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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

OR

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

For the transition period from ______ to ______

Commission file number 000-56050

KBS GROWTH & INCOME REIT, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**47-2778257**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
800 Newport Center Drive, Suite 700 Newport Beach, California	**92660**
(Address of Principal Executive Offices)	(Zip Code)

(949) 417-6500
(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Name of Each Exchange on Which Registered
None	None

Trading Symbol(s)

None

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

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

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

As of August 10, 2022, there were 9,851,052 outstanding shares of Class A common stock and 307,606 outstanding shares of Class T common stock of KBS Growth & Income REIT, Inc.

INDEX TO FINANCIAL STATEMENTS

KBS GROWTH & INCOME REIT, INC.

FORM 10-Q

June 30, 2022

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KBS GROWTH & INCOME REIT, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	June 30, 2022 (unaudited)	December 31, 2021
Assets		
Real estate:		
Land	$ 18,242	$ 19,822
Buildings and improvements	97,721	110,582
Tenant origination and absorption costs	6,838	7,873
Total real estate, cost	122,801	138,277
Less accumulated depreciation and amortization	(13,575)	(15,101)
Total real estate, net	109,226	123,176
Cash and cash equivalents	6,352	7,882
Restricted cash	247	247
Rents and other receivables	4,717	4,284
Above-market leases, net	61	72
Due from affiliates	15	276
Prepaid expenses and other assets	2,322	2,218
Total assets	$ 122,940	$ 138,155
Liabilities and stockholders’ equity		
Notes payable, net	$ 101,528	$ 101,454
Accounts payable and accrued liabilities	2,316	3,825
Due to affiliates	9,866	9,006
Below-market leases, net	650	838
Other liabilities	1,398	1,982
Total liabilities	115,758	117,105
Commitments and contingencies (Note 10)		
Redeemable common stock	236	250
Stockholders’ equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized, no shares issued and outstanding	—	—
Class A common stock, $.01 par value per share; 500,000,000 shares authorized, 9,851,052 and 9,855,330 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	99	99
Class T common stock, $.01 par value per share; 500,000,000 shares authorized, 310,974 shares and 310,974 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	3	3
Additional paid-in capital	85,158	85,158
Cumulative distributions and net losses	(78,314)	(64,460)
Total stockholders’ equity	6,946	20,800
Total liabilities and stockholders’ equity	$ 122,940	$ 138,155

See accompanying condensed notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except share and per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Rental income	$ 3,631	$ 4,081	$ 7,317	$ 8,375
Other operating income	35	48	76	69
Total revenues	3,666	4,129	7,393	8,444
Expenses:				
Operating, maintenance, and management	942	935	1,825	1,765
Property management fees and expenses to affiliate	22	28	46	59
Real estate taxes and insurance	772	728	1,556	1,494
Asset management fees to affiliate	436	434	866	862
General and administrative expenses	412	445	1,033	922
Depreciation and amortization	1,504	1,896	3,052	3,878
Interest expense	689	608	1,141	1,181
Impairment charges on real estate	8,409	—	11,733	—
Total expenses	13,186	5,074	21,252	10,161
Other income:				
Interest and other income	5	—	5	—
Total other income	5	—	5	—
Net loss	$ (9,515)	$ (945)	$ (13,854)	$ (1,717)
Net loss per common share, basic and diluted	$ (0.94)	$ (0.09)	$ (1.36)	$ (0.17)
Weighted-average number of common shares outstanding basic and diluted	10,162,026	10,173,832	10,163,371	10,179,185

See accompanying condensed notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Three Months Ended June 30, 2022 and 2021 (unaudited)

(dollars in thousands)

	Common Stock				Additional Paid-in Capital	Cumulative Distributions and Net Losses	Total Stockholders' Equity
	Class A		Class T				
	Shares	Amounts	Shares	Amounts			
Balance, March 31, 2022	9,851,052	$ 99	310,974	$ 3	$ 85,158	$ (68,799)	$ 16,461
Net loss	—	—	—	—	—	(9,515)	(9,515)
Balance, June 30, 2022	9,851,052	$ 99	310,974	$ 3	$ 85,158	$ (78,314)	$ 6,946

	Common Stock				Additional Paid-in Capital	Cumulative Distributions and Net Losses	Total Stockholders' Equity
	Class A		Class T				
	Shares	Amounts	Shares	Amounts			
Balance, March 31, 2021	9,864,261	$ 99	310,974	$ 3	$ 85,248	$ (46,969)	$ 38,381
Net loss	—	—	—	—	—	(945)	(945)
Transfers from redeemable common stock	—	—	—	—	21	—	21
Redemptions of common stock	(4,120)	—	—	—	(21)	—	(21)
Distributions declared	—	—	—	—	—	(436)	(436)
Balance, June 30, 2021	9,860,141	$ 99	310,974	$ 3	$ 85,248	$ (48,350)	$ 37,000

See accompanying condensed notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)

For the Six Months Ended June 30, 2022 and 2021 (unaudited)

(dollars in thousands)

	Common Stock						
	Class A		Class T		Additional Paid-in Capital	Cumulative Distributions and Net Losses	Total Stockholders' Equity
	Shares	Amounts	Shares	Amounts			
Balance, December 31, 2021	9,855,330	$ 99	310,974	$ 3	$ 85,158	$ (64,460)	$ 20,800
Net loss	—	—	—	—	—	(13,854)	(13,854)
Transfers from redeemable common stock	—	—	—	—	14	—	14
Redemptions of common stock	(4,278)	—	—	—	(14)	—	(14)
Balance, June 30, 2022	9,851,052	$ 99	310,974	$ 3	$ 85,158	$ (78,314)	$ 6,946

	Common Stock						
	Class A		Class T		Additional Paid-in Capital	Cumulative Distributions and Net Losses	Total Stockholders' Equity
	Shares	Amounts	Shares	Amounts			
Balance, December 31, 2020	9,873,729	$ 99	310,974	$ 3	$ 85,248	$ (45,760)	$ 39,590
Net loss	—	—	—	—	—	(1,717)	(1,717)
Transfers from redeemable common stock	—	—	—	—	67	—	67
Redemptions of common stock	(13,588)	—	—	—	(67)	—	(67)
Distributions declared	—	—	—	—	—	(873)	(873)
Balance, June 30, 2021	9,860,141	$ 99	310,974	$ 3	$ 85,248	$ (48,350)	$ 37,000

See accompanying condensed notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(in thousands)

	Six Months Ended June 30,	
	2022	2021
Cash Flows from Operating Activities:		
Net loss	$ (13,854)	$ (1,717)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,052	3,878
Impairment charges on real estate	11,733	—
Deferred rents	(480)	176
Amortization of above and below-market leases, net	(177)	(392)
Amortization of deferred financing costs	111	120
Unrealized gain on derivative instruments	(564)	(850)
Changes in operating assets and liabilities:		
Rents and other receivables	39	(648)
Prepaid expenses and other assets	(282)	(365)
Accounts payable and accrued liabilities	(1,594)	(42)
Due from affiliates	261	—
Due to affiliates	860	860
Other liabilities	(17)	(439)
Net cash (used in) provided by operating activities	(912)	581
Cash Flows from Investing Activities:		
Improvements to real estate	(567)	(352)
Net cash used in investing activities	(567)	(352)
Cash Flows from Financing Activities:		
Proceeds from notes payable	—	2,000
Principal payments on notes payable	(37)	—
Payments to redeem common stock	(14)	(67)
Distributions paid to common stockholders	—	(873)
Net cash (used in) provided by financing activities	(51)	1,060
Net (decrease) increase in cash and cash equivalents	(1,530)	1,289
Cash and cash equivalents and restricted cash, beginning of period	8,129	4,359
Cash and cash equivalents and restricted cash, end of period	$ 6,599	$ 5,648
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 1,551	$ 1,917
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Accrued improvements to real estate	$ 213	$ 12

See accompanying condensed notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

(unaudited)

1. ORGANIZATION

KBS Growth & Income REIT, Inc. (the "Company") was formed on January 12, 2015 as a Maryland corporation that elected to be taxed as a real estate investment trust ("REIT") beginning with the taxable year ended December 31, 2015. Substantially all of the Company's business is conducted through KBS Growth & Income Limited Partnership (the "Operating Partnership"), a Delaware limited partnership formed on January 14, 2015. The Company is the sole general partner of, and owns a 0.1% partnership interest in, the Operating Partnership. KBS Growth & Income REIT Holdings LLC ("REIT Holdings"), a Delaware limited liability company formed on January 14, 2015, owns the remaining 99.9% partnership interest in the Operating Partnership and is the sole limited partner. The Company is the sole member and manager of REIT Holdings.

Subject to certain restrictions and limitations, the business of the Company is externally managed by KBS Capital Advisors LLC (the "Advisor"), an affiliate of the Company, pursuant to an advisory agreement between the Company and the Advisor initially entered into on June 11, 2015, and amended at various times thereafter (the "Advisory Agreement"). The Advisor conducts the Company's operations and manages its portfolio of core real estate properties. On January 27, 2015, the Company issued 20,000 shares of its common stock to the Advisor at a purchase price of $10.00 per share. On June 11, 2015, these outstanding shares of common stock were designated Class A shares of common stock.

As of June 30, 2022, the Company had invested in four office properties. The Company has invested in a portfolio of core real estate properties. The Company considers core properties to be existing properties with at least 80% occupancy.

The Company commenced capital raising activities in June 2015 through a private placement offering. The private offering was followed by a public offering and a second private offering. In August 2020, the Company's board of directors approved the termination of capital raising activities with the termination of the Company's distribution reinvestment plan offering and second private offering. As of June 30, 2022, the Company had 9,851,052 and 310,974 shares of Class A and Class T common stock outstanding, respectively.

COVID-19 Pandemic

One of the most significant risks and uncertainties facing the Company and the real estate industry generally, and in particular office REITs like the Company, continues to be the effect of the public health crisis of the novel coronavirus disease ("COVID-19") pandemic. The Company recognized impairment charges related to a projected reduction in cash flows as a result of changes in leasing projections that were impacted in part by the COVID-19 pandemic at the Institute Property and 210 W. Chicago during the year ended December 31, 2020, the Commonwealth Building during the year ended December 31, 2021, and the Commonwealth Building and the Institute Property during the six months ended June 30, 2022.

The extent to which the COVID-19 pandemic impacts the Company's operations and those of its tenants and the Company's implementation of a Plan of Liquidation (defined below) depends on future developments, which remain uncertain and cannot be predicted with confidence, including, among other developments, potential changes in customer behavior, such as the continued social acceptance, desirability and perceived economic benefits of work-from-home arrangements, resulting from the COVID-19 pandemic, which could materially and negatively impact the future demand for office space, resulting in slower overall leasing and an adverse impact to our operations.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

(unaudited)

1. ORGANIZATION (CONTINUED)

Plan of Liquidation

The Company's board of directors and a special committee composed of all of the Company's independent directors (the "Special Committee") has undertaken a review of various strategic alternatives available to the Company and expects to approve the sale of all of the Company's assets and the Company's dissolution pursuant to the terms of a plan of complete liquidation and dissolution (a "Plan of Liquidation"). Once approved by the Company's board of directors, a Plan of Liquidation will be submitted to the Company's stockholders for approval. The Advisor has been working diligently to develop a Plan of Liquidation to present to the Company's Special Committee and Board of Directors for approval; however, the impact of the COVID-19 pandemic on a Plan of Liquidation for the Company's portfolio, as well as the decreased demand for office space as employees continue to work from home, the rising interest rate environment that is impacting the ability of buyers to obtain favorable financing and continued social unrest and increased crime in the Portland area where one of the Company's properties is located, have created significant headwinds to finalizing a Plan of Liquidation. The principal purpose of a Plan of Liquidation will be to provide liquidity to the Company's stockholders by selling the Company's assets, paying its debts and distributing the net proceeds from liquidation to the Company's stockholders. Although this is the current intention of the Company's board of directors, the Company can provide no assurances as to the ultimate approval of a Plan of Liquidation or the timing of the liquidation of the Company.

If the Company's board of directors and stockholders approve a Plan of Liquidation, the Company intends to pursue an orderly liquidation of its company by selling all of its remaining assets, paying its debts and its known liabilities, providing for the payment of unknown or contingent liabilities, distributing the net proceeds from liquidation to the Company's stockholders and winding up its operations and dissolving its company. In the interim, the Company intends to continue to manage its portfolio of assets to maintain and, if possible, improve the quality and income-producing ability of its properties to enhance property stability and better position the Company's assets for a potential sale. A Plan of Liquidation remains subject to approval by the Company's board of directors and the Company's stockholders and the Company can give no assurance regarding the timing of the liquidation of the Company. Additional information regarding a Plan of Liquidation will be provided to the Company's stockholders in a proxy statement to be distributed to stockholders in connection with a liquidation vote.

