Filed Pursuant to Rule 424(b)(3)
Registration No. 333-232308

HARTMAN vREIT XXI, INC.

SUPPLEMENT NO. 2 DATED AUGUST 14, 2020 TO THE PROSPECTUS DATED JULY 27, 2020

This document supplements, and should be read in conjunction with, our prospectus dated July 27, 2020, relating to our offering of up to $185,000,000 in shares of our common stock. Terms used and not otherwise defined in this Supplement No. 2 have the same meanings as set forth in our prospectus. The purpose of this Supplement No. 2 is to disclose the filing of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, as filed with the Securities and Exchange Commission ("SEC") on August 13, 2020.

Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2020

On August 13, 2020, we filed with the SEC our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, a copy of which is attached to this Supplement as Appendix A (without exhibits).

APPENDIX A

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

FORM 10-Q

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

For the quarterly period ended June 30, 2020

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

Commission File Number 333-232308

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 1, 2020 there were 8,714,364 shares of the registrant's common stock issued and outstanding, 22,100 of which were held by an affiliate of the registrant.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

HARTMAN vREIT XXI, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2020	December 31, 2019
	(Unaudited)	
ASSETS		
Real estate assets, at cost	$ 79,001	$ 77,173
Accumulated depreciation and amortization	(7,750)	(4,691)
Real estate assets, net	71,251	72,482
Cash and cash equivalents	750	133
Restricted cash	76	278
Note receivable - related party	8,200	4,400
Investment in unconsolidated entities	8,027	8,027
Deferred lease commissions, net	635	314
Accrued rent and accounts receivable, net	1,064	964
Prepaid expenses and other assets	431	573
Acquisition deposits	1,862	1,850
Due from related parties	2,437	550
Total assets	$ 94,733	$ 89,571
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Notes payable, net	$ 26,336	$ 18,317
Accounts payable and accrued expenses	3,137	4,003
Tenants' security deposits	569	646
Total liabilities	30,042	22,966
Commitments and contingencies		
Special limited partnership interests	1	1
Stockholders' equity:		
Common stock, Class A, $0.01 par value, 850,000,000 shares authorized, 8,231,164 and 8,057,390 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	82	80
Common stock, Class T, $0.01 par value, 50,000,000 shares authorized, 463,988 shares and 454,256 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	5	5
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	—	—

Additional paid-in capital	79,423	77,573
Accumulated distributions and net loss	(14,820)	(11,054)
Total stockholders' equity	64,690	66,604
Total liabilities and total equity	$ 94,733	$ 89,571

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

HARTMAN vREIT XXI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues				
Rental revenues	$ 3,002	$ 1,361	$ 6,039	$ 2,765
Tenant reimbursements and other revenues	221	160	553	338
Total revenues	3,223	1,521	6,592	3,103
Expenses (income)				
Property operating expenses	1,227	582	2,561	1,224
Asset management fees	144	63	288	125
Organization and offering costs	70	65	86	67
Real estate taxes and insurance	647	243	1,216	471
Depreciation and amortization	1,597	717	3,059	1,353
General and administrative	204	76	476	210
Interest expense	242	117	484	303
Interest and dividend income	(327)	(95)	(559)	(142)
Total expenses, net	3,804	1,768	7,611	3,611
Net loss	$ (581)	$ (247)	$ (1,019)	$ (508)
Basic and diluted loss per common share:				
Net loss attributable to common stockholders	$ (0.07)	$ (0.05)	$ (0.12)	$ (0.11)
Weighted average number of common shares outstanding, basic and diluted	8,661	5,072	8,617	4,501

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

HARTMAN vREIT XXI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited, in thousands)

	Class A and Class T Common Stock				
	Shares	**Amount**	**Additional Paid-in Capital**	**Accumulated Distributions And Net Loss**	**Total**
Balance at March 31, 2019	4,569	$ 46	$ 41,413	$ (6,722)	$ 34,737
Issuance of common shares	1,275	12	12,533	—	12,545
Redemptions	(10)	—	(93)	—	(93)
Selling commissions	—	—	(860)	—	(860)
Dividends and distributions (stock)	—	—	—	(185)	(185)
Dividends and distributions (DRP)	—	—	—	(350)	(350)
Dividends and distributions (cash)	—	—	—	(416)	(416)
Net loss	—	—	—	(247)	(247)
Balance at June 30, 2019	5,834	$ 58	$ 52,993	$ (7,920)	$ 45,131

	Class A and Class T Common Stock				
	Shares	**Amount**	**Additional Paid-in Capital**	**Accumulated Distributions And Net Loss**	**Total**
Balance at March 31, 2020	8,619	$ 86	$ 78,719	$ (12,856)	$ 65,949
Issuance of common shares	81	1	816	—	817
Redemptions	(5)	—	(59)	—	(59)
Selling commissions	—	—	(53)	—	(53)
Dividends and distributions (DRP)	—	—	—	(600)	(600)
Dividends and distributions (cash)	—	—	—	(783)	(783)
Net loss	—	—	—	(581)	(581)
Balance at June 30, 2020	8,695	$ 87	$ 79,423	$ (14,820)	$ 64,690

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

HARTMAN vREIT XXI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in thousands)

	Class A and Class T Common Stock				
	Shares	**Amount**	**Additional Paid-in Capital**	**Accumulated Distributions And Net Loss**	**Total**
Balance at December 31, 2018	3,721	$ 37	$ 34,004	$ (5,724)	$ 28,317
Issuance of common shares	2,123	21	20,615	—	20,636
Redemptions	(10)	—	(93)	—	(93)
Selling commissions	—	—	(1,533)	—	(1,533)
Dividends and distributions (stock)	—	—	—	(333)	(333)
Dividends and distributions (DRP)	—	—	—	(610)	(610)
Dividends and distributions (cash)	—	—	—	(745)	(745)
Net loss	—	—	—	(508)	(508)
Balance at June 30, 2019	5,834	$ 58	$ 52,993	$ (7,920)	$ 45,131

	Class A and Class T Common Stock				
	Shares	**Amount**	**Additional Paid-in Capital**	**Accumulated Distributions And Net Loss**	**Total**
Balance at December 31, 2019	8,512	$ 85	$ 77,573	$ (11,054)	$ 66,604
Issuance of common shares	190	2	2,078	—	2,080
Redemptions	(7)	—	(85)	—	(85)
Selling commissions	—	—	(143)	—	(143)
Dividends and distributions (DRP)	—	—	—	(1,190)	(1,190)
Dividends and distributions (cash)	—	—	—	(1,557)	(1,557)
Net loss	—	—	—	(1,019)	(1,019)
Balance at June 30, 2020	8,695	$ 87	$ 79,423	$ (14,820)	$ 64,690

