributable to common stockholders per share | $ (1.13) | $ - | $ (1.26) | $ - |
| Weighted average number of common shares outstanding, basic and diluted | 715,291 | - | 609,423 | - |

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

HARTMAN vREIT XXI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Unaudited)

| | Class A and Class T Common Stock | | | | |
|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Additional Paid-In Capital** | **Accumulated Distributions And Net Loss** | **Total** |
| **Balance at December 31, 2016** | 160,775 | $ 1,608 | $ 1,452,653 | $ (56,584) | $ 1,397,677 |
| Issuance of common shares | 1,016,173 | 10,162 | 9,813,170 | - | 9,823,332 |
| Selling commissions | - | - | (803,358) | - | (803,358) |
| Dividends and distributions (stock based) | - | - | - | (121,682) | (121,682) |
| Dividends and distributions (cash based) | - | - | - | (107,069) | (107,069) |
| Net loss (including net income attributable to non-controlling interest of $ 5,400) | - | - | - | (768,890) | (768,890) |
| **Balance at June 30, 2017** | 1,176,948 | $ 11,770 | $ 10,462,465 | $ (1,054,225) | $ 9,420,010 |

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

**HARTMAN vREIT XXI, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | Six months ended June 30, 2017 | Six months ended June 30, 2016 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ (768,890) | $ - |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 66,414 | - |
| Deferred loan cost amortization | 9,313 | - |
| Equity in earnings of unconsolidated joint venture | (51,821) | - |
| Loss on re-measurement | 2,194 | - |
| Bad debt provision | 5,102 | - |
| **Changes in operating assets and liabilities:** | | |
| Accrued rent and accounts receivable | (22,823) | - |
| Prepaid expenses and other assets | (26,726) | - |
| Accounts payable and accrued expenses | 143,984 | - |
| Due to related parties | 304,948 | - |
| **Net cash used in operating activities** | (338,305) | - |
| | | |
| **Cash flows from investing activities:** | | |
| Additions to real estate | (12,600) | |
| Investment in formerly unconsolidated joint venture | (2,214,480) | - |
| Investment in unconsolidated joint venture | (5,450,000) | |
| **Net cash used in investing activities** | (7,677,080) | - |
| | | |
| **Cash flows from financing activities:** | | |
| Distributions paid in cash | (88,904) | - |
| Payment of selling commissions | (803,358) | - |
| Escrowed investor proceeds | (7,225) | - |
| Subscriptions for common stock | 7,995 | - |
| Proceeds from issuance of common stock | 9,711,141 | - |
| **Net cash provided by financing activities** | 8,819,649 | - |
| | | |
| **Net change in cash and cash equivalents** | 804,264 | - |
| **Cash and cash equivalents at the beginning of period** | 97,810 | 201,005 |
| **Cash and cash equivalents at the end of period** | $ 902,074 | $ 201,005 |
| | | |
| **Supplemental cash flow information:** | | |
| **Cash paid for interest** | $ 52,065 | $ - |
| **Supplemental disclosures of non-cash investing and financing activities:** | | |
| **Distributions payable** | $ 18,165 | $ - |
| **Distributions paid in stock** | $ 91,445 | $ - |
| | | |
| **Village Pointe Assets/ Liabilities:** | | |
| **Real estate** | $ 7,050,000 | $ - |
| **Note payable, net** | $ (3,459,805) | $ - |
| **Net other assets and liabilities** | $ 216,790 | $ - |

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

**Note 1 — Organization and Business**

Hartman vREIT XXI, Inc. (the “Company”) was formed on September 3, 2015 as a Maryland corporation and intends to qualify as a real estate investment trust (“REIT”). The Company expects to use the proceeds from its initial public offering to invest in a portfolio of commercial real estate properties that offer a blend of current and potential income based on in place occupancy plus relatively significant potential for growth in income and value from re-tenanting, repositioning or redevelopment. As discussed in Note 9, the Company was initially capitalized by the sale of 22,100 shares of common stock, at an issue price of $9.05 per share, to Hartman Advisors, LLC, an affiliate of the Company’s Sponsor (as defined below) on September 30, 2015. The Company’s fiscal year end is December 31.

Effective June 24, 2016, the Company commenced its initial public offering of up to a maximum of $250,000,000 in shares of its common stock to the public in its primary offering at $10.00 per share, with discounts available to certain purchasers, and up to $19,000,000 in shares of its common stock to its stockholders pursuant to its distribution reinvestment plan (the “DRP”) at $9.50 per share.

On February 6, 2017, the Company’s amended registration statement on Form S-11, providing for its public offering of up to $269,000,000 in shares of Class A common stock and Class T common stock, was declared effective by the SEC and the Company commenced offering shares of our Class A and Class T common stock. In its initial public offering, the Company is offering to the public up to $250,000,000 in any combination of shares of Class A and Class T common stock and up to $19,000,000 in shares of Class A and Class T common stock to stockholders pursuant to its distribution reinvestment plan.

Class A common stock is being offered to the public at an initial price of $10.00 per share and to stockholders at an initial price of $9.50 per share for Class A common stock purchased pursuant to the distribution reinvestment plan.

Class T common stock is being offered to the public at an initial price of $9.60 per share and to stockholders at an initial price of $9.12 per share for Class T common stock purchased pursuant to the distribution reinvestment plan.

The Company’s board of directors may, in its sole discretion and from time to time, change the price at which the Company offers shares to the public in the primary offering or pursuant to its distribution reinvestment plan to reflect changes in estimated value per share and other factors that the board of directors deems relevant.

Pursuant to the terms of the Company’s initial public offering (the “Offering”), subscription proceeds were held in an escrow account until the Company raised the minimum offering amount of $1,000,000. On December 1, 2016, the Company raised the minimum offering amount and the subscription proceeds held in escrow as of that date were released to the Company.

The Company’s advisor is Hartman XXI Advisors, LLC (the “Advisor”), a Texas limited liability company and wholly owned subsidiary of Hartman Advisors, LLC. Hartman Income REIT Management, Inc., an affiliate of the Advisor, is the Company’s sponsor and property manager (“Sponsor” or “Property Manager”). Subject to certain restrictions and limitations, the Advisor is responsible for managing the Company’s affairs on a day-to-day basis and for identifying and making acquisitions and investments on behalf of the Company.

Substantially all the Company’s business will be conducted through Hartman vREIT XXI Operating Partnership, L.P., a Texas limited partnership (the “OP”). The Company is the sole general partner of the OP. The initial limited partners of the OP are Hartman vREIT XXI Holdings LLC, a wholly owned subsidiary of the Company (“XXI Holdings”), and Hartman vREIT XXI SLP LLC (“SLP LLC”), a wholly owned subsidiary of Hartman Advisors, LLC. SLP LLC has invested $1,000 in the OP in exchange for a separate class of limited partnership interests (the “Special Limited Partnership Interests”). As the Company accepts subscriptions for shares, it will transfer substantially all the net proceeds of the Offering to the OP as a capital contribution. The partnership agreement provides that the OP will be operated in a manner that will enable the Company to (1) satisfy the requirements for being classified as a REIT for tax purposes, (2) avoid any federal income or excise tax liability and (3) ensure that the OP will not be classified as a “publicly traded partnership” for purposes of Section 7704 of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), which classification could result in the OP being taxed as a corporation, rather than as a partnership. In addition to the administrative and operating costs and expenses incurred by the OP in acquiring and operating real properties, the OP will pay all the Company's administrative costs and expenses and such expenses will be treated as expenses of the OP.

As of June 30, 2017, we had accepted subscriptions for, and issued 1,109,246 shares of our Class A common stock, including 6,052 shares issued pursuant to our distribution reinvestment plan, and 43,102 shares of our Class T common stock in our initial public offering, including 171 shares issued pursuant to our distribution reinvestment plan resulting in gross offering proceeds of $11,063,532.

**Note 2 — Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying consolidated financial statements included in this report are unaudited; however, amounts presented in the consolidated balance sheet as of December 31, 2016 are derived from our audited consolidated financial statements as of that date. The unaudited consolidated financial statements as of June 30, 2017, have been prepared by the Company in accordance with accounting principles generally accepted in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission, including Form 10-Q and Regulation S-X, on a basis consistent with the annual audited consolidated financial statements. The consolidated financial statements presented herein reflect all adjustments (consisting of normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly present the financial position of the Company as of June 30, 2017, and the results of its consolidated operations for the three and six months ended June 30, 2017 and 2016, the consolidated statement of stockholders' equity for the six months ended June 30, 2017 and the consolidated statements of cash flows for the six months ended June 30, 2017 and 2016. The results of the six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the year ending December 31, 2017.

The consolidated financial statements herein are condensed and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

The Company's consolidated financial statements include the Company's accounts and the accounts of the OP, Hartman Village Pointe, LLC and XXI Holdings, the subsidiaries over which the Company has control. All intercompany balances and transactions are eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Cash and cash equivalents as of June 30, 2017 and December 31, 2016 consisted of demand deposits at commercial banks.

***Financial Instruments***

The accompanying consolidated balance sheets include the following financial instruments: cash and cash equivalents, accrued rent and accounts receivable, accounts payable and accrued expenses, note payable, net and due from (to) related parties. The Company considers the carrying value, other than note payable, net, to approximate the fair value of these financial instruments based on the short duration between origination of the instruments and their expected realization. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of its note payable approximates fair value.

***Revenue Recognition***

The Company's leases are accounted for as operating leases. Certain leases provide for tenant occupancy during periods for which no rent is due and/or for increases or decreases in the minimum lease payments over the terms of the leases. Revenue is recognized on a straight-line basis over the terms of the individual leases. Revenue recognition under a lease begins when the tenant takes possession of or controls the physical use of the leased space. When the Company acquires a property, the term of existing leases is considered to commence as of the acquisition date for the purpose of this calculation. Accrued rents are included in accrued rent and accounts receivable, net. In accordance with Accounting Standards Codification ("ASC") 605-10-S99, Revenue Recognition, the Company will defer the recognition of contingent rental income, such as percentage rents, until the specific target that triggers the contingent rental income is achieved. Cost recoveries from tenants are included in tenant reimbursement and other revenues in the period the related costs are incurred.

***Investment in Unconsolidated Joint Venture***

The Company's investment in unconsolidated joint venture in Hartman Village Pointe was accounted for under the equity method at December 31, 2016. Effective February 8, 2017, the Company owns all of Hartman Village Pointe.