2. GOING CONCERN

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations one year from the date the consolidated financial statements are issued. The Company has experienced a decline in occupancy from 90.4% as of December 31, 2020 to 74.5% as of June 30, 2022 and such occupancy may continue to decrease in the future as tenant leases expire. The decrease in occupancy has resulted in a decrease in cash flow from operations and has negatively impacted the market values of the properties in the Company's portfolio. Additionally, the Commonwealth Building Mortgage Loan with an outstanding principal balance of $45.7 million is maturing in February 2023. Due to the decrease in occupancy and a decrease in market value of the property securing the Commonwealth Building Mortgage Loan, the Company does not expect to be able to extend or refinance that loan at current terms and may be required to pay down a portion of the maturing debt in order to extend or refinance the loan. With the Company's limited amount of cash on hand, the Company's ability to make any loan paydowns, without the sale of real estate assets, is severely limited. Additionally, in order to attract or retain tenants needed to increase occupancy and sustain operations, the Company will need to spend a substantial amount on capital leasing costs, however, the Company has limited amounts of liquidity to make these capital commitments. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the outcome of these uncertainties. The Company's ability to continue as a going concern is dependent upon the Company's ability to exercise its extension option or refinance the Company's mortgage debt. No assurances can be given that the Company will be successful in achieving these objectives. In addition, as described in Note 1, "Organization – Plan of Liquidation", if the Company's board of directors and its stockholders approve a Plan of Liquidation, the Company intends to pursue an orderly liquidation of its company by selling all of its remaining assets, paying its debts and its known liabilities, providing for the payment of unknown or contingent liabilities, distributing the net proceeds from liquidation to the Company's stockholders and winding up its operations and dissolving the company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no significant changes to the Company's accounting policies since it filed its audited financial statements in its Annual Report on Form 10-K for the year ended December 31, 2021. For further information about the Company's accounting policies, refer to the Company's consolidated financial statements and notes thereto for the year ended December 31, 2021 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC").

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements and condensed notes thereto have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information as contained within the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") and the rules and regulations of the SEC, including the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for audited financial statements. In the opinion of management, the financial statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair and consistent presentation of the results for such periods. Operating results for the six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

The consolidated financial statements include the accounts of the Company, REIT Holdings, the Operating Partnership, and their direct and indirect wholly owned subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the consolidated financial statements and the accompanying notes thereto in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates.

Segments

The Company had invested in four office properties as of June 30, 2022. Substantially all of the Company's revenue and net loss is from real estate, and therefore, the Company currently operates in one reportable segment.

Per Share Data

Basic net income (loss) per share of common stock is calculated by dividing net income (loss) by the weighted-average number of shares of common stock issued and outstanding during such period. Diluted net income (loss) per share of common stock equals basic net income (loss) per share of common stock as there were no potentially dilutive securities outstanding for the six months ended June 30, 2022 and 2021. Basic and diluted net income (loss) per share of Class A common stock and basic and diluted net income (loss) per share of Class T common stock were equal for the three and six months ended June 30, 2022 and 2021 as aggregate cash distributions for each share class were equal during those periods.

During the three and six months ended June 30, 2021, aggregate cash distributions declared per share of Class A and Class T common stock were $0.04287500 and $0.08575000, respectively, assuming the share was issued and outstanding each date that was a record date for distributions during the period. During the three and six months ended June 30, 2022, the Company did not declare any distributions.

Square Footage, Occupancy and Other Measures

Square footage, occupancy, number of tenants and other measures, including annualized base rent and annualized base rent per square foot, or amounts derived from such measures, used to describe real estate investments included in these condensed notes to consolidated financial statements are presented on an unaudited basis and outside the scope of the Company's independent registered public accounting firm's review of the Company's financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards Update

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU No. 2020-04") to provide temporary optional expedients and exceptions to the guidance in GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate ("SOFR"). Modified contracts that meet the following criteria are eligible for relief from the modification accounting requirements under GAAP: (1) The contract references LIBOR or another rate that is expected to be discontinued due to reference rate reform, (2) The modified terms directly replace or have the potential to replace the reference rate that is expected to be discontinued due to reference rate reform, and (3) Any contemporaneous changes to other terms (i.e., those that do not directly replace or have the potential to replace the reference rate) that change or have the potential to change the amount and timing of contractual cash flows must be related to the replacement of the reference rate. For a contract that meets the criteria, the guidance generally allows an entity to account for and present modifications as an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. That is, the modified contract is accounted for as a continuation of the existing contract. In addition, ASU No. 2020-04 provides various optional expedients for hedging relationships affected by reference rate reform, if certain criteria are met. The amendments in ASU No. 2020-04 are effective for all entities as of March 12, 2020 through December 31, 2022. An entity may elect to apply the amendments for contract modifications by Topic or Industry Subtopic as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic, the amendments in this Update must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. An entity may elect to apply the amendments in ASU No. 2020-04 to eligible hedging relationships existing as of the beginning of the interim period that includes March 12, 2020 and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020.

For the period from January 1, 2020 (the earliest date the Company may elect to apply ASU No. 2020-04) through June 30, 2022, the Company did not have any contract modifications that met the criteria described above, specifically contract modifications that have been modified from LIBOR to an alternative reference rate. The Company's loan agreements, derivative instruments, and certain lease agreements use LIBOR as the current reference rate. For eligible contract modifications, the Company expects to adopt the temporary optional expedients described in ASU No. 2020-04. The optional expedients for hedging relationships described in ASU No. 2020-04 are not expected to have an impact to the Company as the Company has elected to not designate its derivative instruments as a hedge.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

(unaudited)

4. REAL ESTATE

As of June 30, 2022, the Company's portfolio of real estate was composed of four office buildings containing 599,030 rentable square feet, which were collectively 74.5% occupied. The following table provides summary information regarding the properties owned by the Company as of June 30, 2022 (in thousands):

Property	Date Acquired	City	State	Property Type	Total Real Estate at Cost [(1)]	Accumulated Depreciation and Amortization [(1)]	Total Real Estate, Net [(1)]
Commonwealth Building	06/30/2016	Portland	OR	Office	$ 38,449	$ —	$ 38,449
The Offices at Greenhouse	11/14/2016	Houston	TX	Office	47,151	(13,006)	34,145
Institute Property	11/09/2017	Chicago	IL	Office	32,502	(347)	32,155
210 W. Chicago	10/05/2020	Chicago	IL	Office	4,699	(222)	4,477
					$ 122,801	$ (13,575)	$ 109,226

[(1)] Amounts presented are net of impairment charges and write-offs of fully depreciated/amortized assets.

As of June 30, 2022, the following properties each represented more than 10% of the Company's total assets:

Property	Location	Rentable Square Feet	Total Real Estate, Net (in thousands)	Percentage of Total Assets	Annualized Base Rent (in thousands) [(1)]	Average Annualized Base Rent per sq. ft.	Occupancy
Commonwealth Building	Portland, OR	224,122	$ 38,449	31.3 %	$ 3,477	$ 29.96	51.8 %
The Offices at Greenhouse	Houston, TX	203,284	34,145	27.8 %	4,005	20.63	95.5 %
Institute Property	Chicago, IL	155,385	32,155	26.2 %	3,587	28.75	80.3 %

[(1)] Annualized base rent represents annualized contractual base rental income as of June 30, 2022, adjusted to straight-line any contractual tenant concessions (including free rent), rent increases and rent decreases from the lease's inception through the balance of the lease term.

Operating Leases

The Company's real estate properties are leased to tenants under operating leases for which the terms and expirations vary. As of June 30, 2022, the leases had remaining terms, excluding options to extend, of up to 8.7 years with a weighted-average remaining term of 3.5 years. Some of the leases have provisions to extend the term of the leases, options for early termination for all or a part of the leased premises after paying a specified penalty, and other terms and conditions as negotiated. The Company retains substantially all of the risks and benefits of ownership of the real estate assets leased to tenants. Generally, upon the execution of a lease, the Company requires a security deposit from the tenant in the form of a cash deposit and/or a letter of credit. The amount required as a security deposit varies depending upon the terms of the respective lease and the creditworthiness of the tenant, but generally is not a significant amount. Therefore, exposure to credit risk exists to the extent that a receivable from a tenant exceeds the amount of its security deposit. Security deposits received in cash related to tenant leases are included in other liabilities in the accompanying consolidated balance sheets and totaled $0.9 million and $0.7 million as of June 30, 2022 and December 31, 2021, respectively.

During the six months ended June 30, 2022 and 2021, the Company recognized deferred rent from tenants, net of lease incentive amortization, of $0.5 million and $(0.2) million, respectively. As of June 30, 2022 and December 31, 2021, the cumulative deferred rent balance was $4.6 million and $4.1 million, respectively, and is included in rents and other receivables on the accompanying consolidated balance sheets. The cumulative deferred rent balance included $1.8 million and $1.9 million of unamortized lease incentives as of June 30, 2022 and December 31, 2021, respectively.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

(unaudited)

4. REAL ESTATE (CONTINUED)

As of June 30, 2022, the future minimum rental income from the Company's properties under its non-cancelable operating leases was as follows (in thousands):

July 1, 2022 through December 31, 2022	$	5,241
2023		10,447
2024		9,516
2025		6,523
2026		6,239
Thereafter		11,785
	$	49,751

As of June 30, 2022, the Company had a concentration of credit risk related to AECOM, one of the tenants in The Offices at Greenhouse in the engineering industry, which represented 25% of the Company's annualized base rent. The tenant individually occupied 135,727 rentable square feet or approximately 23% of the total rentable square feet of the Company's real estate portfolio, which expires on December 31, 2024, with two five-year extension options. As of June 30, 2022, the annualized base rent for this tenant was approximately $2.9 million or $21.37 per square foot. No other tenant represented more than 10% of the Company's annualized base rent.

As of June 30, 2022, the Company's real estate properties were leased to 52 tenants over a diverse range of industries. The Company's highest tenant industry concentration (greater than 10% of annualized base rent) was as follows:

Industry	Number of Tenants		Annualized Base Rent [(1)] (in thousands)	Percentage of Annualized Base Rent
Professional, scientific and technical	8	$	4,481	38.9 %
Computer system design and related services	3		1,380	12.0 %
		$	5,861	50.9 %

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(1) Annualized base rent represents annualized contractual base rental income as of June 30, 2022, adjusted to straight-line any contractual tenant concessions (including free rent), rent increases and rent decreases from the lease's inception through the balance of the lease term.

As of June 30, 2022, no other tenant industries accounted for more than 10% of annualized base rent.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

(unaudited)

4. REAL ESTATE (CONTINUED)

Impairment of Real Estate

During the three and six months ended June 30, 2022, the Company recorded non-cash impairment charges of $8.4 million and $11.7 million, respectively, to write down the carrying values of the Commonwealth Building, an office property located in Portland, Oregon and the Institute Property, an office property located in Chicago, Illinois, to their estimated fair values as follows:

- Commonwealth Building - During the three and six months ended June 30, 2022, the Company recorded non-cash impairment charges of $8.4 million and $9.6 million, respectively, related to the Commonwealth Building as a result of a continued decrease in occupancy and changes in cash flow estimates including a change in leasing projections, which triggered the future estimated undiscounted cash flows to be lower than the net carrying value of the property. As of June 30, 2022, the Commonwealth Building was 51.8% occupied. The Company is projecting longer lease-up periods for the vacant space as demand for office space in Portland has significantly declined as a result of both the COVID-19 pandemic, with employees continuing to work from home, and the impact of the disruptions caused by protests and demonstrations and increased crime in the downtown area. Downtown Portland is experiencing record high office vacancies and it is uncertain when the market will fully recover.
- Institute Property - During the six months ended June 30, 2022, the Company recorded non-cash impairment charges of $2.1 million related to the Institute Property as a result of changes in cash flow estimates including a change in leasing projections, which triggered the future estimated undiscounted cash flows to be lower than the net carrying value of the property. The decrease in cash flow projections was primarily due to reduced demand for the office space at the property resulting in longer lease-up periods and a decrease in projected rental rates due to the COVID-19 pandemic which resulted in additional challenges to re-lease the vacant space. Further, tenants at the Institute Property have been adversely impacted by the measures put in place to control the spread of COVID-19 and certain tenants at the Institute Property were granted rent concessions as their businesses have been severely impacted.

The Company did not record any impairment charges on its real estate properties during the three and six months ended June 30, 2021.