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

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

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash flows from operating activities:		
Net loss	$ (1,019)	$ (508)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Stock based compensation	13	12
Depreciation and amortization	3,059	1,353
Deferred loan and lease commission costs amortization	143	61
Bad debt provision (recovery), net	75	(13)
Changes in operating assets and liabilities:		
Accrued rent and accounts receivable	(175)	(97)
Deferred lease commissions	(379)	(73)
Prepaid expenses and other assets	269	(69)
Accounts payable and accrued expenses	(1,259)	78
Due to/from related parties	(1,887)	549
Tenants' security deposits	(77)	4
Net cash (used in) provided by operating activities	**(1,237)**	**1,297**
Cash flows from investing activities:		
Acquisition deposit	(12)	—
Additions to real estate	(1,828)	(5,052)
Note receivable - related party	(3,800)	—
Net cash used in investing activities	**(5,640)**	**(5,052)**
Cash flows from financing activities:		
Proceeds from issuance of common stock	780	20,014
Payment of redemption of common stock	(85)	(93)
Dividends and distributions paid in cash	(1,561)	(693)
Payment of selling commissions	(143)	(1,533)
Borrowings under insurance premium finance note	367	—
Deferred loan costs paid	(192)	(20)
Escrowed investor proceeds	—	(394)
Subscriptions for common stock	—	394
Proceeds from revolving credit facility	8,601	2,550
Repayments under revolving credit facility	(475)	(10,819)
Net cash provided by financing activities	**7,292**	**9,406**
Net change in cash and cash equivalents and restricted cash	415	5,651
Cash and cash equivalents and restricted cash, beginning of period	411	5,992
Cash and cash equivalents and restricted cash, end of period	$ 826	$ 11,643
Supplemental cash flow information:		
Cash paid for interest	$ 380	$ 251
Supplemental disclosures of non-cash investing and financing activities:		
Increase in distributions payable	$ 42	$ 70
Distributions paid in stock	$ 1,148	$ 873

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

Note 1 — Organization and Business

Hartman vREIT XXI, Inc. (the "Company") is a Maryland corporation formed on September 3, 2015. The Company elected to be treated as a real estate investment trust ("REIT") beginning with its taxable year ended December 31, 2017. The Company's fiscal year end is December 31.

In its initial public offering (the "Offering"), the Company offered 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.

The Company's follow-on offering (Registration No. 333-232308) was declared effective by the Securities and Exchange Commission on January 14, 2020. In its follow-on offering, the Company registered $180,000,000 in any combination of shares of Class A and Class T common stock to be offered to the public and $5,000,000 to be offered to shareholders pursuant to the distribution reinvestment plan.

Effective September 7, 2019, the sale price of the Company's Class A and Class T common shares to the public was $13.00 and $12.48 per share, representing the net asset value per share as determined by the board of directors plus the applicable sales commissions and managing broker dealer fees. The sale price of Class A and Class T common shares to the Company's shareholders pursuant to the distribution reinvestment plan was $11.70 and $11.23 per share.

Effective May 18, 2020, the sale price of the Company's Class A and Class T common shares to the public is $11.44 and $10.95 per share, representing the net asset value per share as determined by the board of directors plus the applicable sales commissions and managing broker dealer fees. The sale price of Class A and Class T common shares to the Company's shareholders pursuant to the distribution reinvestment plan is $10.30 per share.

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.

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 is 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, 2020, the Company had accepted investors' subscriptions for, and issued 8,695,152 shares, net of redemptions, of its Class A and Class T common stock in its initial public offering, including 488,617 shares issued as stock distributions and pursuant to its distribution reinvestment plan, resulting in gross proceeds of $85,739,032.

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, 2019 are derived from our audited consolidated financial statements as of that date. The unaudited consolidated financial statements as of June 30, 2020, 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 unaudited 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 consolidated financial position of the Company as of June 30, 2020, and the results of its consolidated operations for the three and six months ended June 30, 2020 and 2019, the consolidated statements of stockholders' equity for the three and six months ended June 30, 2020 and 2019 and the consolidated statements of cash flows for the six months ended June 30, 2020 and 2019. The results for the six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020.

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 Amendment No. 2 to the Annual Report on Form 10-K/A for the year ended December 31, 2019.

The Company's consolidated financial statements include the Company's accounts and the accounts of its 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 generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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, 2020 and December 31, 2019 consisted of demand deposits at commercial banks.

Restricted Cash

Restricted cash on the accompanying consolidated balance sheets consists of amounts escrowed for future real estate taxes, insurance, capital expenditures and debt service, as required by certain of our mortgage debt agreements.

Financial Instruments

The accompanying consolidated balance sheets include the following financial instruments: cash and cash equivalents, restricted cash, note receivable, accrued rent and accounts receivable, accounts payable and accrued expenses, notes payable, net and balances with related parties. The Company considers the carrying value, other than notes 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 notes 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 purposes of this calculation. The Company’s accrued rents are included in accrued rent and accounts receivable, net, on the accompanying consolidated balance sheets. 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. Additionally, cost recoveries from tenants are included in the Tenant Reimbursement and Other Revenues line item in the consolidated statements of operations in the period the related costs are incurred.

Investment in Unconsolidated Entities

The Company's investments in Hartman SPE, LLC and Hartman Short Term Income Properties XX, Inc. are stated at cost and accounted for under the cost method.

Allocation of Purchase Price of Acquired Assets

Acquisitions of integrated assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. The Company believes most of its future acquisitions of operating properties will qualify as asset acquisitions. Third party transaction costs, including acquisition fees paid to Advisor, associated with asset acquisitions will be capitalized while internal acquisition costs will continue to be expensed as incurred.

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 relative fair values. Acquisition costs, including acquisition fees paid to our advisor, are capitalized as part of the purchase price.

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 analysis or similar methods.

The fair values of above-market and below-market in-place lease values, including below-market renewal options for which renewal has been determined to be reasonably assured, are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (a) the contractual amounts to be paid pursuant to the in-place leases and (b) an estimate of fair market lease rates for the corresponding in-place leases and below-market renewal options, which is generally obtained from independent appraisals, measured over a period equal to the remaining non-cancelable term of the lease. The above-market and below-market lease and renewal option values are capitalized as intangible lease assets or liabilities and amortized as an adjustment of rental income over the remaining expected terms of the respective leases.

The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals which are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements, and other direct costs and are estimated based on independent appraisals and management's consideration of current market costs to execute a similar lease. These direct costs are included in intangible lease assets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. These intangibles are included in real estate assets in the consolidated balance sheets and are being amortized to expense over the remaining term of the respective leases.

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 acquired or purchased 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 estimate fair value of the 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.

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. In-place leases are amortized using the straight-line method over the weighted average years' remaining calculated on terms of all of the leases in-place when acquired.

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 is no impairment indicated in the carrying value of the Company's real estate assets as of June 30, 2020.

Accrued Rent and Accounts Receivable

Accrued rent and accounts receivable include 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.

Prepaid expenses and other assets

Prepaid expenses and other assets include prepaid insurance, subscription receivable and miscellaneous other assets and prepayments. As of June 30, 2020 and December 31, 2019, the Company had $431,000 and $573,000, respectively in prepaid expenses and other assets.

