



**STAG**  
INDUSTRIAL

**2019 ANNUAL REPORT**



# STAG: SINGLE TENANT ACQUISITION GROUP

STAG Industrial, Inc. (NYSE: STAG) is a real estate investment trust (REIT) focused on the acquisition and operation of single-tenant, industrial properties throughout the United States.

STAG acquires individual, single-tenant industrial properties that are priced according to the binary nature of their cash flows. The acquisition of these properties and the addition of the binary risk cash flows they generate to a diversified portfolio mitigate the risk and enhance the stability of cash flow derived from the portfolio. By precisely targeting single-tenant industrial properties, adhering to a relative value investment model and developing operational expertise in its target markets, STAG has consistently delivered a combination of both income and growth to its shareholders.



CASH NOI GROWTH  
**17.8%**

FFO GROWTH 22.6%

**\$1.2B**  
ACQUIRED

6.4% CAPITALIZATION RATE · 69 BUILDINGS



OPERATING PORTFOLIO  
OCCUPANCY

**96.6%**

91M SQ FT · 38 STATES · 414 TENANTS

**9.6M**  
SQ FT LEASED

18.2% STRAIGHT-LINE  
RENT CHANGE



## Dear Shareholders,

I am very proud of the progress and improvement of our Company since going public in 2011. Last year was particularly satisfying with both record acquisition volume and improved operational results. Our use of data is at the heart of these achievements.

Commercial real estate has long been viewed as one of the last business sectors to embrace technology and data analytics – and rightly so. All too often, ‘conventional wisdom’ or ‘decision rules’ were applied instead of on-point analytics. Information sharing has been limited and ‘proprietary information’ was closely guarded and its value likely overstated. This is changing.

Even laggards like the commercial real estate industry are not immune to progress. The cost and availability of pertinent information has changed dramatically – the world is a far more transparent place. In this increasingly data rich world, the companies that employ data analytics will outperform those that cling to the old methods. The ‘data rich’ sectors (like multi-family and storage) have made great progress – particularly in the area of revenue maximization.

Industrial has been a laggard as robust data is harder to come by – large tenant sizes and long lease terms lead to significantly fewer leases to be observed. A lack of robust and verifiable information around those leases compounds the data problem.

Over the past few years, STAG has continued to ramp up its focus on data – both on collection and on subsequent use. Since our humble beginnings as a private company in 2004, we have worked to build a team and culture that embraces both curiosity and innovation. Our use of data and analytics have been key differentiators in our dramatic growth both prior to and subsequent to our IPO in April of 2011.

One example of our use of data to identify new acquisition opportunities through our proprietary ‘STAG Radar.’ In the early iterations of the ‘Radar,’ we melded various data sources to identify markets and submarkets where we were most likely to find acquisitions that would provide adequate returns for our shareholders. The examined data included prevailing cap rates, level of competition for assets, projected rent growth and macro trends. The resulting market (and submarket) ‘scores’ provided direction for our acquisition teams – where was their time most likely to produce completed, long-run accretive acquisitions. In the most recent iterations of the ‘Radar’ we have added additional data sources to allow us to target specific buildings and potentially tenants to pursue in a submarket. This has added to the efficiency of our acquisition efforts and resulted

in year over year increases in our ‘hit rate’ – the percentage of buildings acquired out of the pool of buildings underwritten. It has also allowed us to identify tenants that may be coming to the end of their lease in competitive buildings as an additional source of potential new tenants for our buildings.

Other examples of our data initiatives include our ongoing analysis of down time and retention. These analyses are obviously of paramount importance as we project these variables in underwriting potential acquisitions. As we acquire, develop and verify more data, the quality of these projections necessarily improves. The process of developing these projections also becomes more efficient – further adding to capacity of the STAG acquisition ‘machine.’