On April 11, 2017, the Company entered into a membership interest purchase agreement with Hartman XX Operating Partnership ("XX OP"), the operating partnership of Hartman Short Term Income Properties XX, Inc., a related party, pursuant to which the Company may acquire up to $10,000,000 of XX OP's equity ownership in Hartman Three Forest Plaza LLC. As of June 30, 2017, the Company has acquired an approximately 30% equity interest in Hartman Three Forest Plaza LLC for $5,450,000. On July 19, 2017, the Company acquired an additional 6% equity interest for $1,000,000, bringing the Company's total equity interest to approximately 36%.

The Company's investment in Hartman Three Forest Plaza LLC is accounted for under the equity method.

***Real Estate***

***Allocation of Purchase Price of Acquired Assets***

Upon acquisition, the purchase price of properties is allocated to the tangible assets acquired, consisting of land, buildings and improvements, any assumed debt and asset retirement obligations, if any, based on their fair values. Acquisition costs, including acquisition fees paid to our advisor, are capitalized as part of the purchase price. Initial valuations are subject to change during the measurement period, but the measurement period ends as soon as the information is available. The measurement period shall not exceed one year from the acquisition date.

Land and building and improvement fair values are derived based upon the Company's estimate of fair value after giving effect to estimated replacement cost less depreciation or estimates of the relative fair value of these assets using discounted cash flow analyses or similar methods. Any difference between the fair value of the property acquired and the purchase price of the property is recorded as goodwill or gain (loss) on acquisition of the property.

The Company determines the fair value of any assumed debt by calculating the net present value of the scheduled mortgage payments using interest rates for debt with similar terms and remaining maturities that the Company believes it could obtain at the date of acquisition. Any difference between the fair value and stated value of the assumed debt is recorded as a discount or premium and amortized over the remaining life of the loan as interest expense.

In allocating the purchase price of each of the Company's properties, the Company makes assumptions and uses various estimates, including, but not limited to, the estimated useful lives of the assets, the cost of replacing certain assets and discount rates used to determine present values. The Company uses Level 3 inputs to value acquired properties. Many of these estimates are obtained from independent third party appraisals. However, the Company is responsible for the source and use of these estimates. These estimates require judgment and are subject to being imprecise; accordingly, if different estimates and assumptions were derived, the valuation of the various categories of the Company's properties or related intangibles could in turn result in a difference in the depreciation or amortization expense recorded in the Company's consolidated financial statements. These variances could be material to the Company's results of operations and financial condition.

The Company has early adopted ASU No. 2017-01, "Clarifying the Definition of a Business." In accordance with the guidance provided by this accounting pronouncement, provided that the acquisition of real estate is determined to be the acquisition of an asset versus the acquisition of a business, the allocation of purchase price will not include an allocation to intangible assets, in particular in-place lease value. Further, the Company will capitalize acquisition fees and expenses associated with real estate asset acquisitions versus recording such fees as an expense in the period incurred in connection with the acquisition of a business. The effect of adoption in the accompanying consolidated financial statements, is that the acquisition fee payable to advisor in the amount of $33,750 for the year ended December 31, 2016 and $142,500 for the six months ended June 30, 2017, which would have been expensed if the acquisition of our joint venture investment and subsequent purchase of the equity interest of our former joint venture partner were considered an acquisition of a business, have been capitalized and added to the unconsolidated joint venture investment and real estate assets at cost as of December 31, 2016 and June 30, 2017, respectively.

***Depreciation and amortization***

Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 39 years for buildings and improvements. Tenant improvements are depreciated using the straight-line method over the lesser of the life of the improvement or the remaining term of the lease.

***Impairment***

The Company reviews its real estate assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of the assets, including accrued rental income, may not be recoverable through operations. The Company determines whether an impairment in value has occurred by comparing the estimated future cash flows (undiscounted and without interest charges), including the estimated residual value of the property, with the carrying cost of the property. If impairment is indicated, a loss will be recorded for the amount by which the carrying value of the property exceeds its fair value. Management has determined that there has been no impairment in the carrying value of our real estate assets as of June 30, 2017.

Projections of expected future cash flows require management to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to release the property and the number of years the property is held for investment. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property's future cash flow and fair value and could result in the overstatement of the carrying value of our real estate and related intangible assets and net income.

***Fair Value Measurement***

Fair value measures are classified into a three-tiered fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

| | |
|---|---|
| Level 1: | Observable inputs such as quoted prices in active markets. |
| Level 2: | Directly or indirectly observable inputs, other than quoted prices in active markets. |
| Level 3: | Unobservable inputs in which there is little or no market data, which require a reporting entity to develop its own assumptions. |

Assets and liabilities measured at fair value are based on one or more of the following valuation techniques:

| | |
|---|---|
| Market Approach: | Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. |

| | |
|---|---|
| Cost Approach: | Amount required to replace the service capacity of an asset (replacement cost). |
| Income Approach: | Techniques used to convert future amounts to a single amount based on market expectations (including present-value, option-pricing, and excess-earnings models). |

The Company's estimates of fair value were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts. The Company classifies assets and liabilities in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

***Accrued Rent and Accounts Receivable***

Included in accrued rent and accounts receivable are base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. An allowance for the uncollectible portion of accrued rent and accounts receivable is determined based upon customer credit-worthiness (including expected recovery of our claim with respect to any tenants in bankruptcy), historical bad debt levels, and current economic trends.

***Organization and Offering Costs***

Prior to achieving the minimum offering amount of $1,000,000, organization and offering costs of the Company were incurred by Advisor on behalf of the Company. Such costs include legal, accounting, printing and other offering expenses, including marketing, salaries and direct expenses of the Advisor's employees and employees of the Advisor's affiliates and others. Under the terms of the advisory agreement between the Company and the Advisor, upon the satisfaction of the minimum offering amount and the release to the Company of all subscription proceeds held in escrow, the Company would be obligated to reimburse the Advisor for organization and offering costs incurred by Advisor in connection with the Offering. Effective December 31, 2016, the advisory agreement between the Company and the Advisor was amended to provide that the liability of the Company to the Advisor for reimbursement of offering and organization costs of the Company incurred by the Advisor prior to completion of the minimum offering, shall not be reimbursable to the Advisor until the Company's receipt of gross offering proceeds in its initial public offering is at least $10,000,000. As of June 30, 2017, the Company has received $11,063,532 in gross offering proceeds.

As of June 30, 2017, total organization and offering costs incurred for the offering amounted to $908,888 of which the Advisor has incurred organization and offering costs of $881,436 on behalf of the Company. The Advisor has been reimbursed $824,514 for organization and offering costs to the extent that this reimbursement does not cause the total organizational and offering costs incurred by the Company (including selling commissions, dealer manager fees and all other underwriting compensation) to exceed 15% of the aggregate gross proceeds from the sale of the shares of common stock sold in the Offering.

Organization costs, when recorded by the Company, are expensed as incurred, and offering costs, which include selling commissions, dealer manager fees and all other underwriting compensation, are deferred and charged to stockholders' equity as such amounts are reimbursed or paid by the Advisor, the dealer manager or their affiliates from gross offering proceeds.

For the three and six months ended June 30, 2017 and 2016, such costs totaled $848,978 and $0, respectively.

***Advertising***

The Company expenses advertising costs as incurred and such costs are included in general and administrative expenses in the accompanying consolidated statements of operations. Advertising costs totaled $1,070 and $0 for the three months ended June 30, 2017 and 2016, respectively. Advertising costs totaled $4,734 and $0 for the six months ended June 30, 2017 and 2016, respectively.

### *Income Taxes*

The Company intends to make an election to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code, commencing in the taxable year ending December 31, 2017. If the Company qualifies for taxation as a REIT, the Company generally will not be subject to federal corporate income tax to the extent it distributes its REIT taxable income to its stockholders, so long as it distributes at least 90 percent of its REIT taxable income (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP.) REITs are subject to a number of other organizational and operational requirements. Even if the Company qualifies for taxation as a REIT, it may be subject to certain state and local taxes on its income and property, and federal income and excise taxes on its undistributed income. Prior to qualifying to be taxed as a REIT, the Company is subject to normal federal and state corporation income taxes.

The Company accounts for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company records a valuation allowance for net deferred tax assets that are not expected to be realized.

For the three months ended June 30, 2017 and 2016, the Company incurred a net loss of $807,406 and $0, respectively. For the six months ended June 30, 2017 and 2016, the Company incurred a net loss of $768,890 and $0, respectively. The Company does not anticipate forming any taxable REIT subsidiaries or otherwise generating future taxable income which may be offset by the net loss carry forward. The Company considers that any deferred tax benefit and corresponding deferred tax asset which may be recorded in light of the net loss carry forward would be properly offset by an equal valuation allowance in that no future taxable income is expected. Accordingly, no deferred tax benefit or deferred tax asset has been recorded in the consolidated financial statements.

Only if it is determined that it is more likely than not that the tax position will not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Management has reviewed the Company's tax positions and is of the opinion that material positions taken by the Company would more likely than not be sustained upon examination. Accordingly, the Company has not recognized a liability related to uncertain tax positions as of June 30, 2017 and December 31, 2016, respectively.

### *Earnings Per Share*

The computations of basic and diluted earnings per common share are based upon the weighted average number of common shares outstanding and potentially dilutive securities. The Company's potentially dilutive securities include special limited partnership interests – see Note 11. For the three and six months ended June 30, 2017 and 2016, there were no shares issuable in connection with these potentially dilutive securities. These potentially dilutive securities were excluded from the computations of diluted net loss per share for the three and six months ended June 30, 2017 and 2016 because no shares are issuable.

### *Concentration of Risk*

The Company maintains cash accounts in one U.S. financial institution. The terms of these deposits are on demand to minimize risk. The balances of these accounts may exceed the federally insured limits. No losses have been incurred in connection with these deposits.