Acquisition Deposits

Acquisition deposits represent funds placed in escrow or advanced to a seller of property which the Company acquire. As of June 30, 2020 and December 31, 2019, the Company had acquisition deposits of $1,862,000 and $1,850,000, respectively, which are included in the consolidated balance sheets.

Organization and Offering Costs

As of June 30, 2020, total organization and offering costs incurred for the Offering amounted to $1,464,000. The total organizational and offering costs incurred by the Company (including selling commissions, dealer manager fees and all other underwriting compensation) will not 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, 2020 and 2019, such costs totaled $70,000,and $65,000, and $86,000 and $67,000, respectively.

Income Taxes

The Company elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code, commencing in the taxable year ended 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.

For the three months ended June 30, 2020 and 2019, the Company had net loss of $581,000 and $247,000, respectively. For the six months ended June 30, 2020 and 2019, the Company had net loss of $1,019,000 and $508,000, respectively. The Company does anticipate forming a 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.

The Company is required to recognize in its consolidated financial statements the financial effects of a tax position 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, 2020 and December 31, 2019, respectively.

Loss Per Share

The computations of loss 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, 2020 and 2019, there were no common 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, 2020 and 2019.

Concentration of Risk

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

The geographic concentration of the Company's real estate assets makes it susceptible to adverse economic developments in the State of Texas. Any adverse economic or real estate developments in these markets, such as business layoffs or downsizing, relocations of businesses, increased competition or any other changes, could adversely affect the Company's operating results and its ability to make distributions to stockholders.

Major tenants are defined as those tenants which individually comprise more than 10% of the Company's total rental revenues. One tenant of the Spectrum Building represents more than 10% of total annualized rental revenue for the six months ended June 30, 2020 and 2019, respectively.

Reclassification

Certain items in the comparative consolidated financial statements have been reclassified to conform to the presentation adopted in the current period. The Consolidated Statement of Cash Flows presented for the six months ended June 30, 2019 was adjusted to present cash and cash equivalents and restricted cash, as restricted cash was previously reported as part of prepaid expenses and other assets.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The updated guidance requires measurement and recognition of expected credit losses for financial assets, including trade and other receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This is different from the current guidance as this will require immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets. Generally, the pronouncement requires a modified retrospective method of adoption. This guidance is effective for fiscal years and interim periods within those years beginning after January 2023, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on the consolidated financial statements when adopted.

Note 3 – Real Estate

The Company's real estate assets consisted of the following, in thousands:

	June 30, 2020	December 31, 2019
Land	$ 16,816	$ 16,816
Buildings and improvements	54,708	52,880
In-place lease value intangible	7,477	7,477
	79,001	77,173
Less accumulated depreciation and amortization	(7,750)	(4,691)
Total real estate assets, net	$ 71,251	$ 72,482

Depreciation expense for the three months ended June 30, 2020 and 2019 was $944,000 and $298,000, respectively and $1,783,000 and $526,000 for the six months ended June 30, 2020 and 2019, respectively. Amortization expense for the three months ended June 30, 2020 and 2019 was $653,000 and $419,000, respectively and $1,276,000 and $827,000 for the six months ended June 30, 2020 and 2019, respectively.

The Company identifies and records the value of acquired lease intangibles at the property acquisition date. Such intangibles include the value of acquired in-place leases and above- and below-market leases. Acquired lease intangibles are amortized over the leases' remaining terms. With respect to all properties owned by the Company, the Company considers all of the in-place leases to be market rate leases.

The amount of total in-place lease intangible asset and the respective accumulated amortization are as follows, in thousands:

	June 30, 2020	December 31, 2019
In-place lease value intangible	$ 7,477	$ 7,477
In-place leases – accumulated amortization	(3,719)	(2,443)
Acquired in-place lease intangible assets, net	$ 3,758	$ 5,034

Acquisition fees incurred were $0 for the three months ended June 30, 2020 and 2019, respectively and $0 and $124,000 for the six months ended June 30, 2020 and 2019, respectively. The acquisition fees have been capitalized and added to the real estate assets, at cost, in the accompanying consolidated balance sheets. Asset management fees incurred were $144,000 and $63,000 for the three months ended June 30, 2020 and 2019, respectively and $288,000 and $125,000 for the six months ended June 30, 2020 and 2019, respectively. Asset management fees are captioned as such in the accompanying consolidated statements of operations.

Correction of Immaterial Error

In connection with the preparation of its financial statements for the year ended December 31, 2019, the Company has determined that its allocation of the purchase price of the Spectrum Building as December 31, 2018 was not correct. The corrected allocation of purchase price is illustrated as follows (in thousands):

	As reported	Revised
Land	$ 1,267	$ 2,631
Buildings and improvements	12,471	12,862
In-place lease intangible	3,213	1,458
Total	$ 16,951	$ 16,951

These corrections had no material effect on the previously reported working capital or results of operations as of December 31, 2018 or for the year then ended.

Real estate assets reported for the quarterly periods ended March 31, 2019, June 30, 2019 and September 30, 2019, would have been presented as follows if the correction had been recorded in such quarterly period (in thousands):

	Quarterly Period ended						**Year ended**	
	March 31, 2019		**June 30, 2019**		**September 30, 2019**		**December 31, 2018**	
	As reported	**Revised**	**As reported**	**Revised**	**As reported**	**Revised**	**As reported**	**Revised**
Land	$ 5,163	$ 6,528	$ 5,163	$ 6,528	$ 5,163	$ 6,528	$ 4,289	$ 5,653
Building and improvements	23,174	23,565	23,844	24,236	24,437	24,828	20,181	20,573
In-place lease value intangible	5,899	4,143	5,899	4,143	5,899	4,143	5,204	3,449
	34,236	34,236	34,906	34,907	35,499	35,499	29,674	29,675
Less accumulated amortization	(2,046)	(1,846)	(2,963)	(2,563)	(3,847)	(3,247)	(1,209)	(1,209)
Total real estate assets, net	**$ 32,190**	**$ 32,390**	**$ 31,943**	**$ 32,344**	**$ 31,652**	**$ 32,252**	**$ 28,465**	**$ 28,466**

Depreciation and amortization expense and net loss for the quarterly periods ended March 31, 2019, June 30, 2019 and September 30, 2019, would have been presented as follows if the correction had been recorded in such quarterly period (in thousands):

	Quarterly Period ended					
	March 31, 2019		June 30, 2019		September 30, 2019	
	As reported	Revised	As reported	Revised	As reported	Revised
Depreciation and amortization	$ 836	$ 636	$ 917	$ 717	$ 884	$ 684
Net loss	$ (461)	$ (261)	$ (447)	$ (247)	$ (540)	$ (340)

	Three months ended March 31, 2019		Six months ended June 30, 2019		Nine months ended September 30, 2019	
	As reported	Revised	As reported	Revised	As reported	Revised
Depreciation and amortization	$ 836	$ 636	$ 1,753	$ 1,353	$ 2,637	$ 2,037
Net loss	$ (461)	$ (261)	$ (908)	$ (508)	$ (1,448)	$ (848)

Note 4 — Investment in unconsolidated entities

Effective March 1, 2019, the Company's board of directors approved the exchange of 3.42% of the Company's 5.89% ownership interest in Hartman SPE, LLC for 700,302 shares of common stock of Hartman Short Term Income Properties XX, Inc. The exchange reduced the Company’s ownership interest in Hartman SPE, LLC from 5.89% to 2.47%.