5. TENANT ORIGINATION AND ABSORPTION COSTS, ABOVE-MARKET LEASE ASSETS AND BELOW-MARKET LEASE LIABILITIES

As of June 30, 2022 and December 31, 2021, the Company's tenant origination and absorption costs, above-market lease assets and below-market lease liabilities (excluding fully amortized assets and liabilities and accumulated amortization) were as follows (in thousands):

	Tenant Origination and Absorption Costs		Above-Market Lease Assets		Below-Market Lease Liabilities	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Cost	$ 6,838	$ 7,873	$ 178	$ 178	$ (2,630)	$ (2,704)
Accumulated Amortization	(4,444)	(4,768)	(117)	(106)	1,980	1,866
Net Amount	$ 2,394	$ 3,105	$ 61	$ 72	$ (650)	$ (838)

Increases (decreases) in net income as a result of amortization of the Company's tenant origination and absorption costs, above-market lease assets and below-market lease liabilities for the three and six months ended June 30, 2022 and 2021 were as follows (in thousands):

	Tenant Origination and Absorption Costs		Above-Market Lease Assets		Below-Market Lease Liabilities	
	For the Three Months Ended June 30,		For the Three Months Ended June 30,		For the Three Months Ended June 30,	
	2022	2021	2022	2021	2022	2021
Amortization	$ (308)	$ (420)	$ (6)	$ (5)	$ 93	$ 232

	Tenant Origination and Absorption Costs		Above-Market Lease Assets		Below-Market Lease Liabilities	
	For the Six Months Ended June 30,		For the Six Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021	2022	2021
Amortization	$ (638)	$ (857)	$ (11)	$ (10)	$ 188	$ 402

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

(unaudited)

6. NOTES PAYABLE

As of June 30, 2022 and December 31, 2021, the Company's notes payable consisted of the following (dollars in thousands):

	Book Value as of June 30, 2022	Book Value as of December 31, 2021	Contractual Interest Rate as of June 30, 2022 [1]	Effective Interest Rate at June 30, 2022 [1]	Payment Type	Maturity Date [2]
Commonwealth Building Mortgage Loan [3]	$ 45,681	$ 45,681	One-month LIBOR + 1.80% [3]	4.27%	Interest Only	02/01/2023
Term Loan [4]	52,260	52,260	One-month LIBOR + 2.00% [4]	3.79%	Interest Only	11/09/2022 [4]
210 W. Chicago Mortgage Loan [5]	3,688	3,725	One-month LIBOR + 2.20%	3.95%	Principal & Interest [5]	06/28/2024
Notes payable principal outstanding	$ 101,629	$ 101,666				
Deferred financing costs, net	(101)	(212)				
Notes payable, net	$ 101,528	$ 101,454				

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(1) Contractual interest rate represents the interest rate in effect under the loan as of June 30, 2022. Effective interest rate is calculated as the actual interest rate in effect as of June 30, 2022 (consisting of the contractual interest rate and the effect of interest rate swaps, if applicable), using interest rate indices as of June 30, 2022, where applicable.

(2) Represents the maturity date as of June 30, 2022; subject to certain conditions, the maturity dates of the loans may be extended beyond the dates shown.

(3) The interest rate under this loan is calculated at a variable rate of 180 basis points over one-month LIBOR, but at no point shall the interest rate be less than 2.05%.

(4) As of June 30, 2022, the outstanding balance under the Term Loan consisted of $34.9 million of term commitment and $17.4 million of revolving commitment. The Term Loan is secured by The Offices at Greenhouse and the Institute Property. On August 1, 2022, the Company entered into a modification agreement with the lender of the Term Loan to (i) extend the maturity date to November 9, 2023, (ii) convert the revolving commitment to term commitment and (iii) reset the interest rate of the loan. See Note 11, "Subsequent Events – Modified Term Loan" for additional information regarding these changes.

(5) Monthly payments for the 210 W. Chicago Mortgage Loan include principal and interest with principal payments calculated using an amortization schedule of 25 years at an interest rate of 6.0%, with the remaining principal balance, all accrued and unpaid interest and any other amounts due at maturity.

During the three and six months ended June 30, 2022, the Company incurred $0.7 million and $1.1 million of interest expense, respectively. During the three and six months ended June 30, 2021, the Company incurred $0.6 million and $1.2 million of interest expense, respectively. As of June 30, 2022 and December 31, 2021, $0.3 million of interest expense were payable. Included in interest expense during the three and six months ended June 30, 2022 were $0.1 million of amortization of deferred financing costs. Included in interest expense during the three and six months ended June 30, 2021 were $0.1 million of amortization of deferred financing costs. Interest expense (including gains and losses) incurred as a result of the Company's derivative instruments decreased interest expense by $0.1 million and $0.2 million for the three and six months ended June 30, 2022, respectively. Interest expense (including gains and losses) incurred as a result of the Company's derivative instruments increased interest expense by $28,000 and $31,000 for the three and six months ended June 30, 2021, respectively.

6. NOTES PAYABLE (CONTINUED)

The following is a schedule of maturities, including principal amortization payments, for all notes payable outstanding as of June 30, 2022 (in thousands):

July 1, 2022 through December 31, 2022	$	52,297
2023		45,755
2024		3,577
2025		—
2026		—
Thereafter		—
	$	101,629

7. DERIVATIVE INSTRUMENTS

The Company enters into derivative instruments for risk management purposes to hedge its exposure to cash flow variability caused by changing interest rates. The primary goal of the Company's risk management practices related to interest rate risk is to prevent changes in interest rates from adversely impacting the Company's ability to achieve its investment return objectives. The Company does not enter into derivatives for speculative purposes.

The Company enters into interest rate swaps as a fixed rate payer to mitigate its exposure to rising interest rates on its variable rate notes payable. The value of interest rate swaps is primarily impacted by interest rates, market expectations about interest rates, and the remaining life of the instrument. In general, increases in interest rates, or anticipated increases in interest rates, will increase the value of the fixed rate payer position and decrease the value of the variable rate payer position. As the remaining term of the interest rate swap decreases, the value of both positions will generally move towards zero.

The following table summarizes the notional amount and other information related to the Company's interest rate swap as of June 30, 2022 and December 31, 2021. The notional amount is an indication of the extent of the Company's involvement in each instrument at that time, but does not represent exposure to credit, interest rate or market risks (dollars in thousands):

	June 30, 2022		December 31, 2021				
Derivative Instruments	**Number of Instruments**	**Notional Amount**	**Number of Instruments**	**Notional Amount**	**Reference Rate as of June 30, 2022**	**Fix Pay Rate as of June 30, 2022**	**Remaining Term in Years as of June 30, 2022**
Derivative instruments not designated as hedging instruments							
Interest Rate Swap	1	$ 30,000	1	$ 30,000	One-month LIBOR/ Fixed at 2.82%	2.82%	0.3

The following table sets forth the fair value of the Company's derivative instruments as well as their classification on the consolidated balance sheets as of June 30, 2022 and December 31, 2021 (dollars in thousands):

		June 30, 2022		December 31, 2021	
Derivative Instruments	**Balance Sheet Location**	**Number of Instruments**	**Fair Value**	**Number of Instruments**	**Fair Value**
Derivative instruments not designated as hedging instruments					
Interest Rate Swap	Other liabilities, at fair value	1	$ (46)	1	$ (610)

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

(unaudited)

7. DERIVATIVE INSTRUMENTS (CONTINUED)

The change in fair value of a derivative instrument that is not designated as a cash flow hedge is included in interest expense in the accompanying consolidated statements of operations. The following table summarizes the effects of derivative instruments on the Company's consolidated statements of operations (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Income statement related				
Derivatives not designated as hedging instruments				
Realized loss recognized on interest rate swaps	$ 156	$ 445	$ 356	$ 881
Unrealized gain on interest rate swaps	(223)	(417)	(564)	(850)
(Decrease) increase in interest expense as a result of derivatives	$ (67)	$ 28	$ (208)	$ 31

8. FAIR VALUE DISCLOSURES

Under GAAP, the Company is required to measure certain financial instruments at fair value on a recurring basis. In addition, the Company is required to measure other non-financial and financial assets at fair value on a non-recurring basis (e.g., carrying value of long-lived assets). Fair value, as defined under GAAP, is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The GAAP fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3: prices or valuation techniques where little or no market data is available that requires inputs that are both significant to the fair value measurement and unobservable.

The fair value for certain financial instruments is derived using a combination of market quotes, pricing models and other valuation techniques that involve significant management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of the Company's financial instruments. Financial instruments for which actively quoted prices or pricing parameters are available and for which markets contain orderly transactions will generally have a higher degree of price transparency than financial instruments for which markets are inactive or consist of non-orderly trades. The Company evaluates several factors when determining if a market is inactive or when market transactions are not orderly. The following is a summary of the methods and assumptions used by management in estimating the fair value of each class of financial instrument for which it is practicable to estimate the fair value:

Cash and cash equivalents, restricted cash, rent and other receivables, and accounts payable and accrued liabilities: These balances approximate their fair values due to the short maturities of these items.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

(unaudited)

8. FAIR VALUE DISCLOSURES (CONTINUED)

Derivative instruments: The Company's derivative instruments are presented at fair value on the accompanying consolidated balance sheets. The valuation of these instruments is determined using a proprietary model that utilizes observable inputs. As such, the Company classifies these inputs as Level 2 inputs. The proprietary model uses the contractual terms of the derivatives, including the period to maturity, as well as observable market-based inputs, including interest rate curves and volatility. The fair values of interest rate swaps are estimated using the market standard methodology of netting the discounted fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of interest rates (forward curves) derived from observable market interest rate curves. In addition, credit valuation adjustments, which consider the impact of any credit risks to the contracts, are incorporated in the fair values to account for potential nonperformance risk.

Notes payable: The fair value of the Company's notes payable is estimated using a discounted cash flow analysis based on management's estimates of current market interest rates for instruments with similar characteristics, including remaining loan term, loan-to-value ratio, type of collateral and other credit enhancements. Additionally, when determining the fair value of liabilities in circumstances in which a quoted price in an active market for an identical liability is not available, the Company measures fair value using (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities when traded as assets or (ii) another valuation technique that is consistent with the principles of fair value measurement, such as the income approach or the market approach. The Company classifies these inputs as Level 3 inputs.

The following were the face values, carrying amounts and fair values of the Company's notes payable as of June 30, 2022 and December 31, 2021, which carrying amounts generally do not approximate the fair values (in thousands):

	June 30, 2022			December 31, 2021		
	Face Value	Carrying Amount	Fair Value	Face Value	Carrying Amount	Fair Value
Financial liabilities:						
Notes payable	$ 101,629	$ 101,528	$ 95,220	$ 101,666	$ 101,454	$ 100,367

Disclosure of the fair values of financial instruments is based on pertinent information available to the Company as of the period end and requires a significant amount of judgment. The actual value could be materially different from the Company's estimate of value.

As of June 30, 2022, the Company measured the following derivative instruments at fair value (in thousands):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Basis:				
Liability derivative - interest rate swap	$ (46)	$ —	$ (46)	$ —

8. FAIR VALUE DISCLOSURES (CONTINUED)

During the six months ended June 30, 2022, the Company measured the following asset at fair value on a nonrecurring basis (in thousands):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Nonrecurring Basis:				
Impaired real estate [(1)]	$ 73,000	$ —	$ —	$ 73,000

[(1)] Amount represents the fair value for real estate assets impacted by an impairment charge during the six months ended June 30, 2022, as of the date that the fair value measurement was made, which was March 31, 2022 for the Institute Property and June 30, 2022 for the Commonwealth Building. The carrying value for the real estate asset measured at a reporting date other than June 30, 2022 may have subsequently increased or decreased from the fair value reflected due to activity that has occurred since the measurement date.

During the six months ended June 30, 2022, the Commonwealth Building and the Institute Property were measured at their estimated fair values based on a discounted cash flow approach. The significant unobservable inputs the Company used in measuring the estimated fair value of the Commonwealth Building include a discount rate of 10.00% and a terminal cap rate of 6.50% and the significant unobservable inputs the Company used in measuring the estimated fair value of the Institute Property include a discount rate of 7.50% and a terminal cap rate of 6.50%. See Note 4, “Real Estate - Impairment of Real Estate” for further discussion on the impaired real estate property.

9. RELATED PARTY TRANSACTIONS

Pursuant to the Advisory Agreement, the Company is obligated to pay the Advisor specified fees upon the provision of certain services related to the management of the Company’s investments and for other services (including, but not limited to, the disposition of investments). The Company is also obligated to reimburse the Advisor for certain operating expenses incurred on behalf of the Company or incurred in connection with providing services to the Company. The Advisor is entitled to certain other fees, including an incentive fee upon achieving certain performance goals, as detailed in the Advisory Agreement. In addition, the Advisor paid all offering expenses related to the second private offering conducted by the Company without reimbursement by the Company.

In addition, in connection with property acquisitions, the Company, through indirect wholly owned subsidiaries, has entered into separate Property Management Agreements (defined below) with KBS Management Group, LLC, an affiliate of the Advisor (the “Co-Manager”).

The Company has also entered into a fee reimbursement agreement with the Dealer Manager pursuant to which the Company agreed to reimburse the Dealer Manager for certain fees and expenses it incurs for administering the Company’s participation in the DTCC Alternative Investment Product Platform with respect to certain accounts of the Company’s investors serviced through the platform.

The Advisor also serves as the advisor for KBS Real Estate Investment Trust II, Inc. (“KBS REIT II”) and KBS Real Estate Investment Trust III, Inc. (“KBS REIT III”). The Dealer Manager also serves as the dealer manager for KBS REIT II and KBS REIT III.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

(unaudited)

9. RELATED PARTY TRANSACTIONS (CONTINUED)

As of January 1, 2021, the Company, together with KBS REIT II, KBS REIT III, the Dealer Manager, the Advisor and other KBS affiliated entities, had entered into an errors and omissions and directors and officers liability insurance program where the lower tiers of such insurance coverage were shared. The cost of these lower tiers is allocated by the Advisor and its insurance broker among each of the various entities covered by the program and is billed directly to each entity. In June 2022, the Company renewed its participation in the program, and the program is effective through June 30, 2023. At renewal on June 30, 2022, KBS REIT II elected to cease participation in the program and obtained separate insurance coverage.