Major tenants are defined as those tenants which individually comprise more than 10% of the Company's total rental revenues. The following four individual tenants of the Village Pointe property each represent more than 10% of total rental revenues for the six months ended June 30, 2017:

| Tenant Name | Annualized Rental Revenue | Percentage of Total Annualized Rental Revenue | Initial Lease Date | Lease Expiration Year |
|---|---|---|---|---|
| Mattress Firm | $ 119,915 | 17.7% | 10/2013 | 2018 |
| SA Bike World | 109,918 | 16.2% | 11/2016 | 2026 |
| Top Brass, Inc. | 96,034 | 14.2% | 11/2015 | 2021 |
| ABDEP, LP | 81,072 | 12.0% | 1/2015 | 2020 |

| | | | | | |
|---|---|---|---|---|---|
| Total | $ | 406,939 | 60.0% | | |

***Recent Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU No. 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. In July 2015, the FASB voted to defer the effective date to January 1, 2018 with early adoption beginning January 1, 2017. We have begun to evaluate each of our revenue streams under the new model. Based on preliminary assessments, we do not expect the adoption of ASU No. 2014-09 to have a material effect on our consolidated financial position or our consolidated results of operations.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Liabilities," which enhances the reporting requirements surrounding the measurement of financial instruments and requires equity securities to be measured at fair value with changes in the fair value recognized through net income for the period. ASU No. 2016-01 is effective for our fiscal year commencing on January 1, 2018. Based on preliminary assessments, we do not expect the adoption of ASU No. 2016-01 to have a material effect on our consolidated financial position or our consolidated results of operations.

In February 2016, the FASB issued ASU No. 2016-02, "Leases," which changes lessee accounting to reflect the financial liability and right-of-use asset that are inherent to leasing an asset on the balance sheet. ASU No. 2016-02 is effective for our fiscal year commencing on January 1, 2019, but early adoption is permitted. Based on preliminary assessments, we do not expect the adoption of ASU No. 2016-02 to have a material effect on our consolidated financial position or our consolidated results of operations.

In October 2016, the FASB issued ASU No. 2016-17, "Interest Held Through Related Parties That Are Under Common Control," which amends the accounting guidance when determining the treatment of certain VIE's to include the interest of related parties under common control in a VIE when considering whether or not the reporting entity is the primary beneficiary of the VIE when considering consolidation. We have adopted this guidance for all periods presented.

In November 2016, the FASB issued ASU No. 2016-18, "Classification of Restricted Cash," which addresses the Statement of Cash Flow classification and presentation of restricted cash transactions. ASU No. 2016-18 is effective for our fiscal year commencing on January 1, 2018. The effect of this amendment is to be applied retrospectively and early adoption is permitted. We expect to adopt ASU No. 2016-18 for our fiscal year commencing on January 1, 2018. Based on preliminary assessments, we do not expect the adoption of ASU No. 2016-18 to have a material effect on our consolidated financial position or our consolidated results of operations.

**Note 3 – Real Estate**

The Company's real estate assets as at June 30, 2017 consisted of the following:

| | June 30, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| Land | $ | 1,762,500 | $ | - |
| Buildings and improvements | | 5,479,851 | | - |
| | | 7,242,351 | | - |
| Less accumulated depreciation and amortization | | 66,414 | | - |
| Total real estate assets | $ | 7,175,937 | $ | - |

Depreciation expense for the three months ended June 30, 2017 and 2016 was $46,398 and $0, respectively. Depreciation expense for the six months ended June 30, 2017 and 2016 was $66,414 and $0, respectively.

Acquisition fees incurred were $142,500 and $0 for the three and six months ended June 30, 2017 and 2016, respectively. The acquisition fee has been capitalized and added to the real estate assets, at cost, in the accompanying consolidated balance sheets. Asset management fees incurred were $13,219 and $0 for the three months ended June 30 2017 and 2016, respectively and $23,794 and $0 for the six months ended June 30, 2017 and 2016. Asset management fees are captioned as such in the accompanying consolidated statements of operations for the three and six months ended June 30, 2017 and 2016, respectively.

On November 14, 2016, the Company contributed $100,000 to Hartman Village Pointe, LLC ("Hartman Village Pointe") in exchange for an initial 2.65% membership interest in Hartman Village Pointe, a joint venture between the Company and Hartman XX Operating Partnership ("Hartman XX LP"), the operating partnership of Hartman XX. Pursuant to the terms of a membership purchase agreement between the Company and Hartman XX LP, the Company may from time to time acquire up to all of Hartman XX LP's remaining membership interest in Hartman Village Pointe at a price equal to Hartman XX LP's investment cost.

As of December 31, 2016, the Company's total equity investment in Hartman Village Pointe was $1,350,000, representing an approximate 35.76% membership interest.

As of January 19, 2017, the Company owned more than 50% of Hartman Village Pointe and as of that date, and from that point forward Hartman Village Pointe is included in these consolidated financial statements.

As of February 8, 2017, the Company owned 100% of Hartman Village Pointe.

The Company re-measured its interest, with a carrying value of $3,764,024. The acquisition date fair value of the previous equity interest in the joint venture was $3,761,830. The Company recognized a loss of $2,194 as a result of revaluing its prior equity interest held before the acquisition. The loss is reflected as "loss on re-measurement" in the consolidated statements of operations.

The following table summarizes the fair value of the assets acquired and the liabilities assumed based upon the Company's purchase price allocations of the Company's 2017 property acquisition as of the respective acquisition date:

| | | |
|---|---|---|
| Assets acquired: | | |
| Real estate assets | $ | 7,050,000 |
| Accounts receivable and other assets | | 273,352 |
| Total assets | | 7,323,352 |
| Liabilities assumed: | | |
| Note payable | | (3,459,805) |
| Accounts payable and accrued expenses | | (49,509) |
| Security deposits | | (52,208) |
| Total liabilities assumed | | (3,561,522) |
| Fair value of net assets acquired | $ | 3,761,830 |

**Note 4 — Investment in unconsolidated joint venture**

On April 11, 2017, the Company entered into a membership interest purchase agreement with Hartman XX Limited Partnership ("Hartman XX LP"), the operating partnership of Hartman Short Term Income Properties XX, Inc., an affiliate of the Company. Pursuant to the terms of a membership interest purchase agreement between the Company and Hartman XX LP, the Company may acquire up to $10,000,000 of the equity membership interest of Hartman XX LP in Hartman Three Forest Plaza, LLC ("Three Forest Plaza LLC").

As of June 30, 2017, the Company has acquired an approximately 30% equity interest in Three Forest Plaza LLC for $5,450,000. On July 19, 2017, the Company acquired an additional 6% equity interest for $1,000,000 bringing its total equity interest to approximately 36%.

Equity in earnings of the unconsolidated joint venture were $43,422 and $0 for the three months ended June 30, 2017 and 2016, respectively, and $51,821 and $0 for the six months ended June 30, 2017 and 2016, respectively. Equity in earnings of unconsolidated joint venture is captioned as such in the accompanying consolidated statements of operations.

**Note 5 — Accrued Rent and Accounts Receivable, net**

Accrued rent and accounts receivable, net, consisted of the following:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Tenant receivables | $ 16,067 | $ - |
| Accrued rent | 17,217 | - |
| Allowance for doubtful accounts | (5,102) | - |
| Accrued Rents and Accounts Receivable, net | $ 28,182 | $ - |

As of June 30, 2017 and December 31, 2016, the Company had an allowance for uncollectible accounts of $5,102 and $0, respectively. For the three months ended June 30, 2017 and 2016, the Company recorded bad debt expense in the amount of $5,102 and $0, respectively, related to tenant receivables that we have specifically identified as potentially uncollectible based on our assessment of each tenant's credit-worthiness. For the six months ended June 30, 2017 and 2016, the Company did not record any bad debt write-off. Bad debt expense and any related recoveries are included in property operating expenses in the accompanying consolidated statements of operations.

**Note 6 — Note Payable, net**

The Company's wholly owned subsidiary, Hartman Village Pointe, LLC, is a party to a $3,525,000, three-year mortgage loan agreement with a bank. The mortgage loan is secured by the Village Pointe property. Unamortized deferred loan costs at the time of the acquisition, on February 8, 2017, of Hartman Village Pointe, LLC were $65,195. The interest rate is one-month LIBOR plus 2.75%. The loan is payable in monthly installments of interest only until the initial maturity date which is December 14, 2019. Thereafter, if the loan is extended pursuant to the terms of the loan agreement, the loan will be payable in monthly installments of principal and interest. The interest rate as at June 30, 2017 was 3.69278%.

Interest expense for the three months ended June 30, 2017 and 2016 was $37,558 and $0, respectively, including $5,588 and $0 of deferred loan cost amortization. Interest expense for the six months ended June 30, 2017 and 2016 was $66,839 and $0, respectively, including $9,313 and $0 of deferred loan cost amortization. Unamortized deferred loan costs were $55,882 and $67,058 as of June 30, 2017 and December 31, 2016, respectively. Interest expense of $5,461 and $0 was payable as of June 30, 2017 and December 31, 2016, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

**Note 7 — Related Party Arrangements**

The Advisor is a wholly owned subsidiary of Hartman Advisors LLC, a Texas limited liability company owned 70% by Allen R. Hartman individually and 30% by the Property Manager. The Property Manager is a wholly owned subsidiary of Hartman Income REIT Management, LLC, which is wholly owned by Hartman Income REIT, Inc. and Subsidiaries of which approximately 16% of the voting stock is owned by Allen R. Hartman who is the Chief Executive Officer and Chairman of the Board of Directors.

The Advisor and certain affiliates of the Advisor will receive fees and compensation in connection with the Offering, and the acquisition, management and sale of the Company's real estate investments. In addition, in exchange for $1,000, the OP has issued the Advisor a separate, special limited partnership interest, in the form of Special Limited Partnership Interests. See Note 11 ("Special Limited Partnership Interest") below.

The Advisor will receive reimbursement for organizational and offering expenses incurred on the Company's behalf, but only to the extent that such reimbursements do not exceed actual expenses incurred by the Advisor and would not cause the cumulative selling commission, the dealer manager fee and other organization and offering expenses borne by the Company to exceed 15.0% of gross offering proceeds from the sale of shares in the Offering.

The Advisor, or its affiliates, will receive an acquisition fee equal to 2.5% of the cost of each investment the Company acquires, which includes the amount actually paid or allocated to fund the purchase, development, construction or improvement of each investment, including acquisition expenses and any debt attributable to each investment. Acquisition fees of $176,250 were earned by the Advisor as a result of the interests acquired in Hartman Village Pointe.

The Advisor, or its affiliates, will receive a debt financing fee equal to 1.0% of the amount available under any loan or line of credit originated or assumed, directly or indirectly, in connection with the acquisition, development, construction, improvement of properties or other permitted investments, which will be in addition to the acquisition fee paid to the Advisor. No debt financing fees were earned by Advisor for the three and six months ended June 30, 2017 and 2016.