The Company's investment in Hartman SPE, LLC and Hartman Short Term Income Properties XX, Inc. is stated at cost and accounted for under the cost method. The aggregate carrying amount for cost method investments that the Company did not evaluate for impairment is $8,027,000. The fair value of the Company's cost method investments is not estimated because there are no identified events or changes in circumstances that may have a significant adverse effect of the fair values of the investments. The Company did not receive any distributions from Hartman SPE, LLC for the six months ended June 30, 2020 and 2019. For the three months ended June 30, 2020 and 2019, the Company recognized dividend income of $122,000 and $82,000, respectively, and for the six months ended June 30, 2020 and 2019, the Company recognized dividend income of $245,000 and $123,000, respectively, from Hartman Short Term Income Properties XX, Inc.

Note 5 — Accrued Rent and Accounts Receivable, net

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

	June 30, 2020	December 31, 2019
Tenant receivables	$ 596	$ 714
Accrued rent	615	322
Allowance for uncollectible accounts	(147)	(72)
Accrued rents and accounts receivable, net	$ 1,064	$ 964

As of June 30, 2020 and December 31, 2019, the Company had an allowance for uncollectible accounts of $147,000 and $72,000, respectively, related to tenant receivables that the Company has specifically identified as potentially uncollectible based on assessment of each tenant’s credit-worthiness. For the three months ended June 30, 2020 and 2019, the Company recorded bad debt (recovery) expense in the amount of $53,000 and $(35,000), respectively and $75,000 and $(13,000) for the six months ended June 30, 2020 and 2019, respectively. Bad debt expense and any related recoveries are included in property operating expenses in the accompanying consolidated statements of operations.

Note 6 — Future Minimum Rents

The Company leases the majority of its properties under noncancellable operating leases which provide for minimum base rentals. A summary of future rentals to be received (exclusive of renewals, tenant reimbursements, and contingent rentals) under noncancellable operating leases in existence at June 30, 2020 is as follows, in thousands:

June 30,		Minimum Future Rents
2021	$	11,114
2022		8,253
2023		5,968
2024		4,590
2025		2,202
Thereafter		1,189
Total	$	33,316

Note 7 — Notes Payable, net

The following table summarizes the Company's outstanding notes payable, net, in thousands:

Property/Facility	Current Maturity	Rate (1)		June 30, 2020		December 31, 2019
Richardson Tech Center (2)	March 2021	L + 275bps	$	2,520	$	2,520
Master Credit Facility Agreement - EWB (3)	December 2021	P - 50bps		19,500		16,000
Master Credit Facility Agreement - EWB (4)	March 2023	P - 50bps		4,626		—
				26,646		18,520
Less unamortized loan costs				(310)		(203)
			$	26,336	$	18,317

(1) One-month LIBOR ("L"); Prime ("P")

(2) Payable in monthly installments of interest only until the maturity date. The interest rate as of June 30, 2020 was 2.91%.

(3)The Company is a party to a $20 million master credit facility agreement ("MCFA") with East West Bank. The borrowing base of the MCFA may be adjusted from time to time subject to the lender’s underwriting with respect to real property collateral which secure the amount available to be borrowed. As of June 30, 2020 the MCFA is secured by the Spectrum Building, the 11211 Katy Freeway Building, the 1400 Broadfield Building, the 16420 Park Ten Building and the 7915 FM 1960 Building. The interest rate as of June 30, 2020 was 2.75%. The outstanding balance under the MCFA was $19,500,000 as of June 30, 2020 and the amount available to be borrowed was $500,000.

(4) On March 10, 2020, the Company entered into a second $20 million master credit facility agreement ("MCFA II") with East West Bank. The Village Pointe and Accesso Portfolio properties are collateral security for the credit facility. The initial loan availability under the credit agreement is $13,925,000. The credit agreement matures on March 9, 2023. The initial interest rate and the interest rate as of June 30, 2020 was 2.75%. After the initial interest period, the interest rate resets to Prime minus 50 basis points. The outstanding balance under the MCFA II was $4,626,000 as of June 30, 2020 and the amount available to be borrowed was $9,299,000.

The Company was in compliance with all loan covenants as of June 30, 2020.

Interest expense for the three months ended June 30, 2020 and 2019 was $242,000 and $117,000, respectively, including $42,000 and $26,000 of deferred loan cost amortization. Interest expense for the six months ended June 30, 2020 and 2019 was $484,000 and $303,000 respectively, including $85,000 and $52,000 of deferred loan cost amortization. Unamortized deferred loan costs were $310,000 and $203,000 as of June 30, 2020 and December 31, 2019, respectively. Interest expense of $80,000 and $61,000 was payable as of June 30, 2020 and December 31, 2019, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Note 8 — 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 its subsidiaries ("HIREIT"), of which approximately 16% of the voting stock is owned by Allen R. Hartman, the Company's 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 12 (“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 $0 were earned by the Advisor for the three months ended June 30, 2020 and 2019, respectively and $0 and $124,000 were earned by the Advisor for the six months ended June 30, 2020 and 2019, respectively.

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 the Advisor for the six months ended June 30, 2020 and 2019.

The Company pays the Property Manager, an affiliate of the Advisor, property management fees equal to 3% of the effective gross revenues of the managed property. The Company pays and expects to pay the Property Manager 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. The Property Manager may subcontract the performance of its property management and leasing duties to third parties and the Property Manager 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 the Property Manager on the Company's behalf, including the wages and salaries and other employee-related expenses of all employees of the Property Manager 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 Company's Articles of Amendment and Restatement (as amended and restated, the "Charter").

If the Property Manager provides construction management services related to the improvement or finishing of tenant space in the Company's real estate properties, the Company pays the Property Manager 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 pays 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.

On November 1, 2019, the Company issued an unsecured promissory note to Hartman Short Term Income Properties XX, Inc., an affiliate of the Advisor and the Property Manager, in the face amount of $10,000,000 with an interest rate of 10% annually. The outstanding balance of the note is $8,200,000 and $4,400,000 as of June 30, 2020 and December 31, 2019, respectively. The maturity date of the note is October 31, 2021.

For the three months ended June 30, 2020 and 2019, the Company incurred property management fees and reimbursable costs of $335,000 and $176,000, respectively, payable to the Property Manager and asset management fees of $144,000 and $63,000, respectively, payable to the Advisor. For the six months ended June 30, 2020 and 2019, the Company incurred property management fees and reimbursable costs of $669,000 and $349,000, respectively, payable to the Property manager and asset management fees of $288,000 and $125,000, respectively, payable to the Advisor. Property management fees and reimbursable costs paid to the Property Manager are included in property operating expenses in the accompanying consolidated statements of operations. Asset management fees paid to the Advisor are included in asset management fees in the accompanying consolidated statements of operations.