During the six months ended June 30, 2022 and 2021, no other business transactions occurred between the Company and KBS REIT II and KBS REIT III.

Pursuant to the terms of these agreements, summarized below are the related-party costs incurred by the Company for the three and six months ended June 30, 2022 and 2021, and any related amounts receivable and payable as of June 30, 2022 and December 31, 2021 (in thousands).

	Incurred				Receivable as of		Payable as of	
	Three Months Ended June 30,		Six Months Ended June 30,		June 30,	December 31,	June 30,	December 31,
	2022	2021	2022	2021	2022	2021	2022	2021
Expensed								
Asset management fees [1]	$ 436	$ 434	$ 866	$ 862	$ —	$ —	$ 8,507	$ 7,641
Reimbursement of operating expenses [2]	46	71	78	164	15	276	14	19
Property management fees [3]	22	28	46	59	—	—	7	8
Other Arrangement								
Advisor advance for cash distributions [4]	—	—	—	—	—	—	1,338	1,338
	$ 504	$ 533	$ 990	$ 1,085	$ 15	$ 276	$ 9,866	$ 9,006

(1) The asset management fee is a monthly fee payable to the Advisor in an amount equal to one-twelfth of 1.0% of the cost of the Company's investments including the portion of the investment that is debt financed. As of June 30, 2022, the Company had accrued and deferred payment of $8.5 million of asset management fees related to the periods from October 2017 through June 2022.

(2) See "Reimbursable Operating Expenses" below.

(3) See "Real Estate Property Co-Management Agreements" below.

(4) See "Advance from the Advisor" below.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (continued)

KBS GROWTH & INCOME REIT, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

(unaudited)

9. RELATED PARTY TRANSACTIONS (CONTINUED)

Reimbursable Operating Expenses

Reimbursable operating expenses primarily related to directors and officers liability insurance, legal fees, state and local taxes, accounting software and cybersecurity related expenses incurred by the Advisor under the Advisory Agreement. The Company has reimbursed the Advisor for the Company's allocable portion of the salaries, benefits and overhead of internal audit department personnel providing services to the Company. These amounts totaled $47,000 and $73,000 for the three and six months ended June 30, 2022, respectively, and $70,000 and $159,000 for the three and six months ended June 30, 2021, respectively, and were the only type of employee costs reimbursed under the Advisory Agreement for the periods. The Company does not reimburse for employee costs in connection with services for which the Advisor earned or earns acquisition, origination or disposition fees (other than reimbursement of travel and communication expenses) or for the salaries or benefits the Advisor or its affiliates may pay to the Company's executive officers. In addition to the amounts above, the Company reimburses the Advisor for certain of the Company's direct costs incurred from third parties that were initially paid by the Advisor on behalf of the Company.

The receivable as of December 31, 2021 includes $0.3 million of estimated amounts charged to the Company by certain vendors for services for which the Company believes it was either overcharged or which were never performed. During the six months ended June 30, 2022, the Company incurred $0.2 million of legal and accounting costs related to the investigation of this matter. As of June 30, 2022, the Advisor had reimbursed the Company $0.5 million for any amounts inappropriately charged to the Company and for legal and accounting costs incurred related to the investigation of this matter.

The Advisor must reimburse the Company the amount by which the Company's aggregate total operating expenses for the four fiscal quarters then ended exceed the greater of 2% of the Company's average invested assets or 25% of the Company's net income, unless the conflicts committee has determined that such excess expenses were justified based on unusual and non-recurring factors. Operating expenses for the four fiscal quarters ended June 30, 2022 did not exceed the charter-imposed limitation.

Advance from the Advisor

The Advisor advanced funds to the Company, which are non-interest bearing, for distribution record dates through the period ended May 31, 2016. As of June 30, 2022, the total advanced funds due to the Advisor from the Company was approximately $1.3 million, which is included in due to affiliates in the Company's consolidated balance sheet. The Company is only obligated to repay the Advisor for its advance if and to the extent that:

(i) the Company's modified funds from operations ("MFFO"), as such term is defined by the Institute for Portfolio Alternatives and interpreted by the Company, for the immediately preceding quarter exceeds the amount of cash distributions declared for record dates of such prior quarter (an "MFFO Surplus"), and the Company will pay the Advisor the amount of the MFFO Surplus to reduce the principal amount outstanding under the advance, provided that such payments shall only be made if management in its sole discretion expects an MFFO Surplus to be recurring for at least the next two calendar quarters, determined on a quarterly basis;

(ii) Excess proceeds from third-party financings are available ("Excess Proceeds"), provided that the amount of any such Excess Proceeds that may be used to repay the principal amount outstanding under the advance shall be determined by the conflicts committee in its sole discretion; or

(iii) Net sales proceeds from the sale of the Company's real estate portfolio, after the pay down of any related debt and selling costs and expenses, are available.

In determining whether Excess Proceeds are available to repay the advance, the Company's conflicts committee will consider whether cash on hand could have been used to reduce the amount of third-party financing provided to the Company. If such cash could have been used instead of third-party financing, the third-party financing proceeds will be available to repay the advance.

9. RELATED PARTY TRANSACTIONS (CONTINUED)

The Advisor may defer repayment of the advance notwithstanding that the Company would otherwise be obligated to repay the advance.

Real Estate Property Co-Management Agreements

In connection with its property acquisitions, the Company, through separate, indirect, wholly-owned subsidiaries, entered into separate property management agreements (each, a "Property Management Agreement") with the Co-Manager for each of its properties. Under each Property Management Agreement, the Co-Manager will provide certain management services related to these properties in addition to those provided by the third-party property managers. In exchange for these services, the Company pays the Co-Manager a monthly fee equal to a percentage of the rent, payable and actually collected for the month from each of the properties. Each Property Management Agreement has an initial term of one year and will be deemed renewed for successive one-year periods provided it is not terminated. Each party may terminate the Property Management Agreement without cause on 30 days' written notice to the other party and may terminate each Property Management Agreement for cause on 5 days' written notice to the other party upon the occurrence of certain events as detailed in each Property Management Agreement.

Property Name	Effective Date	Annual Fee Percentage
Commonwealth Building	07/01/2016	1.25%
The Offices at Greenhouse	11/14/2016	0.25%
Institute Property	11/09/2017	1.00%

10. COMMITMENTS AND CONTINGENCIES

Economic Dependency

The Company depends on the Advisor for certain services that are essential to the Company, including the management of the daily operations of the Company's investment portfolio, disposition of investments and other general and administrative responsibilities. In the event that the Advisor is unable to provide such services, the Company will be required to obtain such services from other sources.

Legal Matters

From time to time, the Company may become party to legal proceedings that arise in the ordinary course of its business. Management is not aware of any legal proceedings of which the outcome is probable or reasonably possible to have a material adverse effect on the Company's results of operations or financial condition, which would require accrual or disclosure of the contingency and possible range of loss. Additionally, the Company has not recorded any loss contingencies related to legal proceedings in which the potential loss is deemed to be remote.

Environmental

As an owner of real estate, the Company is subject to various environmental laws of federal, state and local governments. Although there can be no assurance, the Company is not aware of any environmental liability that could have a material adverse effect on its financial condition or results of operations. However, changes in applicable environmental laws and regulations, the uses and conditions of properties in the vicinity of the Company's property, the activities of its tenants and other environmental conditions of which the Company is unaware with respect to the property could result in future environmental liabilities.

11. SUBSEQUENT EVENTS

The Company evaluates subsequent events up until the date the consolidated financial statements are issued.

Modified Term Loan

On August 1, 2022, the Company, through its wholly owned subsidiaries (collectively, the "Borrower"), entered into a modification agreement to the Term Loan (the "Modified Term Loan") with JP Morgan Chase Bank, N.A. (the "Lender") to (i) extend the maturity date from November 9, 2022 to November 9, 2023, (ii) convert the revolving commitment to term commitment and (iii) reset the interest rate of the Term Loan. The Modified Term Loan has an outstanding balance of $52.3 million, which is the maximum term commitment available under the Modified Term Loan. The Modified Term Loan continues to be secured by the Offices at Greenhouse and the Institute Property.

The Modified Term Loan bears interest at the forward-looking term rate based on SOFR ("Secured Overnight Financing Rate") with a tenor comparable to one-month plus 10 basis points ("Adjusted Term SOFR") plus 200 basis points per annum prior to May 9, 2023. After May 9, 2023, the Modified Term Loan will bear interest at Adjusted Term SOFR plus 250 basis points per annum. Monthly payments are interest-only with the remaining principal balance, all accrued and unpaid interest and all other sums due under the loan documents payable at maturity. The Company has the right to prepay all or a portion of the Modified Term Loan at any time, subject to certain fees and conditions contained in the loan documents.

Subject to certain terms and conditions contained in the loan documents, cash currently held by the Company may only be used for the Company's operating costs including but not limited to the Company's general and administrative costs, liquidation costs (which may include proxy solicitation costs, DST transfer agent costs, legal costs, tail insurance policy costs and other reasonable and customary costs to maintain the Company in good standing), capital costs (including building improvements, tenant improvements and leasing commissions at its owned properties) and any other reasonable costs and expenses required to maintain the Company as a going concern (collectively "REIT Operating Costs"), but for no other purpose. Further, the Company is required to deposit any cash amount exceeding $7.0 million into an account controlled by the Lender or apply it to pay down the Modified Term Loan. The Company is prohibited from making any cash distributions (other than REIT Operating Costs) except for amounts needed to maintain REIT status and redemptions sought upon a stockholder's death, "qualifying disability" or "determination of incompetence" (each as defined in the share redemption program) not exceeding $250,000 annually, in the aggregate, for any calendar year. In addition, on a monthly basis, any excess cash flow (as defined in the modification agreement) from the Offices at Greenhouse and the Institute Property is required to be deposited into an account which will serve as additional security for the loan.

KBSGI REIT Properties, LLC ("KBS GI REIT Properties"), the Company's wholly owned subsidiary, in connection with the Modified Term Loan, is providing a guaranty of the payment of (i) principal balance and any interest or other sums outstanding under the Modified Term Loan as of the date such amounts become due, and (ii) the principal balance and any interest or other sums outstanding under the Modified Term Loan in the event of: certain bankruptcy, insolvency or related proceedings involving the Borrower and KBS GI REIT Properties, as described in the loan documents. KBS GI REIT Properties is also providing a guaranty of the payment of certain liabilities, losses, damages, costs and expenses (including legal fees) incurred by the Lender as a result of certain intentional actions or omissions committed by the Borrower, KBS GI REIT Properties and/or any of their affiliates in violation of the loan documents, or certain other occurrences in relation to The Offices at Greenhouse, the Institute Property and/or the Borrower, as further described in the amended and restated guaranty.

PART I. FINANCIAL INFORMATION (CONTINUED)

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

The following discussion and analysis should be read in conjunction with the accompanying financial statements of KBS Growth & Income REIT, Inc. and the notes thereto. As used herein, the terms "we," "our" and "us" refer to KBS Growth & Income REIT, Inc., a Maryland corporation, and, as required by context, KBS Growth & Income Limited Partnership, a Delaware limited partnership, which we refer to as the "Operating Partnership," and to their subsidiaries.

Forward-Looking Statements

Certain statements included in this Quarterly Report on Form 10-Q are forward-looking statements. Those statements include statements regarding the intent, belief or current expectations of KBS Growth & Income REIT, Inc. and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "plans," "intends," "should" or similar expressions. These include statements about our plans, strategies, prospects and a proposed Plan of Liquidation (defined herein) and these statements are subject to known and unknown risks and uncertainties. Readers are cautioned not to place undue reliance on these forward-looking statements. Actual results may differ materially from those contemplated by such forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law. Moreover, you should interpret many of the risks identified in this report, as well as the risks set forth below, as being heightened as a result of the ongoing and numerous adverse impacts of the COVID-19 pandemic.

The following are some of the risks and uncertainties, although not all of the risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- The COVID-19 pandemic continues to be one of the most significant risks and uncertainties facing us and the real estate industry generally, and in particular office REITs like our company. We cannot predict to what extent economic activity, including the use of and demand for office space, will return to pre-pandemic levels. Even after the pandemic has ceased to be active, potential changes in customer behavior, such as the continued social acceptance, desirability and perceived economic benefits of work-from-home arrangements, resulting from the COVID-19 pandemic, could materially and negatively impact the future demand for office space, resulting in slower overall leasing and an adverse impact to our operations.
- Although our board of directors expects to approve the sale of all of our assets and our dissolution pursuant to a Plan of Liquidation and submit such plan to our stockholders for approval, we can give no assurance that our board of directors and/or our stockholders will approve a Plan of Liquidation, or if approved, that we will be able to successfully implement a Plan of Liquidation and sell our assets, pay our debts and distribute the net proceeds from liquidation to our stockholders as we intend. Given the uncertainty and current business disruptions as a result of the outbreak of COVID-19, as well as the current economic slowdown, the rising interest rate environment and inflation (or the public perception that any of these events may continue), and continued social unrest and increased crime in the Portland area where one of our properties is located, our implementation of a Plan of Liquidation, if approved by our board of directors and/or stockholders, may be materially and adversely impacted.
- We pay substantial fees to and expenses of our advisor and its affiliates. These payments decrease the amount of cash available for distribution to our stockholders.
- All of our executive officers, one of our directors and other key real estate and debt finance professionals are also officers, directors, managers, key professionals and/or holders of a direct or indirect controlling interest in our advisor, and/or other KBS-affiliated entities. As a result, they face conflicts of interest, including significant conflicts created by our advisor's and its affiliates' compensation arrangements with us and other KBS-sponsored programs and KBS-advised investors and conflicts in allocating time among us and these other programs and investors. Although we have adopted corporate governance measures to ameliorate some of the risks posed by these conflicts, these conflicts could result in action or inaction that is not in the best interests of our stockholders.
- As of June 30, 2022, we had a limited portfolio of four real estate investments, which may cause the value of an investment in us to vary more widely with the performance of specific assets in our portfolio and cause our general and administrative expenses to constitute a greater percentage of our revenue.
- Our advisor waived its asset management fee for the second and third quarters of 2017 and deferred its asset management fee related to the periods from October 2017 through June 2022. If our advisor determines to no longer waive or defer certain fees owed to them, our ability to fund our operations may be adversely affected.