The Company will pay Hartman Income REIT Management, Inc. ("HIRM"), an affiliate of the Advisor, property management fees equal to (i) 5% of the effective gross revenues of the managed properties for the management of retail centers, warehouse, industrial and flex properties and (ii) 3% or 4% of the effective gross revenues for office buildings, as applicable based upon the square footage and gross property revenues of the office buildings. The Company also expects to pay HIRM leasing fees in an amount equal to the leasing fees charged by unaffiliated persons rendering comparable services in the same geographic location of the applicable property, provided that such fees will only be paid if a majority of the Company's board of directors, including a majority of its independent directors, determines that such fees are fair and reasonable in relation to the services being performed. HIRM may subcontract the performance of its property management and leasing duties to third parties and HIRM will pay a portion of its property management fee to the third parties with whom it subcontracts for these services. The Company will reimburse the costs and expenses incurred by HIRM on the Company's behalf, including the wages and salaries and other employee-related expenses of all employees of HIRM or its subcontractors who are engaged in the operation, management, maintenance or access control of our properties, including taxes, insurance and benefits relating to such employees, and travel and other out-of-pocket expenses that are directly related to the management of specific properties. Other charges, including fees and expenses of third-party professionals and consultants, will be reimbursed, subject to the limitations on fees and reimbursements contained in the Charter.

If HIRM provides construction management services related to the improvement or finishing of tenant space in the Company's real estate properties, the Company will pay HIRM a construction management fee in an amount that is usual and customary for comparable services rendered to similar projects in the geographic market of the project; provided, however, that the Company will only pay a construction management fee if a majority of the Company's board of directors, including a majority of its independent directors, determines that such construction management fee is fair and reasonable and on terms and conditions not less favorable than those available from unaffiliated third parties.

The Company will pay the Advisor a monthly asset management fee equal to one-twelfth of 0.75% of the higher of (i) the cost or (ii) the value of all real estate investments the Company acquires.

If Advisor or affiliate provides a substantial amount of services, as determined by the Company's independent directors, in connection with the sale of one or more assets, the Company will pay the Advisor a disposition fee equal to (1) in the case of the sale of real property, the lesser of: (A) one-half of the aggregate brokerage commission paid (including the disposition fee) or, if none is paid, the amount that customarily would be paid, or (B) 3% of the sales price of each property sold, and (2) in the case of the sale of any asset other than real property, 3% of the sales price of such asset.

The Company will reimburse the Advisor for all expenses paid or incurred by the Advisor in connection with the services provided to the Company, subject to the limitation that, commencing four fiscal quarters after the Company's acquisition of its first asset, the Company will not reimburse the Advisor for any amount by which its operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of: (1) 2% of the Company's average invested assets (as defined in the Charter), or (2) 25% of the Company's net income determined without reduction for any additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of the Company's assets for that period. Notwithstanding the above, the Company may reimburse the Advisor for expenses in excess of this limitation if a majority of the Company's independent directors determines that such excess expenses are justified based on unusual and non-recurring factors.

For the three months ended June 30, 2017 and 2016, the Company incurred property management fees and reimbursable costs of $7,006 and $0 payable to the Property Manager and asset management fees of $13,219 and $0 payable to the Advisor. For the six months ended June 30, 2017 and 2016, the Company incurred property management fees and reimbursable costs of $12,534 and $0 payable to the Property Manager and asset management fees of $23,794 and $0 payable to the Advisor.

As of June 30, 2017, the Company had $700,290 due to the Advisor and $279,236 due from Hartman Short Term Income Properties XX, Inc. and $9,240 due from other Hartman affiliates. As of December 31, 2016, the Company had $19,107 due to the Advisor.

Mr. Jack Cardwell, an independent director, and his affiliates, have invested $2,265,000 for the purchase of 250,119 Class A common shares in the Company. As of June 30, 2017, Mr. Cardwell and his affiliates owned approximately 21% of the company's outstanding stock.

**Note 8 — Earnings (Loss) Per Share**

Basic earnings (loss) per share is computed using net income (loss) attributable to common stockholders and the weighted average number of common shares outstanding.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Numerator: | | | | |
| Net loss attributable to common stockholders | $ (807,406) | $ - | $ (768,890) | $ - |
| Denominator: | | | | |
| Weighted average common shares outstanding | 715,291 | - | 609,423 | - |
| | | | | |
| Basic and diluted loss per common share: | | | | |
| Net loss attributable to common stockholders | $ (1.13) | $ - | $ (1.26) | $ - |

**Note 9 – Stockholders' Equity**

Under the Company's Articles of Amendment and Restatement (as amended and restated, the "Charter"), the Company has the authority to issue 900,000,000 shares of common stock, $0.01 per share par value, classified and designated as 850,000,000 shares of Class A common stock, 50,000,000 shares of Class T common stock, and 50,000,000 shares of preferred stock with a par value of $0.01 per share. On September 30, 2015, the Company sold 22,100 shares of common stock to Hartman Advisors, LLC at a purchase price of $9.05 per share for an aggregate purchase price of $200,005, which was paid in cash. The Company's board of directors is authorized to amend the Charter, without the approval of the Company's stockholders, to increase the aggregate number of authorized shares of capital stock or the number of shares of any class or series that the Company has authority to issue.

*Common Stock*

Shares of Class A and Class T common stock entitle the holders to one vote per share on all matters which stockholders are entitled to vote, to receive dividends and other distributions as authorized by the Company's board of directors in accordance with the Maryland General Corporation Law and to all rights of a stockholder pursuant to the Maryland General Corporation Law. Neither Class A or Class T common stock have any preferences or preemptive conversion or exchange rights.

*Preferred Stock*

The board of directors, with the approval of a majority of the entire board of directors and without any action by the stockholders, may amend the charter from time to time to increase or decrease the aggregate number of authorized shares of capital stock or the number of authorized shares of capital stock of any class or series. If the Company were to create and issue preferred stock or convertible stock with a distribution preference over common stock, payment of any distribution preferences of outstanding preferred stock or convertible stock would reduce the amount of funds available for the payment of distributions on our common stock. Further, holders of preferred stock are normally entitled to receive a preference payment in the event we liquidate, dissolve or wind up before any payment is made to our common stockholders, likely reducing the amount common stockholders would otherwise receive upon such an occurrence. In addition, under certain circumstances, the issuance of preferred stock or a separate class or series of common stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities and the removal of incumbent management.

*Stock-Based Compensation*

The Company awards vested restricted common shares to non-employee directors as compensation in part for their service as members of the board of directors of the Company. These shares are fully vested when granted. These shares may not be sold while an independent director is serving on the board of directors. For the three and six months ended June 30, 2017 and 2016, the Company granted 0 shares of restricted common stock to independent directors as compensation for services. The Company recognized $0 stock-based compensation expense for the three and six months ended June 30, 2017 and 2016.

*Distributions*

The following table reflects the total distributions the Company has paid, including the total amount paid and amount paid per common share, in each indicated quarter:

| **Quarter Paid** | **Distribution per Common Share** | **Total Distributions Paid** |
|---|---|---|
| 2017 | | |
| 2nd Quarter | $ 0.1875 | $ 75,406 |
| 1st Quarter | 0.1875 | 45,961 |
| Total | $ 0.3750 | $ 121,367 |
| | | |
| 2016 | | |
| 4th Quarter | $ 0.1875 | $ - |
| 3rd Quarter | 0.00 | - |
| 2nd Quarter | 0.00 | - |
| 1st Quarter | 0.00 | - |
| Total | $ 0.1875 | $ - |

**Note 10 — Incentive Plans**

The Company has adopted a long-term incentive plan (the "Incentive Award Plan") that provides for the grant of equity awards to employees, directors and consultants and those of the Company's affiliates. The Incentive Award Plan authorizes the granting of restricted stock, stock options, stock appreciation rights, restricted or deferred stock units, dividend equivalents, other stock-based awards and cash-based awards to directors, officers, employees and consultants of the Company and the Company's affiliates' selected by the board of directors for participation in the Incentive Award Plan. Stock options and shares of restricted common stock granted under the Incentive Award Plan will not, in the aggregate, exceed an amount equal to 5.0% of the outstanding shares of the Company's common stock on the date of grant or award of any such stock options or shares of restricted stock. Stock options may not have an exercise price that is less than the fair market value of a share of the Company's common stock on the date of grant. Shares of common stock will be authorized and reserved for issuance under the Incentive Award Plan. The Company has adopted an independent directors' compensation plan (the "Independent Directors Compensation Plan") pursuant to which each of the Company's independent directors will be entitled, subject to the plan's conditions and restrictions, to receive an initial grant of 3,000 shares of restricted stock when the Company raises the minimum offering amount of $1,000,000 in the Offering. Each new independent director that subsequently joins the Company's board of directors will receive a grant of 3,000 shares of restricted stock upon his or her election to the Company's board of directors. The shares of restricted common stock granted to independent directors fully vest upon the completion of the annual term for which the director was elected. Subject to certain conditions, the non-vested shares of restricted stock granted pursuant to the Independent Directors Compensation Plan will become fully vested on the earlier to occur of (1) the termination of the independent director's service as a director due to his or her death or disability, or (2) a change in control of the Company. The Company recognized stock based compensation expenses of $0 with respect to the independent director compensation for the three and six months ended June 30, 2017 and 2016.