The Company pays construction management fees and leasing commissions to the Property Manager in connection with the construction management and leasing of the Company's properties. For the three months ended June 30, 2020 and 2019, the Company incurred construction management fees of $56,000 and $31,000, respectively. For the six months ended June 30, 2020 and 2019, the Company incurred construction management fees of $84,000 and $41,000, respectively. For the three months ended June 30, 2020 and 2019, the Company incurred $55,000 and $65,000, respectively for leasing commissions. For the six months ended June 30, 2020 and 2019, the Company incurred $379,000 and $73,000 for leasing commissions. Construction management fees are capitalized and included in real estate assets in the consolidated balance sheets. Leasing commissions are capitalized and reported net of the amortized amount in the consolidated balance sheets.

As of June 30, 2020, the Company had $71,000 due to the Advisor, $2,762,000 due from Hartman Short Term Income Properties XX, Inc., $276,000 due to the Property Manager, and $22,000 due from other Hartman affiliates. As of December 31, 2019, the Company had $106,000 due to the Advisor, $417,000 due from Hartman Short Term Income Properties XX, Inc., $229,000 due from the Property Manager, and $10,000 due from other Hartman affiliates.

Note 9 — Loss Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator:				
Net loss attributable to common stockholders (in thousands)	$ (581)	$ (247)	$ (1,019)	$ (508)
Denominator:				
Basic weighted average shares outstanding (in thousands)	8,661	5,072	8,617	4,501
Basic loss per common share	$ (0.07)	$ (0.05)	$ (0.12)	$ (0.11)

Note 10 – Stockholders' Equity

Under the Charter, the Company has the authority to issue 900,000,000 shares of common stock, $0.01 per share par value, and 50,000,000 shares of preferred stock with a par value of $0.01 per share. 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. As of June 30, 2020, 850,000,000 shares were classifed and designated as Class A common stock and 50,000,000 shares were classifed and desingated as Class T commont stock.

On May 12, 2020, the board of directors authorized the classification and designation of Class I and Class S common stock. As of July 23, 2020, the Company has the authority to issue 270,000,000 shares classified and designated as Class A common stock, 280,000,000 shares classified and designated as Class S common stock, 280,000,000 shares classified and designated as Class I common stock, and 70,000,000 shares classified and designated as Class T commont stock. The additional share classes have been included in an amendment to the Company's registration statement and prospectus which was declared effective by the Securities and Exchange Commission on July 27, 2020.

Common Stock

Shares of all classes of 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. No classified or designated class of common stock has any preferences or preemptive conversion or exchange rights.

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.

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. For the three and six months ended June 30, 2020 and 2019, the Company granted 625 and 625 shares and 1,250 and 1,250 shares respectively, of restricted common stock to independent directors as compensation for services. The Company recognized $6,000 and $6,000 and $13,000 and $12,000 as stock-based compensation expense for the three and six months ended June 30, 2020 and 2019, respectively.

Distributions

The following table reflects the total distributions paid in cash and issued in shares of our common stock for the period from January 2017 (the month the Company first paid distributions) through June 30, 2020:

Period	Cash (1)	DRP & Stock (2)	Total
First Quarter 2017	$ 27,000	$ 19,000	$ 46,000
Second Quarter 2017	62,000	72,000	134,000
Third Quarter 2017	105,000	115,000	220,000
Fourth Quarter 2017	127,000	162,000	289,000
First Quarter 2018	154,000	192,000	346,000
Second Quarter 2018	182,000	245,000	427,000
Third Quarter 2018	215,000	293,000	508,000
Fourth Quarter 2018	237,000	345,000	582,000
First Quarter 2019	305,000	388,000	693,000
Second Quarter 2019	388,000	484,000	872,000
Third Quarter 2019	499,000	646,000	1,145,000
Fourth Quarter 2019	746,000	629,000	1,375,000
First Quarter 2020	771,000	543,000	1,314,000
Second Quarter 2020	790,000	605,000	1,395,000
Total	$ 4,608,000	$ 4,738,000	$ 9,346,000

(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.

Note 11 — 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. Awards under the Independent Directors Compensation Plan for the six months ended June 30, 2020 and 2019, respectively, consisted of 1,250 and 1,250 restricted, Class A common shares to our independent directors, valued at $10.30 and $10.00 per share based on the Offering price. The stock-based compensation expense is included in general and administrative expense in the accompanying consolidated statements of operations.

Note 12 — 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 of 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 13 – 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.

Note 14 – Subsequent Events

The Company has evaluated subsequent events through the filing of this Quarterly Report on Form 10-Q, and determined that no events have occurred, other than as disclosed hereinabove, that would require adjustments to our disclosures in these consolidated financial statements.

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;
- the fact that we have a limited operating history and commenced operations on November 14, 2016;
- 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 continuing adverse impact of the novel coronavirus ("COVID-19") on the U.S.and Texas economies and our financial condition and results of operations;
- 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/A for the year ended December 31, 2019, filed with the SEC on May 11, 2020.

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.

Our follow-on offering (File no. 333-232308) was declared effective January 14, 2020. In our follow-on offering, we are offering up to $180,000,000 in any combination of Class A and Class T shares of our common stock to the public and up to $5,000,000 in Class A and Class T shares of our common stock to our stockholders pursuant to our distribution reinvestment plan.

Class A common stock was 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 was 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.

Beginning September 7, 2019, the sale price of the Company's Class A and Class T common shares to the public is $13.00 and $12.48 per share, representing the net asset value per share as determined by the board of directors plus the sales and managing broker dealer commissions and fees. The sale price of Class A and Class T common shares to the Company's shareholders pursuant to the distribution reinvestment plan is $11.70 and $11.23 per share.

Effective May 18, 2020, the sale price of the Company's Class A and Class T common shares to the public is $11.44 and $10.95 per share, representing the net asset value per share as determined by the board of directors plus the applicable sales commissions and managing broker dealer fees. The sale price of Class A and Class T common shares to the Company's shareholders pursuant to the distribution reinvestment plan is $10.30 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, 2020, we had accepted subscriptions for, and issued 8,231,164 shares, net of redemptions, of our Class A common stock, including 467,815 shares issued pursuant to our distribution reinvestment plan and stock distributions, and 463,988 shares, net of redemptions, of our Class T common stock, including 20,802 shares issued pursuant to our distribution reinvestment plan and stock distributions resulting in gross proceeds of $85,739,032. We intend to use the net proceeds from initial and follow-on public offerings 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 January 14, 2023, three years from the date of commencement of our follow-on offering. 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 elected under Section 856 (c) the Internal Revenue Code to be taxed as a REIT beginning with our taxable year ended December 31, 2017. 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.

Impact of the COVID-19 Pandemic

The corona virus, or COVID-19, pandemic, has caused and continues to cause significant disruptions to the United States and the Texas economy. The effects of COVID-19 and other adverse public health developments continue to effect and, in some instances, have materially affected the operational and financial viability of several our tenants.