- Our policies do not limit us from incurring debt until our aggregate borrowings would exceed 75% of the cost (before deducting depreciation or other non-cash reserves) of our tangible assets, and we may exceed this limit with the approval of the conflicts committee of our board of directors. High debt levels could limit the amount of cash we have available to distribute and could result in a decline in the value of our stockholders' investment.
- We have debt obligations with variable interest rates. The interest and related payments will vary with the movement of LIBOR or other indexes. Increases in the indexes could increase the amount of our debt payments and limit our ability to pay distributions to our stockholders.
- We depend on tenants for the revenue generated by our real estate investments and, accordingly, the revenue generated by our real estate investments is dependent upon the success and economic viability of our tenants. Revenues from our properties could decrease due to a reduction in occupancy (caused by factors including, but not limited to, tenant defaults, tenant insolvency, early termination of tenant leases and non-renewal of existing tenant leases), rent deferrals or abatements, tenants becoming unable to pay their rent and/or lower rental rates, making it more difficult for us to meet our debt service obligations and reducing our stockholders' returns. Further, the resale value of a property depends principally upon the value of the cash flow generated by the leases associated with that property. Non-renewals, terminations or lease defaults could reduce any net sales proceeds received upon the sale of the property and would adversely affect the amount of liquidating distributions our stockholders would receive if a Plan of Liquidation is approved by our board of directors and/or our stockholders.
- Our investments in real estate may be affected by unfavorable real estate market, the rising interest rate environment, and general economic conditions, which could decrease the value of those assets. Revenues from our properties could decrease. Such events would make it more difficult for us to meet our debt service obligations and successfully implement a Plan of Liquidation, which could in turn reduce our stockholders' returns and the amount of any liquidating distributions they receive.
- Continued disruptions in the financial markets, including the current economic slowdown, the rising interest rate environment and inflation (or the public perception that any of these events may continue) as well as changes in the demand for office properties and uncertain economic conditions could adversely affect our ability to successfully implement our business strategy and any Plan of Liquidation approved by our board of directors and/or our stockholders, which could reduce our stockholders' returns and the amount of any liquidating distributions they receive.
- Our share redemption program only provides for redemptions sought upon a stockholder's death, "qualifying disability" or "determination of incompetence" (each as defined in the share redemption program, and collectively "special redemptions"). The dollar amounts available for such redemptions are determined by the board of directors and may be adjusted from time to time. The dollar amount limitation for such redemptions for the calendar year 2022 was $250,000 in the aggregate, of which $26,000 was used for such special redemptions from January through July 2022. Our share redemption program does not provide for ordinary redemptions and we can provide no assurances, when, if ever, we will provide for redemptions other than special redemptions.

All forward-looking statements should be read in light of the risks identified herein and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, each as filed with the Securities and Exchange Commission (the "SEC").

Overview

We were formed on January 12, 2015 as a Maryland corporation that elected to be taxed as a real estate investment trust ("REIT") beginning with the taxable year ended December 31, 2015 and we intend to continue to operate in such a manner. Substantially all of our business is conducted through our Operating Partnership, of which we are the sole general partner. Subject to certain restrictions and limitations, our business is externally managed by our advisor pursuant to an advisory agreement. KBS Capital Advisors manages our operations and our portfolio of core real estate properties. KBS Capital Advisors also provides asset-management, marketing, investor-relations and other administrative services on our behalf. Our advisor acquired 20,000 shares of our Class A common stock for an initial investment of $200,000. We have no paid employees.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

We commenced a private placement offering of our shares of common stock that was exempt from registration pursuant to Rule 506(b) of Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), on June 11, 2015. We ceased offering shares in the primary portion of our private offering on April 27, 2016. KBS Capital Markets Group LLC, an affiliate of our advisor, served as the dealer manager of the offering pursuant to a dealer manager agreement.

On April 26, 2016, the SEC declared our registration statement on Form S-11, pursuant to which we registered shares of our common stock for sale to the public, effective, and we retained KBS Capital Markets Group LLC to serve as the dealer manager of the initial public offering. We terminated the primary initial public offering effective June 30, 2017. We terminated the distribution reinvestment plan offering effective August 20, 2020.

On October 3, 2017, we launched a second private placement offering of our shares of common stock that exempt from registration pursuant to Rule 506(c) of Regulation D of the Securities Act. In connection with the offering, we entered into a dealer manager agreement with KBS Capital Advisors and an unaffiliated third party. In December 2019, in connection with its consideration of strategic alternatives for us, our board of directors determined to suspend the second private offering and terminated the second private offering on August 5, 2020.

Through our capital raising activities, we raised $94.0 million from the sale of 10,403,922 shares of our common stock, including $8.5 million from the sale of 924,286 shares of common stock under our distribution reinvestment plan. As of June 30, 2022, we had 9,851,052 and 310,974 Class A and Class T shares outstanding, respectively.

We have used substantially all of the net proceeds from our offerings to invest in a portfolio of core real estate properties. We consider core properties to be existing properties with at least 80% occupancy. As of June 30, 2022, we owned four office buildings.

Going Concern Considerations

The accompanying consolidated financial statements and notes have been prepared assuming we will continue as a going concern. We have experienced a decline in occupancy from 90.4% as of December 31, 2020 to 74.5% as of June 30, 2022 and such occupancy may continue to decrease in the future as tenant leases expire. The decrease in occupancy has resulted in a decrease in cash flow from operations and has negatively impacted the market values of our properties in our portfolio. Additionally, the Commonwealth Building Mortgage Loan with an outstanding principal balance of $45.7 million is maturing in February 2023. Due to the decrease in occupancy and a decrease in market value of the property securing the Commonwealth Building Mortgage Loan, we do not expect to be able to extend or refinance that loan at current terms and may be required to pay down a portion of the maturing debt in order to extend or refinance the loan. With our limited amount of cash on hand, our ability to make any loan paydowns, without the sale of real estate assets, is severely limited. Additionally, in order to attract or retain tenants needed to increase occupancy and sustain operations, we will need to spend a substantial amount on capital leasing costs, however we have limited amounts of liquidity to make these capital commitments. These conditions raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to exercise our extension option or refinance our mortgage debt. No assurances can be given that we will be successful in achieving these objectives.

Plan of Liquidation

Our board of directors and a special committee composed of all of our independent directors (the "Special Committee") has undertaken a review of various strategic alternatives available to us and expects to approve the sale of all of our assets and our dissolution pursuant to the terms of a plan of complete liquidation and dissolution (a "Plan of Liquidation"). Once approved by our board of directors, a Plan of Liquidation will be submitted to our stockholders for approval. Our advisor has been working diligently to develop a Plan of Liquidation to present to our board of directors for approval; however, the impact of the COVID-19 pandemic on a Plan of Liquidation for our portfolio, as well as the decreased demand for office space as employees continue to work from home, the rising interest rate environment that is impacting the ability of buyers to obtain favorable financing and continued social unrest and increased crime in the Portland area where one of our properties is located, have created significant headwinds to finalizing a Plan of Liquidation. The principal purpose of a Plan of Liquidation will be to provide liquidity to our stockholders by selling our assets, paying our debts and distributing the net proceeds from liquidation to our stockholders. Although this is the current intention of our board of directors, we can provide no assurances as to the ultimate approval of a Plan of Liquidation or the timing of the liquidation of the company.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

If our board of directors and our stockholders approve a Plan of Liquidation, we intend to pursue an orderly liquidation of our company by selling all of our remaining assets, paying our debts and our known liabilities, providing for the payment of unknown or contingent liabilities, distributing the net proceeds from liquidation to our stockholders and winding up our operations and dissolving our company. In the interim, we intend to continue to manage our portfolio of assets to maintain and, if possible, improve the quality and income-producing ability of our properties to enhance property stability and better position our assets for a potential sale. A Plan of Liquidation remains subject to approval by our board of directors and our stockholders and we can give no assurance regarding the timing of our liquidation. Additional information regarding a Plan of Liquidation will be provided to our stockholders in a proxy statement to be distributed to stockholders in connection with a liquidation vote.

In connection with its consideration of a Plan of Liquidation, our board of directors determined to cease regular quarterly distributions. We expect any future distributions to our stockholders will be liquidating distributions.

We elected to be taxed as a REIT under the Internal Revenue Code, beginning with the taxable year ended December 31, 2015. If we meet the REIT qualification requirements, we generally will not be subject to federal income tax on the income that we distribute to our stockholders each year. If we fail to qualify for taxation as a REIT in any year after electing REIT status, our income will be taxed at regular corporate rates, and we may be precluded from qualifying for treatment as a REIT for the four-year period following our failure to qualify. Such an event could materially and adversely affect our net income and cash available for distribution to our stockholders. However, 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 beginning with our taxable year ended December 31, 2015, and we will continue to operate so as to remain qualified as a REIT for federal income tax purposes thereafter.

Market Outlook – Real Estate and Real Estate Finance Markets

Volatility in global financial markets, changing political environments and civil unrest can cause fluctuations in the performance of the U.S. commercial real estate markets. Possible future declines in rental rates, slower or potentially negative net absorption of leased space and expectations of future rental concessions, including free rent to renew tenants early, to retain tenants who are up for renewal or to attract new tenants, may result in decreases in cash flows from investment properties. Further, revenues from our properties could decrease due to a reduction in occupancy (caused by factors including, but not limited to, tenant defaults, tenant insolvency, early termination of tenant leases and non-renewal of existing tenant leases), rent deferrals or abatements, tenants being unable to pay their rent and/or lower rental rates. Reductions in revenues from our properties would adversely impact the timing of any asset sales and/or the sales price we will receive for our properties if a Plan of Liquidation is approved by our board of directors and/or our stockholders. To the extent there are increases in the cost of financing due to higher interest rates, this may cause difficulty in refinancing debt obligations at terms as favorable as the terms of existing indebtedness. Market conditions can change quickly, potentially negatively impacting the value of real estate investments. Management continuously reviews our investment and debt financing strategies to optimize our portfolio and the cost of our debt exposure. Most recently, the outbreak of COVID-19 as well as the current economic slowdown, the rising interest rate environment and inflation (or the public perception that any of these events may continue) have had a negative impact on the office real estate market as discussed below.

COVID-19 Pandemic and Portfolio Outlook

One of the most significant risks and uncertainties facing us and the real estate industry generally, and in particular office REITs like our company, continues to be the effect of the public health crisis of the novel coronavirus disease ("COVID-19") pandemic. We recognized impairment charges related to a projected reduction in cash flows as a result of changes in leasing projections that were impacted in part by the COVID-19 pandemic at the Institute Property and 210 W. Chicago during the year ended December 31, 2020, the Commonwealth Building during the year ended December 31, 2021 and the Commonwealth Building and the Institute Property during the six months ended June 30, 2022.

We cannot predict to what extent economic activity, including the use of and demand for office space, will return to pre-pandemic levels. During 2021 and the first and second quarters of 2022, the usage of our assets remained lower than pre-pandemic levels. In addition, we experienced a significant reduction in leasing interest and activity when compared to pre-pandemic levels. Even after the pandemic has ceased to be active, potential changes in customer behavior, such as the continued social acceptance, desirability and perceived economic benefits of work-from-home arrangements, resulting from the COVID-19 pandemic, could materially and negatively impact the future demand for office space, resulting in slower overall leasing and an adverse impact to our operations.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

The current challenging economic circumstances have created a difficult environment in which to continue to create value in our portfolio consistent with our core-plus investment strategy. The properties in our portfolio were acquired to provide an opportunity for us to achieve more significant capital appreciation by increasing occupancy, negotiating new leases with higher rental rates and/or executing enhancement projects, all of which have become more difficult as a result of the impacts of COVID-19 on the demand for office space, in particular in the Portland area where one of our properties is located due to the social unrest that continues in the area. In addition, due to the impact of COVID-19, the leasing environment in the short-term will be challenging and the time to lease up and stabilize a property will be extended. More specifically, our office properties in Portland and Chicago will likely take more time to stabilize than previously anticipated and our ability to create value for our stockholders through the stabilization and disposition of these assets will be adversely affected. In addition, the timing in which we may be able to implement a liquidation strategy will be affected.