**Note 11 — Special Limited Partnership Interest**

Pursuant to the limited partnership agreement for the OP, SLP LLC, the holder of the Special Limited Partnership Interest, will be entitled to receive distributions equal to 15.0% of the OP's net sales proceeds from the disposition of assets, but only after the Company's stockholders have received, in the aggregate, cumulative distributions equal to their total invested capital plus a 6.0% cumulative, non-compounded annual pre-tax return on such aggregated invested capital. In addition, the holder or the Special Limited Partnership Interest is entitled to receive a payment upon the redemption of the Special Limited Partnership Interests. Pursuant to the limited partnership agreement for the OP, the Special Limited Partnership Interests will be redeemed upon: (1) the listing of the Company's common stock on a national securities exchange; (2) the occurrence of certain events that result in the termination or non-renewal of the Company's advisory agreement with the Advisor ("Advisory Agreement") other than by the Company for "cause" (as defined in the Advisory Agreement); or (3) the termination of the Advisory Agreement by the Company for cause. In the event of the listing of the Company's shares of common stock or a termination of the Advisory Agreement other than by the Company for cause, the Special Limited Partnership Interests will be redeemed for an aggregate amount equal to the amount that the holder of the Special Limited Partnership Interests would have been entitled to receive, as described above, if the OP had disposed of all of its assets at their fair market value and all liabilities of the OP had been satisfied in full according to their terms as of the date of the event triggering the redemption. Payment of the redemption price to the holder of the Special Limited Partnership Interests will be paid, at the holder's discretion, in the form of (i) limited partnership interests in the OP, (ii) shares of the Company's common stock, or (iii) a non-interest bearing promissory note. If the event triggering the redemption is a listing of the Company's shares on a national securities exchange only, the fair market value of the assets of the OP will be calculated taking into account the average share price of the Company's shares for a specified period. If the event triggering the redemption is an underwritten public offering of the Company's shares, the fair market value will take into account the valuation of the shares as determined by the initial public offering price in such offering. If the triggering event of the redemption is the termination or non-renewal of the Advisory Agreement other than by the Company for cause for any other reason, the fair market value of the assets of the OP will be calculated based on an appraisal or valuation of the Company's assets. In the event of the termination or non-renewal of the Advisory Agreement by the Company for cause, all of the Special Limited Partnership Interests will be redeemed by the OP for the aggregate price of $1.

**Note 12 – Commitments and Contingencies**

***Economic Dependency***

The Company is dependent on the Sponsor and the Advisor for certain services that are essential to the Company, including the identification, evaluation, negotiation, purchase and disposition of properties, management of the daily operations of the Company's real estate portfolio, and other general and administrative responsibilities. In the event that these companies are unable to provide the respective services, the Company will be required to obtain such services from other providers.

***Litigation***

The Company is subject to various claims and legal actions that arise in the ordinary course of business. Management of the Company believes that the final disposition of such matters will not have a material adverse effect on the financial position of the Company.

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

### Cautionary Note Regarding Forward-Looking Statements

*As used herein, the terms "we," "us" or "our" refer to Hartman vREIT XXI, Inc. and, as required by context, Hartman vREIT XXI Operating Partnership L.P., which we refer to as our "operating partnership," and their respective subsidiaries.*

Certain statements included in this quarterly report on Form 10-Q (this "Quarterly Report") that are not historical facts (including statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions, or forecasts related thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events on our investments and results of operations could differ materially from those expressed or implied in any forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential" or the negative of such terms and other comparable terminology.

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

- our ability to raise capital in our ongoing initial public offering;
- our ability to effectively deploy the proceeds raised in our initial public offering;
- the imposition of federal taxes if we fail to qualify as a REIT in any taxable year or forego an opportunity to ensure REIT status;
- uncertainties related to the national economy, the real estate industry in general and in our specific markets;
- legislative or regulatory changes, including changes to laws governing REITS;
- construction costs that may exceed estimates or construction delays;
- increases in interest rates;
- availability of credit or significant disruption in the credit markets;
- litigation risks;
- risks inherent to the real estate business, including tenant defaults, potential liability related to environmental matters and the lack of liquidity of real estate investments;
- inability to obtain new tenants upon the expiration of existing leases at our properties;
- inability to generate sufficient cash flows due to market conditions, competition, uninsured losses, changes in tax or other applicable laws;

- the potential need to fund tenant improvements or other capital expenditures out of operating cash flow;

- conflicts of interest arising out of our relationship with our advisor and its affiliates;
- our ability to generate sufficient cash flows to pay distributions to our stockholders;
- our ability to retain our executive officers and other key personnel of our advisor and other affiliates of our advisor; and
- changes to generally accepted accounting principles, or GAAP.

Any of the assumptions underlying the forward-looking statements included herein could be inaccurate, and undue reliance should not be placed upon any forward-looking statements included herein. All forward-looking statements are made as of the date of this Quarterly Report, and the risk that actual results will differ materially from the expectations expressed herein will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements made after the date of this Quarterly Report, whether as a result of new information, future events, changed circumstances or any other reason.

All forward-looking statements included in this Quarterly Report should be read in light of the factors identified in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on April 10, 2017.

**Overview**

We were formed as a Maryland corporation on September 3, 2015 to acquire, develop and operate a diverse portfolio of value-oriented commercial properties, including office, retail, industrial and warehouse properties, located primarily in Texas. We intend to acquire properties in which there is a significant potential for growth in income and value from re-tenanting, repositioning, redevelopment, and operational enhancements. We believe that real estate, and in particular commercial real estate, provides an excellent investment for those investors looking for diversification, income and wealth preservation and growth in their portfolio. We believe that we have significant experience in acquiring and managing these types of properties, largely through our relationships with our sponsor and other affiliates.

On June 24, 2016, our registration statement on Form S-11, registering our initial public offering of up to $269,000,000 in shares of our common stock, was declared effective by the SEC, and we commenced our initial public offering. On January 9, 2017, we amended our charter to (i) designate our authorized shares of common stock as Class A shares of common stock and Class T shares of common stock and (ii) convert each share of our common stock outstanding as of date of the amendment to our charter into a share of our Class A common stock. On February 6, 2017, our amended registration statement on Form S-11, providing for our public offering of up to $269,000,000 in Class A shares of our common stock and Class T shares of our common stock, was declared effective by the SEC and we commenced offering Class A and Class T shares of our common stock.

In our initial public offering, we are offering up to $250,000,000 in any combination of Class A and Class T shares of our common stock to the public and up to $19,000,000 in Class A and Class T shares of our common stock to our stockholders pursuant to our distribution reinvestment plan.

We are offering Class A shares of our common stock to the public at an initial price of $10.00 per share and to our stockholders pursuant to our distribution reinvestment plan at an initial price of $9.50 per share.

We are offering Class T shares of our common stock to the public at an initial price of $9.60 per share and to our stockholders pursuant to our distribution reinvestment plan at an initial price of $9.12 per share.

Our board of directors may, in its sole discretion and from time to time, change the price at which we offer shares to the public in the primary offering or pursuant to our distribution reinvestment plan to reflect changes in our estimated value per share and other factors that our board of directors deems relevant. If we revise the price at which we offer our shares of common stock based upon changes in our estimated value per share, we do not anticipate that we will do so more frequently than quarterly. Our estimated value per share will be approved by our board of directors and calculated by our advisor based upon current available information which may include valuations of our assets obtained by independent third party appraisers or qualified independent valuation experts.

As of June 30, 2017, we had accepted subscriptions for, and issued 1,109,246 shares of our Class A common stock, including 6,052 shares issued pursuant to our distribution reinvestment plan, and 43,102 shares of our Class T common stock in our initial public offering, including 171 shares issued pursuant to our distribution reinvestment plan resulting in gross offering proceeds of $11,063,532. As of June 30, 2017, $238,995,522 in shares of our Class A and Class T common stock remained to be sold in our initial public offering, excluding shares available under our distribution reinvestment plan.  We intend to use the net proceeds from initial public offering to continue to acquire commercial real estate properties located primarily in Texas. We intend to offer shares of our common stock on a continuous basis until June 24, 2018, provided that we may extend the offering period until June 24, 2019 (three years from the date of the commencement of our initial public offering) unless extended. However, in certain states the offering may continue for only one year unless we renew the offering period for an additional year. We reserve the right to terminate our initial public offering at any time. D.H. Hill Securities, LLLP is the dealer manager for our initial public offering and is responsible for the distribution of our common stock in our initial public offering.

Hartman XXI Advisors, LLC, which we refer to as our advisor, manages our day-to-day operations and our portfolio of properties and real estate-related assets, subject to certain limitations and restrictions.  Our advisor sources and presents investment opportunities to our board of directors. Our advisor also provides investment management, marketing, investor relations and other administrative services on our behalf.

Substantially all of our business is conducted through Hartman vREIT XXI Operating Partnership, L.P., a Texas limited partnership, which we refer to as our operating partnership. We are the sole general partner of our operating partnership and Hartman vREIT XXI Holdings LLC, and Hartman vREIT XXI SLP, LLC, affiliates of our advisor, are the initial limited partners of our operating partnership. As we accept subscriptions for shares of our common stock, we will transfer substantially all of the net proceeds of the offering to our operating partnership as a capital contribution. The limited partnership agreement of our operating partnership provides that our operating partnership will be operated in a manner that will enable us to (1) satisfy the requirements for being classified as a REIT for federal income tax purposes, (2) avoid any federal income or excise tax liability and (3) ensure that our operating partnership will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Internal Revenue Code of 1986, as amended, which classification could result in our operating partnership being taxed as a corporation rather than as a partnership. In addition to the administrative and operating costs and expenses incurred by our operating partnership in acquiring and operating our investments, our operating partnership will pay all of our administrative costs and expenses, and such expenses will be treated as expenses of our operating partnership. We will experience a relative increase in liquidity as additional subscriptions for shares of our common stock are received and a relative decrease in liquidity as offering proceeds are used to acquire and operate our assets.

We intend to qualify as a real estate investment trust, or REIT, under the Internal Revenue Code beginning with our taxable year ending December 31, 2017. If we qualify as a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders.  If we fail to qualify as a REIT in any taxable year after the taxable year in which we initially elect to be taxed as a REIT, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which qualification is denied.  Failing to qualify as a REIT could materially and adversely affect our net income.

**Investment Objectives and Strategy: Hartman Advantage**

Our primary investment objectives are to:

- realize growth in the value of our investments;
- preserve, protect and return stockholders' capital contributions; and
- grow net cash from operations and pay regular cash distributions to our stockholders.

We cannot assure our stockholders that we will achieve these objectives.

The cornerstone of our investment strategy is our advisor's discipline in acquiring a portfolio of real estate properties, specifically properties that are located in Texas, that offer a blend of current and potential income based on in place occupancy plus relatively significant potential for growth in income and value from re-tenanting; repositioning or redevelopment. We refer to this strategy as "value add" or the "Hartman Advantage."

We rely upon the value add or Hartman Advantage strategy to evaluate numerous potential commercial real estate acquisition and investment opportunities per completed acquisition or investment.

We do not anticipate that there will be any market for our shares of common stock unless they are listed on a national securities exchange. In the event that our shares of common stock are not listed or traded on an established securities exchange prior to the tenth anniversary of the completion or termination of our initial public offering, our charter requires that the board of directors must seek the approval of our stockholders of a plan to liquidate our assets, unless the board of directors has obtained the approval of our stockholders (1) to defer the liquidation of our assets or (2) of an alternate strategy.