We continue to carefully monitor the impact of the COVID-19 pandemic and its impact on our business. We are following guidelines established by the Centers for Disease Control and orders issued by the State of Texas and local governments where we operate. We have taken steps to safeguard our business and personnel from COVID-19, including among other initiatives, implementing non-essential travel restrictions and facilitating telecommuting arrangements for our personnel.

We are working closely with our tenants to facilitate their on-going operations or re-opening of their operations, safely and in accordance with guidelines issued by state and local governments. When we have learned of a confirmed case of COVID-19 involving an individual known to have been in one of our properties, we have promptly taken steps in cooperation with our tenants and vendors to disinfect and sanitize the affected areas and all common areas in the affected building or property.

To date, the effect of the COVID-19 pandemic on our business and financial condition has been moderate. Substantially all our revenue is generated through the receipt of rental and other tenant reimbursement payments from our tenants. Tenant collections by property type, beginning in April, are presented in the table below. Tenant collections have met or exceeded our expectations given the economic disruption of the local economies in which our tenants operate. We have adequate capital reserves for on-going commission costs associated with new and renewal leases as well as tenant improvements and other capital costs.

The future impact of the COVID-19 pandemic on our operations and financial condition will however depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain or mitigate the impact and effects of the pandemic, and the direct and indirect economic effects of the pandemic and containment measures. See “Item 1A.

Risk Factors" for a discussion of the potential adverse impact of COVID-19 on our business, results of operations and financial condition.

Our collections of tenant rents, reimbursements and other income billed for the months of April, May, June and July 2020 were as follows:

Property type	April 2020	May 2020	June 2020	July 2020
Retail	89.6 %	94.0 %	96.9 %	98.3 %
Flex	99.6 %	98.7 %	86.8 %	90.9 %
Office	99.4 %	98.9 %	99.3 %	92.3 %
Total	**98.7 %**	**98.5 %**	**98.5 %**	**92.7 %**

Collections for April and May 2020 are as of June 30, 2020. Collections for June 2020 are as of July 27, 2020. Collections for July 2020 are as of August 7, 2020.

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 Investments

As of June 30, 2020, our investments in real estate assets consist of ten properties listed below and a 2.47% ownership interest in an affiliate special purpose entity which owns 39 office, retail and light industrial properties in Houston, Dallas, and San Antonio, Texas, which we refer to as the Hartman SPE interest. We also own 700,302 common shares of an affiliate, Hartman Short Term Income Properties, XX, Inc.

Property Name	Space Type	Location	Gross Leasable Area SF	Percent Occupied	Annualized Base Rental Revenue (in thousands)	Average Base Rental Revenue per Occupied SF	Average Net Effective Annual Base Rent per Occupied SF
Village Pointe	Retail	San	54,246	79 %	$ 599	$ 13.93	$ 13.70
Richardson Tech Center	Flex/R&D	Dallas	96,660	65 %	518	8.24	8.20
Spectrum	Office	San	175,390	85 %	5,607	37.46	37.14
11211 Katy Freeway	Office	Houston	78,642	53 %	639	15.46	15.39
1400 Broadfield	Office	Houston	102,893	67 %	1,368	19.74	19.28
16420 Park Ten Place	Office	Houston	83,760	48 %	939	23.48	21.43
Willowbrook Building	Office	Houston	67,581	35 %	510	21.64	20.38
Timberway II	Office	Houston	130,828	69 %	1,833	20.44	19.89
One Park Ten	Office	Houston	34,089	42 %	288	19.86	19.74
Two Park Ten	Office	Houston	57,126	83 %	1,048	22.12	21.41
Grand Total			**881,215**	**66 %**	**$ 13,349**	**$ 22.97**	**$ 22.46**

REIT Compliance

We elected under Section 856(c) of the Internal Revenue Code to be taxed as a REIT beginning with the taxable year ended 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 other than as set forth in the Annual Report for the year ended December 31, 2019. 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, 2020 versus June 30, 2019.

As of June 30, 2020 and June 30, 2019, we owned 10 and 4 properties comprising approximately 881,215 and 404,938 square feet, respectively. As of June 30, 2020 and 2019, we owned a 2.47% interest in an affiliate special purpose entity which owns 39 office, retail and light industrial properties in Houston, Dallas, and San Antonio, Texas, which refer to as the Hartman SPE interest. As of June 30, 2020 and 2019, we owned 700,302 common shares of an affiliate, Hartman Short Term Income Properties, XX, Inc.

We define same store ("Same Store") properties as those properties which we owned for the entirety of the six months ended June 30, 2020 and 2019. For purposes of the following discussion, Village Pointe, Richardson Tech Center, Spectrum and 11211 Katy Freeway properties are considered Same Store properties.

Net operating income (property revenues minus property expenses), or "NOI," is the measure used by management to assess property performance. NOI is not a measure of operating income or cash flows from operating activities as measured by accounting principles generally accepted in the United States, or "GAAP," and is not indicative of cash available to fund cash needs. As a result, NOI should not be considered an alternative to cash flows as a measure of liquidity. Not all companies calculate NOI in the same manner. We consider NOI to be an appropriate supplemental measure to net income because it assists both investors and management in understanding the operating results of our real estate. Set forth below is a reconciliation of NOI to net loss.

(in thousands)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change	2020	2019	Change
Same Store						
Total revenues	$ 1,577	$ 1,521	$ 56	$ 3,306	$ 3,103	$ 203
Property operating expenses	590	582	8	1,190	1,224	(34)
Asset management fees	63	63	—	126	125	1
Real estate taxes and insurance	290	243	47	542	471	71
General and administrative	54	46	8	118	111	7
Same Store NOI	$ 580	$ 587	$ (7)	$ 1,330	$ 1,172	$ 158
Reconciliation of Net loss to Same Store NOI						
Net loss	$ (581)	$ (247)	$ (334)	$ (1,019)	$ (508)	$ (511)
Net loss from properties purchased in Q4 2019	(510)	—	(510)	(941)	—	(941)
General and administrative	89	30	59	220	99	121
Organization and offering costs	70	65	5	86	67	19
Depreciation and amortization	1,597	717	880	3,059	1,353	1,706
Interest expense	242	117	125	484	303	181
Interest and dividend income	(327)	(95)	(232)	(559)	(142)	(417)
Same Store NOI	$ 580	$ 587	$ (7)	$ 1,330	$ 1,172	$ 158

Revenues – The primary source of our revenue is rental revenues and tenant reimbursements. For the three months ended June 30, 2020 and 2019, respectively we had total same store rental revenues and tenant reimbursements of $1,577,000 and $1,521,000, respectively . For the six months ended June 30, 2020 and 2019, respectively we had total same store rental revenues and tenant reimbursements of $3,306,000 and $3,103,000, respectively. The increase is primarily attributable to increase in tenant reimbursements.