Liquidity and Capital Resources

As described above under "—Overview – Going Concern Considerations," in preparing our financial statements for this annual reporting period, our management determined that substantial doubt exists about our ability to continue as a going concern within one year after the date that the financial statements are issued. In addition, as described above under "—Overview – Plan of Liquidation," our board of directors expects to approve the sale of all of our assets and our dissolution pursuant to the terms of a Plan of Liquidation and submit such plan to our stockholders for approval. The principal purpose of a Plan of Liquidation will be to provide liquidity to our stockholders by selling our assets, paying our debts and distributing the net proceeds from liquidation to our stockholders. Subject to the approval of our board of directors and our stockholders of a Plan of Liquidation we expect our principal demands for funds during the short and long-term are and will be for the payment of operating expenses, capital expenditures and general and administrative expenses, including expenses in connection with a Plan of Liquidation; payments under debt obligations; special redemptions of common stock; capital commitments; and payments of distributions to stockholders pursuant to a Plan of Liquidation. If a Plan of Liquidation is approved by our board of directors and our stockholders, we expect to use our cash on hand and proceeds from the sale of properties as our primary sources of liquidity. To the extent available, we also intend to use cash flow generated by our real estate investments and proceeds from debt financing; however, asset sales will further reduce cash flow from these sources during the implementation of a Plan of Liquidation, if it is approved by our board of directors and our stockholders. Although this is the current intention of our board of directors, we can provide no assurance as to the ultimate approval of a Plan of Liquidation or the timing of the liquidation of the company.

Our share redemption program only provides for special redemptions. The dollar amounts available for such redemptions are determined by the board of directors and may be adjusted from time to time. The dollar amount limitation for such redemptions for the calendar year 2022 is $250,000 in the aggregate, of which $26,000 was used for such special redemptions from January through July 2022. Our share redemption program does not provide for ordinary redemptions and we can provide no assurances, when, if ever, we will provide for redemptions other than special redemptions.

Our investments in real estate generate cash flow in the form of rental revenues and tenant reimbursements, which are reduced by operating expenditures, capital expenditures, debt service payments, the payment of asset management fees and corporate general and administrative expenses. Cash flow from operations from real estate investments is primarily dependent upon the occupancy level of our portfolio, the net effective rental rates on our leases, the collectibility of rent and operating recoveries from our tenants and how well we manage our expenditures, all of which may be adversely affected by the impact of the COVID-19 pandemic as discussed above and more recently inflation.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Our advisor advanced funds to us, which are non-interest bearing, for distribution record dates through the period ended May 31, 2016. We are only obligated to repay our advisor for its advance if and to the extent that:

(i) Our modified funds from operations ("MFFO"), as such term is defined by the Institute for Portfolio Alternatives and interpreted by us, for the immediately preceding quarter exceeds the amount of distributions declared for record dates of such prior quarter (an "MFFO Surplus"), and we will pay our advisor the amount of the MFFO Surplus to reduce the principal amount outstanding under the advance, provided that such payments shall only be made if management in its sole discretion expects an MFFO Surplus to be recurring for at least the next two calendar quarters, determined on a quarterly basis;

(ii) Excess proceeds from third-party financings are available ("Excess Proceeds"), provided that the amount of any such Excess Proceeds that may be used to repay the principal amount outstanding under the advance shall be determined by the conflicts committee in its sole discretion; or

(iii) Net sales proceeds from the sale of our real estate portfolio, after the pay down of any related debt and selling costs and expenses, are available.

In determining whether Excess Proceeds are available to repay the advance, our conflicts committee will consider whether cash on hand could have been used to reduce the amount of third-party financing provided to us. If such cash could have been used instead of third-party financing, the third-party financing proceeds will be available to repay the advance.

Our advisor may defer repayment of the advance notwithstanding that we would otherwise be obligated to repay the advance.

We expect that our debt financing and other liabilities will be between 45% and 65% of the cost of our tangible assets (before deducting depreciation and other non-cash reserves). Though this is our target leverage, our charter does not limit us from incurring debt until our aggregate borrowings would exceed 300% of our net assets (before deducting depreciation and other non-cash reserves), which is effectively 75% of the cost of our tangible assets (before deducting depreciation and other non-cash reserves), though we may exceed this limit under certain circumstances. To the extent financing in excess of this limit is available at attractive terms, the conflicts committee may approve debt in excess of this limit. As of June 30, 2022, we had mortgage debt obligations in the aggregate principal amount of $101.6 million and our aggregate borrowings were approximately 62% of our net assets before deducting depreciation and other non-cash reserves. As of June 30, 2022, we had two loans totaling $97.9 million maturing during the 12 months ending June 30, 2023. On August 1, 2022, we refinanced the Term Loan with an outstanding principal balance of $52.3 million, extending its maturity date to November 9, 2023. Due to the decrease in occupancy and a decrease in market value of the property securing the Commonwealth Building Mortgage Loan, we may be unable to extend or refinance the upcoming loan maturity of that loan at current terms and may be required to pay down a portion of the maturing debt in order to extend or refinance the loan. In addition, asset sales pursuant to a Plan of Liquidation, if approved by our board of directors and our stockholders, will further reduce proceeds available from debt financing.

In addition to using our capital resources to meet our debt service obligations, for capital expenditures and for operating costs, we use our capital resources to make certain payments to our advisor and our affiliated property manager.

We paid our advisor fees in connection with the acquisition of our assets and pay our advisor fees in connection with the management of our assets and costs incurred by our advisor in providing certain services to us. The asset management fee is a monthly fee payable to our advisor in an amount equal to one-twelfth of 1.0% of the cost of our investments including the portion of the investment that is debt financed. The cost of our real property investments is calculated as the amount paid or allocated to acquire the real property, plus budgeted capital improvement costs for the development, construction or improvements to the property once such funds are disbursed pursuant to a final approved budget and fees and expenses related to the acquisition, but excluding acquisition fees paid or payable to our advisor. In the case of investments made through joint ventures, the asset management fee is determined based on our proportionate share of the underlying investment. Our advisor waived asset management fees for the second and third quarters of 2017 and deferred payment of asset management fees related to the periods from October 2017 through June 30, 2022. Our advisor's waiver and deferral of its asset management fees resulted in additional cash being available to fund our operations. If our advisor chooses to no longer defer such fees, our ability to fund our operations may be adversely affected. We also continue to reimburse our advisor and our dealer manager for certain stockholder services.

We also pay fees to KBS Management Group, LLC (the "Co-Manager"), an affiliate of our advisor, pursuant to property management agreements with the Co-Manager, for certain property management services at our properties.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

We elected to be taxed as a REIT and to operate as a REIT beginning with our taxable year ended December 31, 2015. To maintain our qualification as a REIT, we will be required to make aggregate annual distributions to our stockholders of at least 90% of our REIT taxable income (computed without regard to the dividends-paid deduction and excluding net capital gain). Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant. We do not expect to pay regular quarterly distributions during the liquidation process. Further, we have not established a minimum distribution level.

Under our charter, we are required to limit our total operating expenses to the greater of 2% of our average invested assets or 25% of our net income for the four most recently completed fiscal quarters, as these terms are defined in our charter, unless the conflicts committee has determined that such excess expenses were justified based on unusual and non-recurring factors. Operating expenses for the four fiscal quarters ended June 30, 2022 did not exceed the charter-imposed limitation.

Cash Flows from Operating Activities

As of June 30, 2022, we owned four office properties. During the six months ended June 30, 2022, net cash used in operating activities was $0.9 million. During six months ended June 30, 2021, net cash provided by operating activities was $0.6 million. Net cash used in operating activities increased due to a decrease in rental income and the payment of lease commissions and lease incentives during 2022. We expect cash flows provided by operating activities to decrease in future periods to the extent a Plan of Liquidation is approved by our board of directors and our stockholders and we begin selling our assets. In addition, to the extent the impacts of COVID-19 continue to be felt by our tenants, our tenants may defer rent payments or be unable to pay rent or we may be unable to re-lease space vacated by our current tenants which could reduce our cash flow provided by operating activities. Further, downtown Portland, where one of our properties is located is experiencing record high vacancies due to the impact of the disruptions caused by protests and demonstrations and increased crime in the downtown area, and it is uncertain when the market will fully recover which we expect to adversely impact our cash flows from operating activities.

Cash Flows from Investing Activities

During the six months ended June 30, 2022, net cash used in investing activities was $0.6 million due to improvements to real estate.

Cash Flows from Financing Activities

During the six months ended June 30, 2022, net cash used in financing activities was $51,000 due to principal payments on notes payable and redemption of common stock.

Debt Obligations

The following is a summary of our contractual obligations as of June 30, 2022 (in thousands).

		Payments Due During the Years Ending December 31,		
Debt Obligations	**Total**	**Remainder of 2022**	**2023-2024**	**2025-2026**
Outstanding debt obligations [1] [2]	$ 101,629	$ 52,297	$ 49,332	$ —
Interest payments on outstanding debt obligations [2] [3]	2,088	1,720	368	—

[1] Amounts include principal payments only.

[2] On August 1, 2022, we entered into a modification agreement with the lender of the Term Loan to (i) extend the maturity date to November 9, 2023, (ii) convert the revolving commitment to term commitment and (iii) reset the interest rate of the loan. See "– Subsequent Events – Modified Term Loan."

[3] Projected interest payments are based on the outstanding principal amount, maturity date and contractual interest rate in effect as of June 30, 2022 (consisting of the contractual interest rate and the effect of interest rate swaps). We incurred interest expense of $1.6 million, excluding amortization of deferred financing costs totaling $0.1 million and unrealized gains on derivative instruments of $0.6 million during the six months ended June 30, 2022.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Results of Operations

Overview

As of June 30, 2022 and 2021, we owned four office properties. If a Plan of Liquidation is approved by our board of directors and our stockholders, we will undertake an orderly liquidation by selling all of our assets, paying our debts, providing for known and unknown liabilities and distributing the net proceeds from liquidation to our stockholders. There can be no assurances regarding the amounts of any liquidating distributions or the timing thereof. In general, subject to other factors as described below, we expect income and expenses to decrease in future periods due to disposition activity.

The following table provides summary information about our results of operations for the three and six months ended June 30, 2022 and 2021 (dollar amounts in thousands):

Comparison of the three months ended June 30, 2022 versus the three months ended June 30, 2021

	For the Three Months Ended June 30,		Increase (Decrease)	Percentage Change
	2022	2021		
Rental income	$ 3,631	$ 4,081	$ (450)	(11)%
Other operating income	35	48	(13)	(27)%
Operating, maintenance and management costs	942	935	7	1 %
Property management fees and expenses to affiliate	22	28	(6)	(21)%
Real estate taxes and insurance	772	728	44	6 %
Asset management fees to affiliate	436	434	2	— %
General and administrative expenses	412	445	(33)	(7)%
Depreciation and amortization	1,504	1,896	(392)	(21)%
Interest expense	689	608	81	13 %
Impairment charges on real estate	8,409	—	8,409	100 %

Rental income decreased from $4.1 million for the three months ended June 30, 2021 to $3.6 million for the three months ended June 30, 2022, primarily due to a decrease in occupancy rate from 82.1% as of June 30, 2021 to 74.5% as of June 30, 2022 as a result of lease expirations. Overall, we expect rental income to decrease in future periods due to anticipated future dispositions of real estate properties and uncertainty and business disruptions as a result of the outbreak of COVID-19 and social unrest in the Portland area where one of our properties is located. See "Market Outlook - Real Estate and Real Estate Finance Markets - COVID-19 Pandemic and Portfolio Outlook" for a discussion on the impact of the COVID-19 pandemic on our business.

Operating, maintenance, and management costs remained consistent at $0.9 million for the three months ended June 30, 2022 and 2021. We expect operating, maintenance, and management costs to decrease in future periods due to anticipated future dispositions of real estate properties, offset by general increase due to inflation and as physical occupancy increases as employees return to the office.

Real estate taxes and insurance increased slightly from $0.7 million for the three months ended June 30, 2021 to $0.8 million for the three months ended June 30, 2022, primarily due to an increase in property taxes due to increased property values and rates. We expect real estate taxes and insurance to decrease in future periods due to anticipated future dispositions of real estate properties, partially offset by general increase due to inflation.

Asset management fees to affiliate remained consistent at $0.4 million for the three months ended June 30, 2022 and 2021. We expect asset management fees to decrease in future periods due to anticipated future dispositions of real estate properties, partially offset by increases in capital improvements. As of June 30, 2022, we had accrued and deferred payment of $8.5 million of asset management fees related to the periods from October 2017 through June 30, 2022.

General and administrative expenses remained consistent at $0.4 million for the three months ended June 30, 2022 and 2021. General and administrative costs consisted primarily of legal fees, internal audit compensation expense, errors and omissions insurance, board of directors fees and audit cost.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Depreciation and amortization decreased from $1.9 million for the three months ended June 30, 2021 to $1.5 million for the three months ended June 30, 2022, primarily due to lease expirations, early lease terminations and reduced depreciable asset basis for the Commonwealth Building as a result of non-cash impairment charges recorded subsequent to June 30, 2021. We expect depreciation and amortization to decrease in future periods due to anticipated future dispositions of real estate properties and fully amortized tenant origination and absorption costs related to lease expirations, partially offset by increases in capital improvements.