We believe that we have sufficient capital to meet our existing debt service and other operating obligations for the next year and that we have adequate resources to fund our cash needs. However, our operations are subject to a variety of risks, including, but not limited to, changes in national economic conditions, the restricted availability of financing, changes in demographic trends and interest rates and declining real estate valuations. As a result of these uncertainties, there can be no assurance that we will meet our investment objectives or that the risks described above will not have an adverse effect on our properties or results of operations.

**Our Real Estate Investments**

As of June 30, 2017, our investments in real estate assets consist of (i) a retail shopping center located in San Antonio, Texas commonly known as Village Pointe, or the Village Pointe Property and (ii) a 30% ownership interest in a joint venture that owns a 19-story suburban office building comprising approximately 366,549 square feet located in Dallas, Texas which we refer to as the Three Forest Property.

***Village Pointe Property***

As of June 30, 2017, the Village Pointe Property was 92% occupied by 11 tenants. Annual base rental income for the Village Pointe Property is $666,997. The average annual base rent per occupied square foot is $12.30 and the average annual effective rent per occupied square foot is $12.99.

***Three Forest Property***

On April 11, 2017, we entered into a membership interest purchase agreement with Hartman XX Limited Partnership, or Hartman XX LP, the operating partnership of Hartman Short Term Income Properties XX, Inc., an affiliate. Pursuant to the terms of a membership interest purchase agreement we may acquire up to $10,000,000 of Hartman XX LP's equity ownership interest in Hartman Three Forest Plaza, LLC, or Three Forest Plaza LLC, which owns the Three Forest Property.

As of June 30, 2017, we acquired an approximately 30% equity interest in Three Forest Plaza LLC from Hartman XX LP for $5,450,000. On July 19, 2017, we acquired an additional 6% equity interest in Three Forest Plaza LLC from Hartman XX LP for $1,000,000 bringing our total equity ownership interest in Three Forest Plaza LLC to approximately 36%.

As of June 30, 2017, the Three Forest Property was 79% occupied by 44 tenants, including three roof-top tenants. Annual base rental income for the Three Forest Property is $5,130,000. The average annual base rent per occupied square foot is $17.76 and the average annual effective rent per occupied square foot is $17.80.

Equity in earnings of the unconsolidated joint venture were $43,422 and $0 for the three months ended June 30, 2017 and 2016, respectively, and $51,821 and $0 for the six months ended June 30, 2017 and 2016, respectively.

**REIT Compliance**

We will be electing under Section 856(c) of the Internal Revenue Code to be taxed as a REIT beginning with the taxable year ending December 31, 2017. As a REIT we generally are not subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year after the year in which we initially elected to be treated as a REIT, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is denied. Such an event could materially and adversely affect our net income. However, we believe that we are organized and will operate in a manner that will enable us to qualify for treatment as a REIT for federal income tax purposes.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our results of operations and financial condition, as reflected in the accompanying consolidated financial statements and related notes, require us to make estimates and assumptions that are subject to management's evaluation and interpretation of business conditions, changing capital market conditions and other factors related to the ongoing viability of our customers. With different estimates or assumptions, materially different amounts could be reported in our consolidated financial statements. There have been no material changes to our critical accounting policies and estimates as set forth in the Annual Report for the year ended December 31, 2016. See Note 2 to our consolidated financial statements in this Quarterly Report for a discussion of our currently adopted accounting policies.

**RESULTS OF OPERATIONS**

**Comparison of the three and six months ended June 30, 2017 versus June 30, 2016.**

As of June 30, 2017, we owned the Village Pointe Property, a commercial property located in San Antonio, Texas and a 30% joint venture interest the Three Forest Property, in an office building located in Dallas, Texas. As of June 30, 2016, we owned no commercial properties.

*Revenues* – The primary source of our revenue is rental revenues and tenant reimbursements. For the three months ended June 30, 2017 and 2016 we had total rental revenues and tenant reimbursements of $244,024 and $0, respectively. For the six months ended June 30, 2017 and 2016 we had total rental revenues and tenant reimbursements of $419,128 and $0, respectively. The increase in total rental revenues and tenant reimbursements was primarily due to the fact that we did not own any property as of June 30, 2016, as compared to the one property we owned as of June 30, 2017.

*Operating expenses* **–** Operating expenses consist of property operating expenses (contract services, repairs and maintenance, utilities and management fees); real estate taxes and insurance; and asset management fees. For the three months ended June 30, 2017 and 2016, we had operating expenses of $105,659 and $0 respectively. For the six months ended June 30, 2017 and 2016 we had operating expenses of $172,227 and $0 respectively. The increase in operating expenses is primarily due to the fact that we did not own any property as of June 30, 2016, as compared to the one property we owned as of June 30, 2017.

*Fees to affiliates* – We pay acquisition fees and asset management fees to our advisor in connection with the acquisition of properties and management of our company. Asset management fees to our advisor were $13,219 and $0 for the three months ended June 30, 2017 and 2016, respectively. Asset management fees were $23,794 and $0 for the six months ended June 30, 2017 and 2016, respectively. The increase in asset management fees is attributable to the one property we acquired on February 8, 2017. We pay property management and leasing commissions to our Property Manager in connection with the management and leasing of our properties. For the three months ended June 30, 2017 and 2016 we incurred $7,006 and $0, respectively, for property management fees and $0 and $0, respectively, for leasing commissions. For the six months ended June 30, 2017 and 2016 we incurred $12,534 and $0, respectively, for property management fees and $0 and $0, respectively, for leasing commissions.

*Real estate taxes and insurance* – Real estate taxes and insurance were $38,572 and $0 for the three months ended June 30, 2017 and 2016, respectively. Real estate taxes and insurance were $69,864 and $0 for the six months ended June 30, 2017 and 2016, respectively. The increase in cost is owing to the one property we acquired in the six months ended June 30, 2017 and the fact that we owned no properties during the six months ended June 30, 2016.

*Depreciation and amortization* – Depreciation and amortization were $46,398 and $0 for the three months ended June 30, 2017 and 2016, respectively. Depreciation and amortization were $66,414 and $0 for the six months ended June 30, 2017 and 2016, respectively. The increase in cost is owing to the one property we acquired in the six months ended June 30, 2017 and the fact that we owned no properties during the six months ended June 30, 2016.

*General and administrative expenses* - General and administrative expenses were $56,259 and $0 for the three months ended June 30, 2017 and 2016, respectively. General and administrative expenses were $77,788 and $0 for the six months ended June 30, 2017 and 2016, respectively. General and administrative expenses consist primarily of audit fees, transfer agent fees, other professional fees, and independent director compensation. The increase in cost is from owning one property during the six months ended June 30, 2017 and the fact that we owned no properties during the six months ended June 30, 2016. We expect general and administrative expenses to increase only modestly in future periods as we acquire additional real estate and real estate related assets. We expect general and administrative expenses to decrease substantially as a percentage of total revenue.

*Organizational and offering costs* – Effective December 31, 2016, the advisory agreement between us and our Advisor was amended to provide that our liability to our Advisor for reimbursement of organization and offering costs incurred by our advisor prior to completion of the minimum offering, shall not be reimbursable to our Advisor until we are in receipt of gross offering proceeds in our initial public offering of at least $10,000,000. During the three months ended June 30, 2017, total gross offering proceeds received in our initial public offering exceeded $10,000,000. As of June 30, 2017, total organization and offering costs incurred were $908,888 including $881,346 of organization and offering costs incurred by our Advisor. The Advisor will not be reimbursed for organization and offering costs to the extent that such reimbursement would cause the total organizational and offering costs incurred by us (including selling commissions, dealer manager fees and all other underwriting compensation) to exceed 15% of the aggregate gross proceeds from the sale of the shares of common stock sold in the Offering. Any such reimbursement will not exceed the actual costs and expenses incurred by Advisor. When recorded by us, organization costs are expensed as incurred, and offering costs, which include selling commissions, dealer manager fees and all other underwriting compensation, are deferred and charged to stockholders' equity as such amounts are reimbursed or paid by the Advisor, the dealer manager or their affiliates from the gross proceeds of the Offering.

For the three months ended June 30, 2017, we recognized $848,978 of organization and offering costs, including $821,526 incurred by our Advisor. Total organization and offering costs recorded as expense were $848,978 and $0 for the three and six months ended June 30, 2017 and 2016, respectively.

*Net loss* – We generated a net loss of ($807,406) and $0 for the three months ended June 30, 2017 and 2016, respectively and net loss of ($768,890) and $0 for the six months ended June 30, 2017 and 2016, respectively. Net loss for the six months ended June 30, 2017 is primarily attributable to offering and organization costs, including $848,978 which we became liable for in the six months ended June 30, 2017. We owned no properties in the six months ended June 30, 2016.

**Funds From Operations and Modified Funds From Operations**

Funds From Operations, or FFO, is a non-GAAP financial measure defined by the National Association of Real Estate Investment Trusts ("NAREIT"), an industry trade group, which we believe is an appropriate supplemental measure to reflect the operating performance of a real estate investment trust, or REIT in conjunction with net income. FFO is used by the REIT industry as a supplemental performance measure. FFO is not equivalent to our net income or loss as determined under GAAP.

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

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

Historical accounting for real estate involves the use of GAAP. Any other method of accounting for real estate such as the fair value method cannot be construed to be any more accurate or relevant than the comparable methodologies of real estate valuation found in GAAP. Nevertheless, we believe that the use of FFO, which excludes the impact of real estate related depreciation and amortization and impairments, provides a more complete understanding of the our performance to investors and to management, and when compared year over year, reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs, which may not be immediately apparent from net income. However, FFO and MFFO, as described below, should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income or in its applicability in evaluating our operating performance. The method utilized to evaluate the value and performance of real estate under GAAP should be construed as a more relevant measure of operational performance and considered more prominently than the non-GAAP FFO and MFFO measures and the adjustments to GAAP in calculating FFO and MFFO.