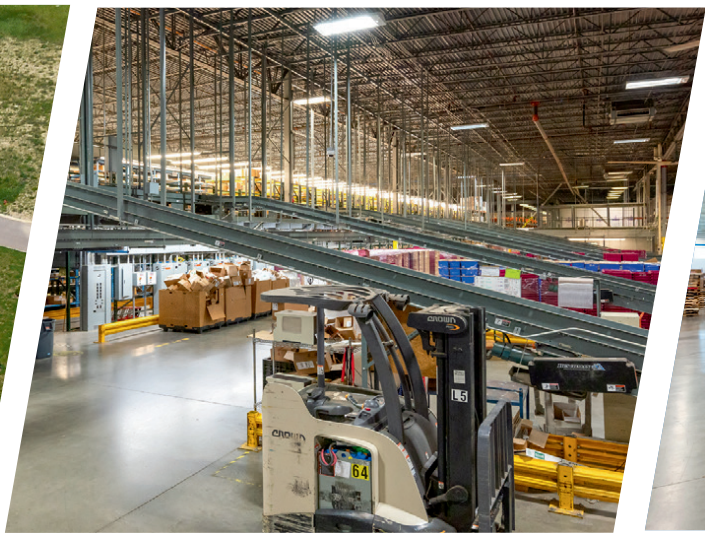
As we continue to refine these algorithms, we will look to not only better predict downtime and retention but also to identify how various actions and investments could potentially alter these important metrics going forward. This, combined with revenue maximization modeling, will greatly improve the effectiveness and transparency of our already excellent asset management functions.

From the beginning, STAG has always been a data focused enterprise – an intellectually curious team. We are excited by the progress we have made in the last few years and even more so by the future we see.

We thank you for your support & confidence in our company,



**Benjamin S. Butcher**  
CEO  
STAG Industrial



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

**FORM 10-K**

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

For the fiscal year ended December 31, 2019

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 1-34907

**STAG INDUSTRIAL, INC.**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of  
incorporation or organization)

**27-3099608**

(IRS Employer Identification No.)

**One Federal Street  
23rd Floor**

**Boston, Massachusetts**

(Address of principal executive offices)

**02110**

(Zip code)

**(617) 574-4777**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	STAG	New York Stock Exchange
6.875% Series C Cumulative Redeemable Preferred Stock, \$0.01 par value	STAG-PC	New York Stock Exchange

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$3,815 million based on the closing price on the New York Stock Exchange as of June 28, 2019.

Number of shares of the registrant's common stock outstanding as of February 10, 2020: 148,692,554

Number of shares of 6.875% Series C Cumulative Redeemable Preferred Stock as of February 10, 2020: 3,000,000

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement with respect to its 2020 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the registrant's fiscal year are incorporated by reference into Part II, Item 5 and Part III, Items 10, 11, 12, 13 and 14 hereof as noted therein.

# STAG INDUSTRIAL, INC.

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## PART I.

### Introduction

As used herein, except where the context otherwise requires, “Company,” “we,” “our” and “us,” refer to STAG Industrial, Inc. and our consolidated subsidiaries and partnerships, including our operating partnership, STAG Industrial Operating Partnership, L.P. (“Operating Partnership”).

### Forward-Looking Statements

This report, including the information incorporated by reference, contains “forward-looking statements” within the meaning of the safe harbor from civil liability provided for such statements by the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). You can identify forward-looking statements by the use of words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “seeks,” “should,” “will,” and variations of such words or similar expressions. Forward-looking statements in this report include, among others, statements about our future financial condition, results of operations, capitalization rates on future acquisitions, our business strategy and objectives, including our acquisition strategy, occupancy and leasing rates and trends, and expected liquidity needs and sources (including capital expenditures and the ability to obtain financing or raise capital). Our forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by our forward-looking statements are reasonable, we can give no assurance that our plans, intentions, expectations, strategies or prospects will be attained or achieved and you should not place undue reliance on these forward-looking statements. Furthermore, actual results may differ materially from those described in the forward-looking statements and may be affected by a variety of risks and factors including, without limitation:

- the factors included in this report, including those set forth under the headings “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations;”
- our ability to raise equity capital on attractive terms;
- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increased vacancy rates;
- potential defaults (including bankruptcies or insolvency) on or non-renewal of leases by tenants;
- acquisition risks, including our ability to identify and complete accretive acquisitions and/or failure of such acquisitions to perform in accordance with projections;
- the timing of acquisitions and dispositions;
- technological developments, particularly those affecting supply chains and logistics;
- potential natural disasters and other potentially catastrophic events such as acts of war and/or terrorism;
- international, national, regional and local economic conditions;
- the general level of interest rates and currencies;
- potential changes in the law or governmental regulations and interpretations of those laws and regulations, including changes in real estate and zoning laws or real estate investment trust (“REIT”) or corporate income tax laws, and potential increases in real property tax rates;

- financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;
- credit risk in the event of non-performance by the counterparties to the interest rate swaps and revolving and unfunded debt;
- how and when pending forward equity sales may settle;
- lack of or insufficient amounts of insurance;
- our ability to maintain our qualification as a REIT;
- our ability to retain key personnel;
- litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and
- possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us.

Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **Item 1. Business**

### **Certain Definitions**

In this report:

We define “GAAP” as generally accepted accounting principles in the United States.

We define “total annualized base rental revenue” as the contractual monthly base rent as of December 31, 2019 (which differs from rent calculated in accordance with GAAP) multiplied by 12. If a tenant is in a free rent period as of December 31, 2019, the total annualized base rental revenue is calculated based on the first contractual monthly base rent amount multiplied by 12.

We define “occupancy rate” as the percentage of total leasable square footage for which either revenue recognition has commenced in accordance with GAAP or the lease term has commenced as of the close of the reporting period, whichever occurs earlier.

We define the “Value Add Portfolio” as properties that meet any of the following criteria: (i) less than 75% occupied as of the acquisition date; (ii) will be less than 75% occupied due to known move-outs within two years of the acquisition date; (iii) out of service with significant physical renovation of the asset; or (iv) development.

We define “Stabilization” for properties being redeveloped as the earlier of achieving 90% occupancy or 12 months after completion. With respect to properties acquired and immediately added to the Value Add Portfolio, (i) if acquired with less than 75% occupancy as of the acquisition date, Stabilization will occur upon the earlier of achieving 90% occupancy or 12 months from the acquisition date; or (ii) if acquired and will be less than 75% occupied due to known move-outs within two years of the acquisition date, Stabilization will occur upon the earlier of achieving 90% occupancy after the known move-outs have occurred or 12 months after the known move-outs have occurred.

We define the “Operating Portfolio” as all warehouse and light manufacturing assets that were acquired stabilized or have achieved Stabilization. The Operating Portfolio excludes non-core flex/office assets, assets contained in the Value Add Portfolio, and assets classified as held for sale.

We define a “Comparable Lease” as a lease in the same space with a similar lease structure as compared to the previous in-place lease, excluding new leases for space that was not occupied under our ownership.



We define “SL Rent Change” as the percentage change in the average monthly base rent over the term of the lease that commenced during the period compared to the Comparable Lease for assets included in the Operating Portfolio. Rent under gross or similar type leases are converted to a net rent based on an estimate of the applicable recoverable expenses, and this calculation excludes the impact of any holdover rent.

We define “Cash Rent Change” as the percentage change in the base rent of the lease commenced during the period compared to the base rent of the Comparable Lease for assets included in the Operating Portfolio. The calculation compares the first base rent payment due after the lease commencement date compared to the base rent of the last monthly payment due prior to the termination of the lease, excluding holdover rent. Rent under gross or similar type leases are converted to a net rent based on an estimate of the applicable recoverable expenses.

We define a “New Lease” as any lease that is signed for an initial term equal to or greater than 12 months for any vacant space, including a lease signed by a new tenant or an existing tenant that is expanding into new (additional) space.

We define “Renewal Lease” as a lease signed by an existing tenant to extend the term for 12 months or more, including (i) a renewal of the same space as the current lease at lease expiration, (ii) a renewal of only a portion of the current space at lease expiration, or (iii) an early renewal or workout, which ultimately does extend the original term for 12 months or more.