Property Operating expenses – Property operating expenses consists of labor, contract services, repairs and maintenance, utilities and management fees. For the three months ended June 30, 2020 and 2019, we had same store property operating expenses of $590,000 and $582,000, respectively. For the six months ended June 30, 2020 and 2019, we had same store property operating expenses of $1,190,000 and $1,224,000, respectively. The decrease in same store property operating expenses is due to a total decrease in water, electricity and other contract services expenses of $119,000, offset by increase in bad debt expense of $75,000.

Asset management fees – We pay asset management fees to our advisor in connection with the management of our properties. Same store asset management fees to our advisor were $63,000 for the three months ended June 30, 2020 and 2019, respectively. For the six months ended June 30, 2020 and 2019, we paid $126,000 and $125,000 towards same store asset management fees.

Real estate taxes and insurance – Same store real estate taxes and insurance were $290,000 and $243,000 for the three months ended June 30, 2020 and 2019, respectively. Same store real estate taxes and insurance were

$542,000 and $471,000 for the six months ended June 30, 2020 and 2019, respectively. The increase is attributable to a substantial increase in insurance premiums effective in the second quarter of 2020.

Depreciation and amortization – Depreciation and amortization were $1,597,000 and $717,000 for the three months ended June 30, 2020 and 2019, respectively. For the six months ended June 30, 2020 and 2019, depreciation and amortization were $3,059,000 and $1,353,000, respectively. Depreciation and amortization increased due to an increase for in-place lease value intangible amortization and due to additional properties acquired in the fourth quarter of 2019.

General and administrative expenses - Same store general and administrative expenses were $54,000 and $46,000 for the three months ended June 30, 2020 and 2019, respectively. Same store general and administrative expenses were $118,000 and $111,000 for the six months ended June 30, 2020 and 2019, respectively. General and administrative expenses consist primarily of audit fees, transfer agent fees, other professional fees, and independent director's compensation.

Net loss – For the three months ended June 30, 2020 and 2019, respectively, we generated a net loss $581,000 and $247,000. We generated a net loss of $1,019,000 and $508,000 for the six months ended June 30, 2020 and 2019, respectively. The increase in net loss is primarily attributable to the six new properties purchased in the fourth quarter of 2019.

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.

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.

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, 2020 and 2019 and a reconciliation of such non-GAAP financial performance measures to our net loss, in thousands:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net loss	$ (581)	$ (247)	$ (1,019)	$ (508)
Depreciation and amortization of real estate assets	1,597	717	3,059	1,353
FFO attributable to unconsolidated entity, Hartman SPE, LLC (1)	261	120	397	407
Funds from operations (FFO)	1,277	590	2,437	1,252
Organization and offering costs	70	65	86	67
Modified funds from operations (MFFO)	$ 1,347	$ 655	$ 2,523	$ 1,319

Hartman SPE, LLC (1)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net Income (loss)	$ 4,292	$ (1,236)	$ 3,303	$ (1,244)
Depreciation and amortization expense	$ 6,268	$ 6,081	$ 12,759	$ 12,531
FFO	$ 10,560	$ 4,845	$ 16,062	$ 11,287
Weighted average ownership	2.47 %	2.47 %	2.47 %	3.61 %

Distributions

The following table summarizes the distributions we paid 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 January 2017 (the month we first paid distributions) through June 30, 2020:

Period	Cash (1)	DRP & Stock (2)	Total
First Quarter 2017	$ 27,000	$ 19,000	$ 46,000
Second Quarter 2017	$ 62,000	$ 72,000	$ 134,000
Third Quarter 2017	$ 105,000	$ 115,000	$ 220,000
Fourth Quarter 2017	$ 127,000	$ 162,000	$ 289,000
First Quarter 2018	$ 154,000	$ 192,000	$ 346,000
Second Quarter 2018	$ 182,000	$ 245,000	$ 427,000
Third Quarter 2018	$ 215,000	$ 293,000	$ 508,000
Fourth Quarter 2018	$ 237,000	$ 345,000	$ 582,000
First Quarter 2019	$ 305,000	$ 388,000	$ 693,000
Second Quarter 2019	$ 388,000	$ 484,000	$ 872,000
Third Quarter 2019	$ 499,000	$ 646,000	$ 1,145,000
Fourth Quarter 2019	$ 746,000	$ 629,000	$ 1,375,000
First Quarter 2020	$ 771,000	$ 543,000	$ 1,314,000
Second Quarter 2020	$ 790,000	$ 605,000	$ 1,395,000
Total	**$ 4,608,000**	**$ 4,738,000**	**$ 9,346,000**

(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, 2020, we paid aggregate distributions of $2,709,000, including distributions paid in shares of common stock pursuant to our distribution reinvestment plan. During the same period, cash used in operating activities was $1,237,000, our net loss was $1,019,000 and our FFO was $2,437,000. 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.”

For the period from inception to June 30, 2020, we paid aggregate distributions of $9,346,000, including stock distributions and distributions paid in shares of common stock pursuant to our distribution reinvestment plan. During this period, cash used in operating activities was $1,943,000, our net loss was $4,982,000 and our FFO was $5,908,000. No portion of our distributions for the period from inception to June 30, 2020 were paid from cash flow from operating activities.

Liquidity and Capital Resources

As of June 30, 2020, we had accepted investors' subscriptions for, and issued, 8,231,164 shares, net of redemptions, of our Class A common stock and 463,988 shares, net of redemptions, of our Class T common stock in our initial public offering, including 467,815 Class A shares and 20,802 Class T shares issued pursuant to our distribution reinvestment plan and stock distributions, resulting in aggregate gross offering proceeds of $85,739,032.

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, 2020, our outstanding secured debt is $26,646,000. 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, 2020 and June 30, 2019, we had operations from ten and four commercial real estate properties and investments in unconsolidated real estate entities. During the six months ended June 30, 2020, net cash used in operating activities was $1,237,000 versus $1,297,000 net cash provided by operating activities for the six months ended June 30, 2019. The decrease in cash provided by operating activities for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, was primarily due to a decrease of $2,436,000 in due to/from related parties, decrease in accounts payable and accrued expenses of $1,337,000, offset by increase in depreciation and amortization of $1,706,000.

Cash Flows from Investing Activities

During the six months ended June 30, 2020, net cash used in investing activities was $5,640,000 versus $5,052,000 for the six months ended June 30, 2019. The increase in cash used in investing activities for the six months ended June 30, 2020 was due to an increase in advances to a related party of $3,800,000 offset by a $3,224,000 decrease in additions to real estate for the six months ended June 30, 2020 compared to the six months ended June 30, 2019.

Cash Flows from Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2020 was $7,292,000 versus $9,406,000 net cash provided by financing activities for the six months ended June 30, 2019. Cash flows from financing activities decreased mainly due to a decrease of $19,234,000 in proceeds from issuance of common stock, offset by an increase in proceeds from revolving credit facility of $6,051,000 and a decrease in repayments under revolving credit facility of $10,344,000 for the six months ended June 30, 2020, compared to the six months ended June 30, 2019.