Changes in the accounting and reporting promulgations under GAAP (for acquisition fees and expenses from a capitalization/depreciation model to an expensed-as-incurred model) that were put into effect in 2009 and other changes to GAAP accounting for real estate subsequent to the establishment of NAREIT's definition of FFO have prompted an increase in cash-settled expenses, specifically acquisition fees and expenses for all industries as items that are expensed under GAAP, that are typically accounted for as operating expenses. Management believes these fees and expenses do not affect our overall long-term operating performance. Publicly registered, non-listed REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operation. While other start up entities may also experience significant acquisition activity during their initial years, we believe that non-listed REITs are unique in that they have a limited life with targeted exit strategies within a relatively limited time frame after the acquisition activity ceases. We intend to use the remaining net proceeds raised in our follow-on offering to continue to acquire properties, and intend to begin the process of achieving a liquidity event (*i.e.*, the listing of our common stock on a national exchange, a merger or sale or our company or another similar transaction) within ten years of the completion of our initial public offering. The Investment Program Association, or "IPA," an industry trade group, has standardized a measure known as Modified Funds From Operations, or "MFFO," which the IPA has recommended as a supplemental measure for publicly registered non-listed REITs and which we believe to be another appropriate supplemental measure to reflect the operating performance of a non-listed REIT having the characteristics described above. MFFO is not equivalent to our net income or loss as determined under GAAP, and MFFO may not be a useful measure of the impact of long-term operating performance on value if we do not continue to operate with a limited life and targeted exit strategy, as currently intended. We believe that, because MFFO excludes costs that we consider more reflective of investing activities and other non-operating items included in FFO and also excludes acquisition fees and expenses that affect our operations only in periods in which properties are acquired, MFFO can provide, on a going forward basis, an indication of the sustainability (*i.e.*, the capacity to continue to be maintained) of our operating performance after the period in which we are acquiring our properties and once our portfolio is in place. By providing MFFO, we believe we are presenting useful information that assists investors and analysts to better assess the sustainability of our operating performance after our public offering has been completed and our properties have been acquired. We also believe that MFFO is a recognized measure of sustainable operating performance by the non-listed REIT industry. Further, we believe MFFO is useful in comparing the sustainability of our operating performance after our public offering and acquisitions are completed with the sustainability of the operating performance of other real estate companies that are not as involved in acquisition activities. Investors are cautioned that MFFO should only be used to assess the sustainability of our operating performance after our public offering has been completed and properties have been acquired, as it excludes acquisition costs that have a negative effect on our operating performance during the periods in which properties are acquired.

We define MFFO, a non-GAAP measure, consistent with the IPA's Guideline 2010-01, Supplemental Performance Measure for Publicly Registered, Non-Listed REITs: Modified Funds from Operations, or the Practice Guideline, issued by the IPA in November 2010. The Practice Guideline defines MFFO as FFO further adjusted for the following items, as applicable, included in the determination of GAAP net income: acquisition fees and expenses; amounts relating to deferred rent receivables and amortization of above and below market leases and liabilities (which are adjusted in order to reflect such payments from a GAAP accrual basis to a cash basis of disclosing the rent and lease payments); accretion of discounts and amortization of premiums on debt investments; mark-to-market adjustments included in net income; nonrecurring gains or losses included in net income from the extinguishment or sale of debt, hedges, foreign exchange, derivatives or securities holdings where trading of such holdings is not a fundamental attribute of the business plan, unrealized gains or losses resulting from consolidation from, or deconsolidation to, equity accounting, and after adjustments for consolidated and unconsolidated partnerships and joint ventures, with such adjustments calculated to reflect MFFO on the same basis. The accretion of discounts and amortization of premiums on debt investments, nonrecurring unrealized gains and losses on hedges, foreign exchange, derivatives or securities holdings, unrealized gains and losses resulting from consolidations, as well as other listed cash flow adjustments are adjustments made to net income in calculating the cash flows provided by operating activities and, in some cases, reflect gains or losses which are unrealized and may not ultimately be realized.

Our MFFO calculation complies with the IPA's Practice Guideline described above. In calculating MFFO, we exclude acquisition related expenses. We do not currently exclude amortization of above and below market leases, fair value adjustments of derivative financial instruments, deferred rent receivables and the adjustments of such items related to noncontrolling interests. Under GAAP, acquisition fees and expenses are characterized as operating expenses in determining operating net income. These expenses are paid in cash by us, and therefore such funds will not be available to distribute to investors. All paid and accrued acquisition fees and expenses negatively impact our operating performance during the period in which properties are acquired and will have negative effects on returns to investors, the potential for future distributions, and cash flows generated by us, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover the purchase price of the property, these fees and expenses and other costs related to such property. Accordingly, MFFO may not be an accurate indicator of our operating performance, especially during periods in which properties are being acquired. MFFO that excludes such costs and expenses would only be comparable to non-listed REITs that have completed their acquisition activities and have similar operating characteristics to us. Further, under GAAP, certain contemplated non-cash fair value and other non-cash adjustments are considered operating non-cash adjustments to net income in determining cash flow from operating activities. In addition, we view fair value adjustments of derivatives and gains and losses from dispositions of assets as non-recurring items or items which are unrealized and may not ultimately be realized, and which are not reflective of on-going operations and are therefore typically adjusted for when assessing operating performance. The purchase of properties, and the corresponding expenses associated with that process, is a key operational feature of our business plan to generate operational income and cash flows in order to make distributions to investors. Acquisition fees and expenses will not be reimbursed by the advisor if there are no further proceeds from the sale of shares in our public offering, and therefore such fees and expenses will need to be paid from either additional debt, operational earnings or cash flows, net proceeds from the sale of properties or from ancillary cash flows.

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

Presentation of this information is intended to provide useful information to investors as they compare the operating performance of different REITs, although it should be noted that not all REITs calculate FFO and MFFO the same way, so comparisons with other REITs may not be meaningful. FFO and MFFO are not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income (loss) or income (loss) from continuing operations as an indication of our performance, as an alternative to cash flows from operations as an indication of its liquidity, or indicative of funds available to fund its cash needs including its ability to make distributions to its stockholders. FFO and MFFO should be reviewed in conjunction with other GAAP measurements as an indication of our performance. MFFO is useful in assisting management and investors in assessing the sustainability of operating performance in future operating periods, and in particular, after the offering and acquisition stages are complete and net asset value is disclosed. FFO and MFFO are not useful measures in evaluating net asset value because impairments are taken into account in determining net asset value but not in determining FFO or MFFO.

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

The table below summarizes our calculation of FFO and MFFO for the three and six months ended June 30, 2017 and 2016 and a reconciliation of such non-GAAP financial performance measures to our net loss.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Net loss | $ (807,406) | $ - | $ (768,890) | $ - |
| Depreciation and amortization | 46,398 | - | 66,414 | - |
| Funds from operations (FFO) | (761,008) | - | (702,476) | - |
| Organization and offering costs | 848,978 | - | 848,978 | - |
| Modified funds from operations (MFFO) | $ 87,970 | $ - | $ 146,502 | $ - |

**Distributions**

The following table summarizes the distributions we declared in cash and in shares of our common stock and the amount of distributions reinvested pursuant to the distribution reinvestment plan for the period from December 2016 (the month we first declared distributions) through June 30, 2017:

| Period | Cash (1) | Stock (2) | Total |
|---|---|---|---|
| Period From inception to December 31, 2015 | $ - | $ - | $ - |
| First, second, third Quarters 2016 | - | - | - |
| Fourth Quarter 2016 | 6,121 | 2,226 | 8,347 |
| First Quarter 2017 | 35,853 | 34,514 | 70,367 |
| Second Quarter 2017 | 71,216 | 87,168 | 158,384 |
| **Total** | $ 113,190 | $ 123,908 | $ 237,098 |

(1) Distributions are paid on a monthly basis. Distributions for all record dates of a given month are paid approximately 20 days following the end of such month.
(2) Amount of distributions paid in shares of common stock pursuant to our distribution reinvestment plan and stock dividend distribution.

For the six months ended June 30, 2017, we declared aggregate distributions of $228,751 including stock distributions and distributions paid in shares of common stock pursuant to our distribution reinvestment plan. During the same period, cash used in operating activities was $338,305, out net loss was $768,890 and our FFO was ($702,476). For the six months ended June 30, 2017, 100% of cash distributions were paid from cash provided by offering proceeds. For the six months ended June 30, 2016, we declared aggregate distributions of $0, including stock distributions and distributions paid in shares of common stock pursuant to our distribution reinvestment plan. During the period from our inception to June 30, 2017, net cash used in operating activities was $346,272 our net loss was $817,127 and our FFO was ($750,713). For a discussion of how we calculate FFO, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Funds From Operations and Modified Funds From Operations."

**Liquidity and Capital Resources**

As of June 30, 2017, we had accepted subscriptions for, and issued 1,109,246 shares of our Class A common stock, including 6,052 shares issued pursuant to our distribution reinvestment plan, and 43,102 shares of our Class T common stock in our initial public offering, including 171 shares issued pursuant to our distribution reinvestment plan resulting in gross offering proceeds of $11,063,532.

Our principal demands for funds are and will continue to be for real estate and real estate-related acquisitions, for the payment of operating expenses, for the payment of interest on our outstanding indebtedness, and for the payment of distributions. Generally, we expect to meet cash needs for items other than acquisitions from our cash flow from operations; provided, that some or all of our distributions have been and may continue to be paid from sources other than cash from operations (as discussed below). We expect to meet cash needs for acquisitions from the remaining net proceeds of our follow-on offering and from financings.

Some or all of our distributions have been and may continue to be paid from sources other than cash flow from operations, including proceeds of our public offerings, cash advances to us by our advisor, cash resulting from a waiver of asset management fees and borrowings secured by our assets in anticipation of future operating cash flow. We may have little, if any, cash flow from operations available for distribution until we make substantial investments and those investments stabilize. In addition, to the extent our investments are in development or redevelopment projects or in properties that have significant capital requirements, our ability to make distributions may be negatively impacted, especially during our early periods of operation.

We use, and intend to use in the future, secured and unsecured debt to acquire properties and make other investments. As of June 30, 2017, our outstanding secured debt is $3,525,000. There is no limitation on the amount we may invest in any single property or other asset or on the amount we can borrow for the purchase of any individual property or other investment. Under our charter, we are prohibited from borrowing in excess of 300% of our "net assets" (as defined by our charter) as of the date of any borrowing; however, we may exceed that limit if approved by a majority of our independent directors and if such excess is disclosed to the stockholders in the next quarterly report along with the explanation for such excess borrowings. Our board of directors has adopted a policy to limit our aggregate borrowings to approximately 50% of the aggregate value of our assets unless substantial justification exists that borrowing a greater amount is in our best interests. Such limitation, however, does not apply to individual real estate assets and only will apply once we have ceased raising capital in our public offering and invested substantially all of our capital. As a result, we expect to borrow more than 50% of the contract purchase price of each real estate asset we acquire to the extent our board of directors determines that borrowing these amounts is prudent.