Interest expense increased from $0.6 million for the three months ended June 30, 2021 to $0.7 million for the three months ended June 30, 2022. Included in interest expense is the amortization of deferred financing costs of $0.1 million for the three months ended June 30, 2022 and 2021. Interest expense (including gains and losses) incurred as a result of our derivative instruments, decreased interest expense by $0.1 million for the three months ended June 30, 2022 and increased interest expense by $28,000 for the three months ended June 30, 2021. The increase in interest expense is primarily due to an increase in one-month LIBOR and its impact on interest expense related to our variable rate debt, offset by a decrease in interest expense due to the expiration of an interest rate swap in November 2021 that was not accounted for as a cash flow hedge. In general, we expect interest expense to decrease in future periods due to debt repayments related to anticipated future asset sales, which may be offset by certain fees and costs that may be incurred due to the prepayment of certain loans. Our interest expense in future periods will also vary based on fluctuations in one-month LIBOR (for our unhedged variable rate debt) and our level of future borrowings, which will depend on the availability and cost of debt financing, draws on our debts and any debt repayments we make.

During the three months ended June 30, 2022, we recorded non-cash impairment charges of $8.4 million related to the Commonwealth Building as a result of a continued decrease in occupancy and changes in cash flow estimates including a change in leasing projections, which triggered the future estimated undiscounted cash flows to be lower than the net carrying value of the property. As of June 30, 2022, the Commonwealth Building was 51.8% occupied. We are projecting longer lease-up periods for the vacant space as demand for office space in Portland has significantly declined as a result of both the COVID-19 pandemic, with employees continuing to work from home, and the impact of the disruptions caused by protests and demonstrations and increased crime in the downtown area. Downtown Portland is experiencing record high office vacancies and it is uncertain when the market will fully recover.

Comparison of the six months ended June 30, 2022 versus the six months ended June 30, 2021

	For the Six Months Ended June 30,		Increase (Decrease)	Percentage Change
	2022	2021		
Rental income	$ 7,317	$ 8,375	$ (1,058)	(13)%
Other operating income	76	69	7	10 %
Operating, maintenance and management costs	1,825	1,765	60	3 %
Property management fees and expenses to affiliate	46	59	(13)	(22)%
Real estate taxes and insurance	1,556	1,494	62	4 %
Asset management fees to affiliate	866	862	4	— %
General and administrative expenses	1,033	922	111	12 %
Depreciation and amortization	3,052	3,878	(826)	(21)%
Interest expense	1,141	1,181	(40)	(3)%
Impairment charges on real estate	11,733	—	11,733	100 %

Rental income decreased from $8.4 million for the six months ended June 30, 2021 to $7.3 million for the six months ended June 30, 2022, primarily due to a decrease in occupancy rate from 82.1% as of June 30, 2021 to 74.5% as of June 30, 2022 as a result of lease expirations. Overall, we expect rental income to decrease in future periods due to anticipated future dispositions of real estate properties and uncertainty and business disruptions as a result of the outbreak of COVID-19 and social unrest in the Portland area where one of our properties is located. See "Market Outlook - Real Estate and Real Estate Finance Markets - COVID-19 Pandemic and Portfolio Outlook" for a discussion on the impact of the COVID-19 pandemic on our business.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Operating, maintenance, and management costs remained consistent at $1.8 million for the six months ended June 30, 2022 and 2021. We expect operating, maintenance, and management costs to decrease in future periods due to anticipated future dispositions of real estate properties, offset by general increase due to inflation and as physical occupancy increases as employees return to the office.

Real estate taxes and insurance increased slightly from $1.5 million for the six months ended June 30, 2021 to $1.6 million for the six months ended June 30, 2022, primarily due to a net increase in property taxes due to increased property values and rates. We expect real estate taxes and insurance to decrease in future periods due to anticipated future dispositions of real estate properties, partially offset by general increase due to inflation.

Asset management fees to affiliate remained consistent at $0.9 million for the six months ended June 30, 2022 and 2021. We expect asset management fees to decrease in future periods due to anticipated future dispositions of real estate properties, partially offset by increases in capital improvements. As of June 30, 2022, we had accrued and deferred payment of $8.5 million of asset management fees related to the periods from October 2017 through June 30, 2022.

General and administrative expenses increased from $0.9 million for the six months ended June 30, 2021 to $1.0 million for the six months ended June 30, 2022, primarily due to legal fees related to our plan of liquidation incurred during the six months ended June 30, 2022. General and administrative costs consisted primarily of legal fees, internal audit compensation expense, errors and omissions insurance, board of directors fees and audit cost.

Depreciation and amortization decreased from $3.9 million for the six months ended June 30, 2021 to $3.1 million for the six months ended June 30, 2022, primarily due to lease expirations, early lease terminations and reduced depreciable asset basis for the Commonwealth Building as a result of non-cash impairment charges recorded subsequent to June 30, 2021. We expect depreciation and amortization to decrease in future periods due to anticipated future dispositions of real estate properties and fully amortized tenant origination and absorption costs related to lease expirations, partially offset by increases in capital improvements.

Interest expense decreased slightly from $1.2 million for the six months ended June 30, 2021 to $1.1 million for the six months ended June 30, 2022. Included in interest expense is the amortization of deferred financing costs of $0.1 million for the six months ended June 30, 2022 and 2021. Interest expense (including gains and losses) incurred as a result of our derivative instruments, decreased interest expense by $0.2 million for the six months ended June 30, 2022 and increased interest expense by $31,000 for the six months ended June 30, 2021. The decrease in interest expense is primarily due to the expiration of an interest rate swap in November 2021 that was not accounted for as a cash flow hedge, offset by an increase in one-month LIBOR and its impact on interest expense related to our variable rate debt. In general, we expect interest expense to decrease in future periods due to debt repayments related to anticipated future asset sales, which may be offset by certain fees and costs that may be incurred due to the prepayment of certain loans. Our interest expense in future periods will also vary based on fluctuations in one-month LIBOR (for our unhedged variable rate debt) and our level of future borrowings, which will depend on the availability and cost of debt financing, draws on our debts and any debt repayments we make.

During the six months ended June 30, 2022, we recorded non-cash impairment charges of $11.7 million to write down the carrying value of the Commonwealth Building, an office property located in Portland, Oregon and the Institute Property, an office property located in Chicago, Illinois, to their estimated fair values as a result of changes in cash flow estimates including a change in leasing projections, which triggered the future estimated undiscounted cash flows to be lower than the net carrying value of the properties. In addition, the Commonwealth Building has experienced a continued decrease in occupancy. As of June 30, 2022, the Commonwealth Building was 51.8% occupied. The decrease in cash flow projections during the six months ended June 30, 2022 was primarily due to reduced demand for the office space at both properties resulting in longer lease-up periods and a decrease in projected rental rates due to the COVID-19 pandemic which resulted in additional challenges to re-lease the vacant space. Moreover, the decrease in cash flow projections during the six months ended June 30, 2022 for the Commonwealth building was also affected by the disruptions caused by protests and demonstrations and increased crime in the downtown area of Portland, where the property is located. Further, tenants at the Institute Property have been adversely impacted by the measures put in place to control the spread of COVID-19 and certain tenants at the Institute Property were granted rent concessions as their businesses have been severely impacted. We did not record any impairment charges on our real estate properties during the six months ended June 30, 2021.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Funds from Operations and Modified Funds from Operations

We believe that funds from operations ("FFO") is a beneficial indicator of the performance of an equity REIT. We compute FFO in accordance with the current National Association of Real Estate Investment Trusts ("NAREIT") definition. FFO represents net income, excluding gains and losses from sales of operating real estate assets (which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates), gains and losses from change in control, impairment losses on real estate assets, depreciation and amortization of real estate assets, and adjustments for unconsolidated partnerships and joint ventures. We believe FFO facilitates comparisons of operating performance between periods and among other REITs. However, our computation of FFO may not be comparable to other REITs that do not define FFO in accordance with the NAREIT definition or that interpret the current NAREIT definition differently than we do. Our management believes that historical cost accounting for real estate assets in accordance with U.S. generally accepted accounting principles ("GAAP") implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, we believe that the use of FFO, together with the required GAAP presentations, provides a more complete understanding of our performance relative to our competitors and provides a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities.

Changes in accounting rules have resulted in a substantial increase in the number of non-operating and non-cash items included in the calculation of FFO. As a result, our management also uses MFFO as an indicator of our ongoing performance as well as our dividend sustainability. MFFO excludes from FFO: acquisition fees and expenses (to the extent that such fees and expenses have been recorded as operating expenses); adjustments related to contingent purchase price obligations; amounts relating to straight-line rents and amortization of above and below market intangible lease assets and liabilities; accretion of discounts and amortization of premiums on debt investments; amortization of closing costs relating to debt investments; impairments of real estate-related investments; mark-to-market adjustments included in net income; and gains or losses included in net income for the extinguishment or sale of debt or hedges. We compute MFFO in accordance with the definition of MFFO included in the practice guideline issued by the IPA in November 2010 as interpreted by management. Our computation of MFFO may not be comparable to other REITs that do not compute MFFO in accordance with the current IPA definition or that interpret the current IPA definition differently than we do.

We believe that MFFO is helpful as a measure of ongoing operating performance because it excludes costs that management considers more reflective of investing activities and other non-operating items included in FFO. Management believes that, by excluding acquisition costs (to the extent such costs have been recorded as operating expenses) as well as non-cash items such as straight line rental revenue, MFFO provides investors with supplemental performance information that is consistent with the performance indicators and analysis used by management, in addition to net income and cash flows from operating activities as defined by GAAP, to evaluate the sustainability of our operating performance. MFFO provides comparability in evaluating the operating performance of our portfolio with other non-traded REITs which typically have limited lives with short and defined acquisition periods and targeted exit strategies. MFFO, or an equivalent measure, is routinely reported by non-traded REITs, and we believe often used by analysts and investors for comparison purposes.

FFO and MFFO are non-GAAP financial measures and do not represent net income as defined by GAAP. Net income as defined by GAAP is the most relevant measure in determining our operating performance because FFO and MFFO include adjustments that investors may deem subjective, such as adding back expenses such as depreciation and amortization and the other items described above. Accordingly, FFO and MFFO should not be considered as alternatives to net income as an indicator of our current and historical operating performance. In addition, FFO and MFFO do not represent cash flows from operating activities determined in accordance with GAAP and should not be considered an indication of our liquidity. We believe FFO and MFFO, in addition to net income and cash flows from operating activities as defined by GAAP, are meaningful supplemental performance measures.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Although MFFO includes other adjustments, the exclusion of adjustments for straight-line rent, the amortization of above- and below-market leases and unrealized (gains) losses on derivative instruments are the most significant adjustments for the periods presented. We have excluded these items based on the following economic considerations:

- *Adjustments for straight-line rent.* These are adjustments to rental revenue as required by GAAP to recognize contractual lease payments on a straight-line basis over the life of the respective lease. We have excluded these adjustments in our calculation of MFFO to more appropriately reflect the current economic impact of our in-place leases, while also providing investors with a useful supplemental metric that addresses core operating performance by removing rent we expect to receive in a future period or rent that was received in a prior period;
- *Amortization of above- and below-market leases.* Similar to depreciation and amortization of real estate assets and lease related costs that are excluded from FFO, GAAP implicitly assumes that the value of intangible lease assets and liabilities diminishes predictably over time and requires that these charges be recognized currently in revenue. Since market lease rates in the aggregate have historically risen or fallen with local market conditions, management believes that by excluding these charges, MFFO provides useful supplemental information on the realized economics of the real estate; and
- *Unrealized (gains) losses on derivative instruments.* These adjustments include unrealized (gains) losses from mark-to-market adjustments on interest rate swaps. The change in fair value of interest rate swaps not designated as a hedge are non-cash adjustments recognized directly in earnings and are included in interest expense. We have excluded these adjustments in our calculation of MFFO to more appropriately reflect the economic impact of our interest rate swap agreements.

Our calculation of FFO, which we believe is consistent with the calculation of FFO as defined by NAREIT, is presented in the following table, along with our calculation of MFFO, for the three and six months ended June 30, 2022 and 2021, respectively (in thousands). No conclusions or comparisons should be made from the presentation of these periods.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	$ (9,515)	$ (945)	$ (13,854)	$ (1,717)
Depreciation of real estate assets	922	1,141	1,859	2,309
Amortization of lease-related costs	582	755	1,193	1,569
Impairment charges on real estate	8,409	—	11,733	—
FFO	398	951	931	2,161
Straight-line rent and amortization of above- and below-market leases, net	(320)	(133)	(657)	(216)
Unrealized gain on derivative instruments	(223)	(417)	(564)	(850)
MFFO	$ (145)	$ 401	$ (290)	$ 1,095

FFO and MFFO may also be used to fund all or a portion of certain capitalizable items that are excluded from FFO and MFFO, such as tenant improvements, building improvements and deferred leasing costs.