## **Overview**

We are a REIT focused on the acquisition, ownership and operation of single-tenant, industrial properties throughout the United States. We seek to (i) identify properties for acquisition that offer relative value across all locations, industrial property types, and tenants through the principled application of our proprietary risk assessment model, (ii) operate our properties in an efficient, cost-effective manner, and (iii) capitalize our business appropriately given the characteristics of our assets. We are a Maryland corporation and our common stock is publicly traded on the New York Stock Exchange (“NYSE”) under the symbol “STAG.”

We are organized and conduct our operations to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”), and generally are not subject to federal income tax to the extent we currently distribute our income to our stockholders and maintain our qualification as a REIT. We remain subject to state and local taxes on our income and property and to U.S. federal income and excise taxes on our undistributed income.

As of December 31, 2019, we owned 450 buildings in 38 states with approximately 91.4 million rentable square feet, consisting of 365 warehouse/distribution buildings, 69 light manufacturing buildings, eight flex/office buildings, six Value Add Portfolio buildings, and two buildings classified as held for sale. We own both single- and multi-tenant properties, although we focus on the former. As of December 31, 2019, our buildings were approximately 95.0% leased to 414 tenants, with no single tenant accounting for more than approximately 1.9% of our total annualized base rental revenue and no single industry accounting for more than approximately 11.1% of our total annualized base rental revenue. We intend to maintain a diversified mix of tenants to limit our exposure to any single tenant.

As of December 31, 2019, our Operating Portfolio was approximately 96.6% leased and our SL Rent Change on new and renewal leases together grew approximately 18.2% and 15.2% during the years ended December 31, 2019 and 2018, respectively and our Cash Rent Change on new and renewal leases together grew approximately 10.0% and 7.9% during the years ended December 31, 2019 and 2018, respectively.

We have a fully-integrated acquisition, leasing and asset management platform, and our senior management team has a significant amount of single-tenant, industrial real estate experience. Our mission is to continue to be a disciplined, relative value investor and a leading owner and operator of single-tenant, industrial properties in the United States. We seek to deliver attractive stockholder returns in all market environments by providing a covered dividend combined with accretive growth.

We are structured as an umbrella partnership REIT, also known as an UPREIT, and own all of our properties and conduct substantially all of our business through our Operating Partnership, which we control and manage. As of December 31, 2019, we owned approximately 97.5% of the common equity of our Operating Partnership, and our current and former executive officers, directors, senior employees and their affiliates, and third parties who contributed properties to us in exchange for common equity in our Operating Partnership, owned the remaining 2.5%. We completed our initial public offering of common stock and related formation transactions, pursuant to which we succeeded our predecessor, on April 20, 2011.

## **Our Strategy**

Our primary business objectives are to own and operate a balanced and diversified portfolio of binary risk investments (individual single-tenant industrial properties) that maximize cash flows available for distribution to our stockholders, and to enhance stockholder value over time by achieving sustainable long-term growth in distributable cash flow from operations per share.

We believe that our focus on owning and operating a portfolio of individually-acquired, single-tenant industrial properties throughout the United States will, when compared to other real estate portfolios, generate returns for our stockholders that are attractive in light of the associated risks for the following reasons.

- Buyers tend to price an individual, single-tenant, industrial property according to the binary nature of its cash flows; with only one potential tenant, any one property is either generating revenue or not. Furthermore, tenants typically cover operating expenses at a property and when a property is not generating revenue, we, as owners, are responsible for paying these expenses. We believe the market prices these properties are based upon a higher risk profile due to the single-tenant nature of these properties and therefore applies a lower value relative to a diversified cash flowing investment.
- The acquisition and contribution of these single-tenant properties to an aggregated portfolio of these individual binary risk cash flows creates diversification, thereby lowering risk and creating value.
- Industrial properties generally require less capital expenditure than other commercial property types and single-tenant properties generally require less expenditure for leasing, operating and capital costs per property than multi-tenant properties.
- Other institutional, industrial real estate buyers tend to focus on properties and portfolios in a select few primary markets. In contrast, we focus on individual properties across many markets. As a result, our typical competitors are local investors who often do not have the same access to debt or equity capital as us. In our fragmented, predominantly non-institutional environment, a sophisticated, institutional platform with access to capital has execution and operational advantages.