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, 2020, 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, 2020, we had notes payable totaling an aggregate principal amount of $26,646,000. For more information on our outstanding indebtedness, see Note 7 (Notes Payable, net) to the consolidated financial statements included in this report.

Off-Balance Sheet Arrangements

As of June 30, 2020 and December 31, 2019, 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/A for the year ended December 31, 2019 and Note 8 (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, 2020, 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, 2020, 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, 2020 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

The outbreak of the novel coronavirus, COVID-19, has caused and could continue to cause severe disruptions in the United States as well as Texas state and local economies and could have a material adverse effect on our business, financial condition and results of operations.

The COVID-19 pandemic has caused significant disruptions to the United States economy as well as the economies of the State of Texas and major Texas communities and has contributed to significant volatility and negative pressure in financial markets. The global impact of the outbreak is continually evolving and, as additional cases of the virus are identified, many countries, including the United States, have reacted by instituting quarantines, restrictions on travel and mandatory closures of businesses. Certain cities where we own properties and/or have development sites, have also reacted by instituting quarantines, restrictions on travel, “shelter in place” rules, restrictions on types of business that may continue to operate, and/or restrictions on the types of construction projects that may continue.

The future impact of the COVID-19 pandemic on our operations and financial condition will however depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain or mitigate the impact and effects of the pandemic, and the direct and indirect economic effects of the pandemic and containment measures. Nevertheless, the COVID-19 pandemic may adversely affect our business, financial condition and results of operations, and may have the effect of heightening many of the risks described in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2019, including:

- failure of our tenants to perform tenant obligations under our leases including but not limited to timely payment of rent and other charges;
- the disruptive impact on tenant personnel resources, which could hinder our ability to renew expiring leases, initiate or complete tenant build-out and construction projects and otherwise interfere with our tenant relationships;
- disruptions in the supply of materials or products or the inability of contractors to perform on timely basis tenant improvement construction or other construction and development;
- a general decline in business activity and demand for real estate transactions, which could adversely affect our ability or desire to continue growing our portfolio of properties;
- the likelihood that the impact of COVID-19 could result in an event or change in circumstances that results in an impairment charge in the value of one or more of our properties, which would result in an immediately negative adjustment to our earnings and could have a material adverse effect on our business, financial conditions and results of operations in the period in which the charge takes place;
- uncertainty as to whether business interruption, loss of rental income and/or other associated expenses related to our operations across our portfolio will be covered by our insurance policies, which may increase unreimbursed liabilities; and
- the potential negative impact on the health of our personnel, including our senior management team, particularly if a significant number of our employees or key members of our senior management are

impacted, which could result in a deterioration in our ability to ensure business continuity during a disruption.

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

During the three months ended June 30, 2020, we did not sell any equity securities that were not registered under the Securities Act of 1933, as amended, or the Securities Act.

The table below sets forth information regarding the shares of our common stock redeemed pursuant to our share redemption program during the three months ended June 30, 2020.

	Total Number of Shares Requested to be Redeemed (1)	Total Number of Shares Redeemed	Average Price Paid per Share (2)	Approximate Dollar Value of Shares Available That May Yet Be Redeemed Under the Program (3)
April 2020	—	5,058	$ 11.70	
May 2020	2,520	—	$ —	
June 2020	6,116	—	$ —	
Total	8,636	5,058	$ 11.70	

(1) We generally redeem shares in the month following the end of the fiscal quarter in which requests were received.

(2) Pursuant to the share redemption program, we currently redeem shares at NAV most recently determined. Notwithstanding the foregoing, the redemption price for redemptions sought upon a stockholder's death or disability or upon confinement to a long-term care facility, is available only for stockholders who purchased their shares directly from us or the persons specifically set forth in the share redemption program.

(3) The number of shares that may be redeemed pursuant to our share redemption program will not exceed (i) 5% of the weighted-average number of shares outstanding during the 12-month period immediately prior to the effective date of the redemption and (ii) those share redemptions that can be funded with proceeds from our distribution reinvestment plan plus, if we had positive net operating cash flow for the previous fiscal year, 1% of all operating cash flow from the previous fiscal year.

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 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.

In our initial public offering we offered 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.

Our follow-on offering (File no. 333-232308) was declared effective January 14, 2020. In our follow-on offering, we are offering up to $180,000,000 in any combination of Class A and Class T shares of our common stock to the public and up to $5,000,000 in Class A and Class T shares of our common stock to our stockholders pursuant to our distribution reinvestment plan.

Effective September 7, 2019, the sale price of our Class A and Class T common shares to the public was $13.00 and $12.48 per share, representing the net asset value per share as determined by the board of directors plus the applicable sales commissions and managing broker dealer fees. The sale price of Class A and Class T common shares to our shareholders pursuant to the distribution reinvestment plan was $11.70 and $11.23 per share.

Effective May 18, 2020, the sale price of our Class A and Class T common shares to the public is $11.44 and $10.95 per share, representing the net asset value per share as determined by the board of directors plus the applicable sales commissions and managing broker dealer fees. The sale price of Class A and Class T common shares to our shareholders pursuant to the distribution reinvestment plan is $10.30 per share.

On May 12, 2020, our board of directors authorized the classification and designation of Class I and Class S common stock. As of July 23, 2020, the Company has the authority to issue 270,000,000 shares classified and designated as Class A common stock, 280,000,000 shares classified and designated as Class S common stock, 280,000,000 shares classified and designated as Class I common stock, and 70,000,000 shares classified and designated as Class T commont stock. The additional share classes have been included in an amendment to the Company's registration statement and prospectus which was declared effective by the Securities and Exchange Commission on July 27, 2020.

Effective July 27, 2020, the sale price of our Class A, Class T, Class s and Class I common shares to the public is $11.44, $10.95, $10.67 and $10.30 per share, representing the net asset value per share as determined by the board of directors plus the applicable sales commissions and managing broker dealer fees. The sale price of all classes of common shares to our shareholders pursuant to the distribution reinvestment plan is $10.30 per share.

From our inception through June 30, 2020, we had recognized selling commissions, dealer manager fees and organization and other offering costs in our initial 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 (in thousands)**	**Estimated/Actual**
Selling commissions and dealer manager fees	$ 6,327	Actual
Finders' fees	—	—
Expenses paid to or for underwriters	—	—
Other organization and offering costs	$ 1,464	Actual
Total expenses	$ 7,791	

As of June 30, 2020, the net offering proceeds to us from our initial public offering after deducting the total expenses incurred as described above, were $74,250,000. For the period from inception through June 30, 2020, the ratio of the cost of raising capital to capital raised was approximately 9.09%.

We intend to use substantially all of the available net proceeds from our initial public offering to continue to invest in a portfolio of real properties. As of June 30, 2020, we had used $56,372,000 of the net proceeds from our initial public offering, plus debt financing, to purchase ten properties and we had used $8,027,000 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

We filed Articles Supplementary to the Third Articles of Amendment and Restatement with the State of Maryland Department of Assessments and Taxation of July 23, 2020.

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 13, 2020

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

Date: August 13, 2020

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