Our advisor may, but is not required to, establish capital reserves from remaining gross offering proceeds, out of cash flow generated by operating properties and other investments or out of non-liquidating net sale proceeds from the sale of our properties and other investments. Capital reserves are typically utilized for non-operating expenses such as tenant improvements, leasing commissions and major capital expenditures. Alternatively, a lender may require its own formula for escrow of capital reserves.

Potential future sources of capital include proceeds from additional private or public offerings of our securities, secured or unsecured financings from banks or other lenders, proceeds from the sale of properties and undistributed funds from operations. If necessary, we may use financings or other sources of capital in the event of unforeseen significant capital expenditures.

***Cash Flows from Operating Activities***

As of June 30, 2017 we had continuing operations from one commercial real estate property and an investment in an unconsolidated real estate joint venture. During the six months ended June 30, 2017, net cash used in operating activities was $338,305 versus $0 net cash used in operating activities for the six months ended June 30, 2016. We expect cash flows from operating activities to increase in future periods as a result of additional acquisitions of real estate and real estate related investments.

***Cash Flows from Investing Activities***

During the six months ended June 30, 2017, net cash used in investing activities was $7,677,080 versus $0 for the six months ended June 30, 2016 and consisted of $12,600 of additions to real estate, $5,450,000 investment in an unconsolidated real estate joint venture and $2,214,480 cash used for the investment in Village Pointe.

***Cash Flows from Financing Activities***

Cash flows from financing activities consisted primarily of proceeds from our ongoing public offering and distributions paid to our common stockholders. Net cash provided by financing activities for the six months ended June 30, 2017 and 2016, respectively, was $8,819,649 and $0 and consisted of the following:

- $9,711,141 of cash provided by offering proceeds related to our public offering, net of payments of commissions on sales of common stock and related dealer manager fees of $803,358;
- $770 of net cash provided by the change in escrowed investor proceeds; and
- $88,904 of cash distributions.

**Contractual Commitments and Contingencies**

We use, and intend to use in the future, secured and unsecured debt, as a means of providing additional funds for the acquisition of our properties and our real estate-related assets. We believe that the careful use of borrowings will help us achieve our diversification goals and potentially enhance the returns on our investments. Under our charter, we are prohibited from borrowing in excess of 300% of our net assets, which generally approximates to 75% of the aggregate cost of our assets. We may borrow in excess of this amount if such excess is approved by a majority of the independent directors and disclosed to stockholders in our next quarterly report, along with a justification for such excess. In such event, we will monitor our debt levels and take action to reduce any such excess as practicable. Our aggregate borrowings are reviewed by our board of directors at least quarterly. As of June 30, 2017, our borrowings were not in excess of 300% of the value of our net assets.

In addition to using our capital resources for investing purposes and meeting our debt obligations, we expect to use our capital resources to make certain payments to our advisor. We expect to make payments to our advisor or its affiliates in connection with the selection and origination or purchase of real estate and real estate-related investments, the management of our assets, the management of the development or improvement of our assets and costs incurred by our advisor in providing services to us.

As of June 30, 2017, we had a note payable totaling an aggregate principal amount of $3,525,000. For more information on our outstanding indebtedness, see Note 6 (Note Payable, net) to the consolidated financial statements included in this report.

The following is a summary of our contractual obligations as of June 30, 2017:

| Contractual Obligations | Total | 2017 | 2018-2019 | 2020-2021 | Thereafter |
|---|---|---|---|---|---|
| Long-term debt obligations (1) | $ 3,525,000<br>3,525,000 | $ - | $ 3,525,000 | $ - | $ - |
| Interest payments on outstanding debt obligations(2) | 330,128 | 66,170 | 263,958 | - | - |
| Purchase obligations(3) | - | - | - | - | - |
| Total | $ 3,855,128 | $ 66,170<br>66,170,355 | $ 3,788,958 | $ - | $ - |

(1) Amounts include principal payments only.
(2) Projected interest payments are based on the outstanding principal amount and projected rate of 3.69% on the floating monthly Libor rate.
(3) Purchase obligations were excluded from contractual obligations as there were no binding purchase obligations as of June 30, 2017.

**Off-Balance Sheet Arrangements**

As of June 30, 2017 and December 31, 2016, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Recent Accounting Pronouncements**

Based on preliminary assessments, we do not expect the adoption of any recently issued but not yet effective or early-adopted accounting standards to have a material effect on our consolidated financial position or our consolidated results of operations. See Note 2 to the consolidated financial statements included in this Quarterly Report.

**Related-Party Transactions and Agreements**

We have entered into agreements with our advisor and its affiliates whereby we have paid, and may continue to pay, certain fees to, or reimburse certain expenses of, our advisor and its affiliates. See Item 13, "Certain Relationships and Related Transactions and Director Independence" in our Annual Report on Form 10-K for the year ended December 31, 2016 and Note 6 (Related Party Arrangements) to the consolidated financial statements included in this Quarterly Report for a discussion of the various related-party transactions, agreements and fees.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We will be exposed to interest rate changes primarily as a result of long-term debt used to acquire properties and make loans and other permitted investments. Our interest rate risk management objectives will be to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we expect to borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. With regard to variable rate financing, we will assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities.

**Item 4. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

In connection with the preparation of this Form 10-Q, as of June 30, 2017, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). In performing this evaluation, management reviewed the selection, application and monitoring of our historical accounting policies. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2017, these disclosure controls and procedures were effective and designed to ensure that the information required to be disclosed in our reports filed with the SEC under the Exchange Act is recorded, processed, summarized and reported as and when required.

***Changes in Internal Control over Financial Reporting***

There have been no changes in our internal controls over financial reporting that occurred during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

**PART II**

OTHER INFORMATION

**Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

N/A

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

During the three and six months ended June 30, 2017, we did not sell any equity securities that were not registered under the Securities Act of 1933, as amended, or the Securities Act.

During the three months ended June 30, 2017, we did not make any purchases of our equity securities, pursuant to our share redemption program or otherwise.

On June 24, 2016, our Registration Statement on Form S-11 (File No. 333-207711), registering our initial public offering of up to $269,000,000 in shares of our common stock, was declared effective by the SEC under the Securities Act and we commenced our initial public offering. On January 9, 2017, we amended our articles of amendment and restatement, or our charter, to (i) designate our authorized shares of common stock as Class A shares of common stock and Class T shares of common stock and (ii) convert each share of our common stock outstanding as of date of the amendment to our charter into a share of our Class A common stock. On February 6, 2017, our amended registration statement on Form S-11 (File No. 333-207711), registering our public offering of up to $269,000,000 in shares of our Class A common stock and Class T common stock, was declared effective by the SEC and we commenced offering shares of our Class A and Class T common stock in our initial public offering.

We are offering up to $250,000,000 in any combination of shares of our Class A and Class T common stock to the public and up to $19,000,000 in shares of our Class A and Class T common stock to our stockholders pursuant to our distribution reinvestment plan.

From our inception through June 30, 2017, we had recognized selling commissions, dealer manager fees and organization and other offering costs in our public offering in the amounts set forth below. The dealer manager for our public offering reallowed all of the selling commissions and a portion of the dealer manager fees to participating broker-dealers.

| **Type of Expense** | **Amount** | **Estimated/Actual** |
|---|---|---|
| Selling commissions and dealer manager fees | $ 814,302 | Actual |
| Finders' fees | | — |
| Expenses paid to or for underwriters | | — |
| Other organization and offering costs | 848,978 | Actual |
| **Total expenses** | $ 1,663,280 | |

As of June 30, 2017, the net offering proceeds to us from our initial public offering after deducting the total expenses incurred as described above, were $9,400,252. For the period from inception through June 30, 2017, the ratio of the cost of raising capital to capital raised was approximately 15%.

We intend to use substantially all of the available net proceeds from our public offering to continue to invest in a portfolio of real properties. As of June 30, 2017, we had used $3,775,000 of the net proceeds from our public offering, plus debt financing, to purchase our initial commercial property and we had used $5,450,000 of net offering proceeds to invest in an unconsolidated real estate joint venture between our company and Hartman XX Limited Partnership, the operating partnership of our affiliate, Hartman Short Term Income Properties XX, Inc.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

| Exhibit | Description |
|---|---|
| 1.1 | Dealer Manager Agreement (incorporated by reference to Exhibit 1.1 to the Post-Effective Amendment No. 2 to the Company's Registration Statement on Form S-11 (Registration No. 333-207711) filed on April 26, 2017.) |
| 1.2 | Form of Soliciting Dealer Agreement (incorporated by reference to Exhibit 1.2 to the Post-Effective Amendment No. 2 to the Company's Registration Statement on Form S-11 (Registration No. 333-207711) filed on April 26, 2017.) |
| 1.3 | Form of Selected Investment Advisor Agreement (incorporated by reference to Exhibit B to Exhibit 1.1 to Pre-Effective Amendment No. 2 to the Post-Effective Amendment No. 1 to the Company's Registration statement on Form S-11 (Registration No. 333-207711) filed on December 22, 2016.) |
| 3.1 | Third Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 to Pre-Effective Amendment No. 3 to the Post-Effective Amendment No. 1 to the Company's Registration statement on Form S-11 (Registration No. 333-207711) filed on January 12, 2017.) |
| 3.2 | Bylaws (incorporated by reference to Exhibit 3.2 to Pre-Effective Amendment No. 5 to the Company's Registration statement on Form S-11 (Registration No. 333-207711) filed on May 20, 2016.) |
| 10.1 | Amended and Restated Advisory Agreement between the Company and Hartman XXI Advisors, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 27, 2017.) |
| 10.2 | Membership Interest Purchase agreement dated April 11, 2017 by and between Hartman XX Limited Partnership and Hartman vREIT XXI, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 12, 2017) |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **(FILED HEREWITH)** |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **(FILED HEREWITH)** |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **(FILED HEREWITH)** |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **(FILED HEREWITH)** |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

## 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.

**HARTMAN vREIT XXI, INC.**

Date: August 14, 2017

By: /s/ Allen R. Hartman
**Allen R. Hartman,**
**Chairman of the Board and Chief Executive Officer**
**(Principal Executive Officer)**

Date: August 14, 2017

By: /s/ Louis T. Fox, III
**Louis T. Fox, III,**
**Chief Financial Officer,**
**(Principal Financial and Principal Accounting Officer)**