Distributions

Cash distributions will be determined by our board of directors based on our financial condition and such other factors as our board of directors deems relevant. Our board of directors has not pre-established a percentage rate of return for cash distributions to stockholders. We have not established a minimum distribution level, and our charter does not require that we make distributions to our stockholders. In connection with its consideration of a Plan of Liquidation, our board of directors determined to cease paying regular quarterly distributions with the expectation that any future distributions to our stockholders would be liquidating distributions from the sale of our remaining assets.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Critical Accounting Policies

Our consolidated interim financial statements and condensed notes thereto have been prepared in accordance with GAAP and in conjunction with the rules and regulations of the SEC. The preparation of our financial statements requires significant management judgments, assumptions and estimates about matters that are inherently uncertain. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses. A discussion of the accounting policies that management considers critical in that they involve significant management judgments, assumptions and estimates is included in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC. There have been no significant changes to our accounting policies during 2022.

Subsequent Events

We evaluate subsequent events up until the date the consolidated financial statements are issued.

Modified Term Loan

On August 1, 2022, we, through our wholly owned subsidiaries (collectively, the "Borrower"), entered into a modification agreement to the Term Loan (the "Modified Term Loan") with JP Morgan Chase Bank, N.A. (the "Lender") to (i) extend the maturity date from November 9, 2022 to November 9, 2023, (ii) convert the revolving commitment to term commitment and (iii) reset the interest rate of the Term Loan. The Modified Term Loan has an outstanding balance of $52.3 million, which is the maximum term commitment available under the Modified Term Loan. The Modified Term Loan continues to be secured by the Offices at Greenhouse and the Institute Property.

The Modified Term Loan bears interest at the forward-looking term rate based on SOFR ("Secured Overnight Financing Rate") with a tenor comparable to one-month plus 10 basis points ("Adjusted Term SOFR") plus 200 basis points per annum prior to May 9, 2023. After May 9, 2023, the Modified Term Loan will bear interest at Adjusted Term SOFR plus 250 basis points per annum. Monthly payments are interest-only with the remaining principal balance, all accrued and unpaid interest and all other sums due under the loan documents payable at maturity. We have the right to prepay all or a portion of the Modified Term Loan at any time, subject to certain fees and conditions contained in the loan documents.

Subject to certain terms and conditions contained in the loan documents, cash currently held by us may only be used for our operating costs including but not limited to our general and administrative costs, liquidation costs (which may include proxy solicitation costs, DST transfer agent costs, legal costs, tail insurance policy costs and other reasonable and customary costs to maintain the company in good standing), capital costs (including building improvements, tenant improvements and leasing commissions at its owned properties) and any other reasonable costs and expenses required to maintain the company as a going concern (collectively "REIT Operating Costs"), but for no other purpose. Further, we are required to deposit any cash amount exceeding $7.0 million into an account controlled by the Lender or apply it to pay down the Modified Term Loan. We are prohibited from making any cash distributions (other than REIT Operating Costs) except for amounts needed to maintain REIT status and redemptions sought upon a stockholder's death, "qualifying disability" or "determination of incompetence" (each as defined in the share redemption program) not exceeding $250,000 annually, in the aggregate, for any calendar year. In addition, on a monthly basis, any excess cash flow (as defined in the modification agreement) from the Offices at Greenhouse and the Institute Property is required to be deposited into an account which will serve as additional security for the loan.

KBSGI REIT Properties, LLC ("KBS GI REIT Properties"), our wholly owned subsidiary, in connection with the Modified Term Loan, is providing a guaranty of the payment of (i) principal balance and any interest or other sums outstanding under the Modified Term Loan as of the date such amounts become due, and (ii) the principal balance and any interest or other sums outstanding under the Modified Term Loan in the event of: certain bankruptcy, insolvency or related proceedings involving the Borrower and KBS GI REIT Properties, as described in the loan documents. KBS GI REIT Properties is also providing a guaranty of the payment of certain liabilities, losses, damages, costs and expenses (including legal fees) incurred by the Lender as a result of certain intentional actions or omissions committed by the Borrower, KBS GI REIT Properties and/or any of their affiliates in violation of the loan documents, or certain other occurrences in relation to The Offices at Greenhouse, the Institute Property and/or the Borrower, as further described in the amended and restated guaranty.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the effects of interest rate changes as a result of borrowings used to maintain liquidity and to fund the financing and refinancing of our real estate investment portfolio and operations. Our profitability and the value of our real estate investment portfolio may be adversely affected during any period as a result of interest rate changes. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings, prepayment penalties and cash flows and to lower overall borrowing costs. We may manage interest rate risk by maintaining a ratio of fixed rate, long-term debt such that variable rate exposure is kept at an acceptable level or we may utilize a variety of financial instruments, including interest rate caps, floors, and swap agreements, in order to limit the effects of changes in interest rates on our operations. When we use these types of derivatives to hedge the risk of interest-earning assets or interest-bearing liabilities, we may be subject to certain risks, including the risk that losses on a hedge position will reduce the funds available for the payment of distributions to our stockholders and that the losses may exceed the amount we invested in the instruments.

We borrow funds at a combination of fixed and variable rates. Interest rate fluctuations will generally not affect future earnings or cash flows on fixed rate debt unless such debt mature or is otherwise terminated. However, interest rate changes will affect the fair value of fixed rate instruments. At June 30, 2022, we did not have any fixed rate debt outstanding.

Conversely, movements in interest rates on variable rate debt would change future earnings and cash flows, but not significantly affect the fair value of the debt. However, changes in required risk premiums would result in changes in the fair value of variable rate instruments. At June 30, 2022, we were exposed to market risks related to fluctuations in interest rates on $71.6 million of variable rate debt outstanding, after giving consideration to the impact of interest rate swap agreements on approximately $30.0 million of our variable debt. Based on interest rates as of June 30, 2022, if interest rates were 100 basis points higher or lower during the 12 months ending June 30, 2023, interest expense on our variable rate debt would increase or decrease by $0.7 million.

The weighted average interest rate of our variable rate debt at June 30, 2022 was 4.0%. The interest rate represents the actual interest rate in effect at June 30, 2022 (consisting of the contractual interest rate and the effect of interest rate swaps, if applicable), using interest rate indices as of June 30, 2022 where applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, management, including our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon, and as of the date of, the evaluation, our principal executive officer and principal financial officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file and submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Please see the risks discussed below and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021 as filed with the SEC.

If our advisor determines to no longer waive or defer certain fees due to them, our ability to fund our operations may be adversely affected.

From time to time, our advisor may agree to waive or defer all or a portion of the asset management or other fees, compensation or incentives due to it, pay general administrative expenses or otherwise supplement stockholder returns in order to increase the amount of cash available to fund our operations or make distributions to stockholders. Specifically, in the second and third quarters of 2017, our advisor waived its asset management fee and beginning October 2017 through June 30, 2022, the advisor deferred its asset management fee. If our advisor chooses to no longer waive or defer such fees, our ability to fund our operations may be adversely affected.

Item 2. Unregistered Sales of Equity and Use of Proceeds

a). During the period covered by this Form 10-Q, no equity securities that were not registered under the Securities Act of 1933 (the “Act”) were sold.

b). Not applicable.

c). We have adopted a share redemption program that may enable stockholders to sell their shares to us in limited circumstances.

Currently, our share redemption program is only available for redemptions sought upon a stockholder’s death, “qualifying disability” or “determination of incompetence” (each as defined in the share redemption program, and collectively “special redemptions”).

Pursuant to the share redemption program, as amended to date, there are several limitations on our ability to redeem shares:

- During each calendar year, special redemptions are limited to an annual dollar amount determined by our board of directors, which may be reviewed during the year and increased or decreased upon ten business days’ notice to our stockholders. The dollar amount limitation for the calendar year 2022 is $250,000 in the aggregate, as may be reviewed and adjusted from time to time by our board of directors.
- During any calendar year, we may redeem no more than 5% of the weighted-average number of shares outstanding during the prior calendar year.
- We have no obligation to redeem shares if the redemption would violate the restrictions on distributions under Maryland law, which prohibits distributions that would cause a corporation to fail to meet statutory tests of solvency.

Special redemptions are redeemed at a price equal to the most recent estimated NAV per share as of the applicable redemption date. On December 6, 2021, our board of directors approved an estimated NAV per share of our common stock of $3.38 based on the estimated value of our assets less the estimated value of our liabilities, or NAV, divided by the number of shares outstanding, all as of September 30, 2021. For a full description of the methodologies used to value our assets and liabilities in connection with the calculation of our estimated NAV per share as of September 30, 2021, see the Current Report on Form 8-K filed with the SEC on December 10, 2021. We expect to update the estimated NAV annually in December.

We may amend, suspend or terminate our share redemption program upon 10 business days’ notice. We redeem shares on the last business day of each month. For a stockholder’s shares to be eligible for redemption in a given month or to withdraw a redemption request, we must receive a written notice from the stockholder or from an authorized representative of the stockholder in good order and on a form approved by us at least five business days before the redemption date.

PART II. OTHER INFORMATION (CONTINUED)

Item 2. Unregistered Sales of Equity and Use of Proceeds (continued)

During the six months ended June 30, 2022, redemptions under our share redemption program were funded with existing cash on hand and shares were redeemed pursuant to our share redemption program as follows:

Month	Total Number of Shares Redeemed	Average Price Paid Per Share [1]	Approximate Dollar Value of Shares Available That May Yet Be Redeemed Under the Program
January 2022	166	$ 3.38	[2]
February 2022	4,112	$ 3.38	[2]
March 2022	—	$ —	[2]
April 2022	—	$ —	[2]
May 2022	—	$ —	[2]
June 2022	—	$ —	[2]
Total	4,278		

[1] The prices at which we redeem shares under the program are as set forth above.

[2] We limit the dollar value of shares that may be redeemed under the program as described above. Based on the redemption limitation described above and redemptions through June 30, 2022, we may redeem up to $236,000 of shares for the remainder of 2022.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Table of Contents

PART II. OTHER INFORMATION (CONTINUED)

Item 6. Exhibits

Ex.	Description
3.1	Second Articles of Amendment and Restatement, incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-11 filed October 16, 2015
3.2	Second Amended and Restated Bylaws, incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-11 filed October 16, 2015
3.3	Articles Supplementary for Class T Shares, incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-11 filed April 20, 2016
4.1	Statement regarding restrictions in transferability of shares of common stock issued in a private offering (to be sent upon request and without charge to stockholders), incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed November 9, 2017
4.2	Statement regarding restrictions on transferability of shares of common stock issued in a public offering (to be sent upon request and without charge to stockholders), incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed November 9, 2017
4.3	Multiple Class Plan, effective as of April 11, 2016, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-11 filed April 20, 2016
10.1	Second Modification Agreement by and among KBSGI Office at Greeanhouse, LLC and KBSGI 213 West Institute Place, LLC and JPMORGAN CHASE BANK, N.A. dated August 1, 2022
10.2	Second Amended and Restated Guaranty by KBSGI REIT Properties, LLC for the benefit of JPMorgan Chase Bank, N.A. dated August 1, 2022
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Second Amended and Restated Share Redemption Program, incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed December 10, 2018
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

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

KBS GROWTH & INCOME REIT, INC.

Date:	August 12, 2022	By:	/S/ CHARLES J. SCHREIBER, JR.
			Charles J. Schreiber, Jr. *Chairman of the Board,* *Chief Executive Officer, President and Director* (principal executive officer)
Date:	August 12, 2022	By:	/S/ JEFFREY K. WALDVOGEL
			Jeffrey K. Waldvogel *Chief Financial Officer, Treasurer and Secretary* (principal financial officer)

<u>Exhibit 31.1</u>

Certification of Chief Executive Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Charles J. Schreiber, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBS Growth & Income REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2022

By: /S/ CHARLES J. SCHREIBER, JR.

Charles J. Schreiber, Jr.

Chairman of the Board,
Chief Executive Officer, President and Director
(principal executive officer)

Exhibit 31.2

Certification of Chief Financial Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey K. Waldvogel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBS Growth & Income REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2022

By: /S/ JEFFREY K. WALDVOGEL

Jeffrey K. Waldvogel
Chief Financial Officer, Treasurer and Secretary
(principal financial officer)

Exhibit 32.1

Certification pursuant to 18 U.S.C. Section 1350,
as Adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of KBS Growth & Income REIT, Inc. (the "Registrant") for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Charles J. Schreiber Jr., Chief Executive Officer, President and Director of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

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

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

Date: August 12, 2022

By: /S/ CHARLES J. SCHREIBER, JR.

Charles J. Schreiber, Jr.

Chairman of the Board,
Chief Executive Officer, President and Director

(principal executive officer)

Exhibit 32.2

**Certification pursuant to 18 U.S.C. Section 1350,
as Adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of KBS Growth & Income REIT, Inc. (the “Registrant”) for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Jeffrey K. Waldvogel, the Chief Financial Officer, Treasurer and Secretary of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

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

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

Date: August 12, 2022

By: /S/ JEFFREY K. WALDVOGEL

Jeffrey K. Waldvogel

Chief Financial Officer, Treasurer and Secretary

(principal financial officer)