Our focus on single-tenant properties is not exclusive; we also own multi-tenant properties, as a result of acquiring properties with more than one tenant or of originally single-tenant properties re-leasing to multiple tenants.

## **Regulation**

### ***General***

Our properties are subject to various laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe that we and/or our tenants, as applicable, have the necessary permits and approvals to operate each of our properties.

### ***Americans with Disabilities Act***

Our properties must comply with Title III of the Americans with Disabilities Act of 1990, as amended (the “ADA”) to the extent that such properties are “public accommodations” as defined under the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Although we believe that the properties in our portfolio in the aggregate substantially comply with current requirements of the ADA, and we have not received any notice for correction from any regulatory agency, we have not conducted a comprehensive audit or investigation of all of our properties to determine whether we are in compliance and therefore we may own properties that are not in compliance with the ADA.

ADA compliance is dependent upon the tenant’s specific use of the property, and as the use of a property changes or improvements to existing spaces are made, we will take steps to ensure compliance. Noncompliance with the ADA could result in additional costs to attain compliance, imposition of fines by the U.S. government or an award of damages or attorney’s fees to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations to achieve compliance as necessary.

### ***Environmental Matters***

Our properties are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, as owner of a contaminated property, to clean up the property, even if we did not know of or were

not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated, and therefore it is possible we could incur these costs even after we sell some of our properties. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow using the property as collateral or to sell the property. Under applicable environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the clean-up of that facility if it becomes contaminated and threatens human health or the environment. We invest in properties historically used for industrial, light manufacturing and commercial purposes. Certain of our properties are on or are adjacent to or near other properties upon which others, including former owners or tenants of our properties have engaged, or may in the future engage, in activities that may generate or release petroleum products or other hazardous or toxic substances.

Environmental laws in the United States also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our buildings are known to have asbestos containing materials, and others, due to the age of the building and observed conditions, are suspected of having asbestos containing materials. We do not believe these conditions will materially and adversely affect us. In most or all instances, no immediate action was recommended to address the conditions.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos at one of our properties may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities. An example would be laws that require a business using chemicals to manage them carefully and to notify local officials that the chemicals are being used.

We could be responsible for any of the costs discussed above. The costs to clean up a contaminated property, to defend against a claim, or to comply with environmental laws could be material and could adversely affect the funds available for distribution to our stockholders. All of our properties were subject to a Phase I or similar environmental assessment by independent environmental consultants at the time of acquisition. We generally expect to continue to obtain a Phase I or similar environmental assessment by independent environmental consultants on each property prior to acquiring it. However, these environmental assessments may not reveal all environmental costs that might have a material adverse effect on our business, assets, results of operations or liquidity and may not identify all potential environmental liabilities.

At the time of acquisition, we add each property to our portfolio environmental insurance policy that provides coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations.

We can make no assurances that future laws, ordinances or regulations will not impose material environmental liabilities on us, or the current environmental condition of our properties will not be affected by tenants, the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third parties unrelated to us.

## **Insurance**

We carry comprehensive general liability, fire, extended coverage and rental loss insurance covering all of the properties in our portfolio under a blanket insurance policy. In addition, we maintain a portfolio environmental insurance policy that provides coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations. Generally, we do not carry insurance for certain losses, including, but not limited to, losses caused by floods (unless the property is located in a flood plain), earthquakes, acts of war, acts of terrorism or riots. We carry employment practices liability insurance that covers us against claims by employees, former employees or potential employees for various employment related matters including wrongful termination, discrimination, sexual harassment in the workplace, hostile work environment, and retaliation, subject to the policy's coverage conditions and limitations. We carry comprehensive cyber liability insurance coverage that covers us against claims related to certain first party and third party losses including data restoration costs, crisis management expenses, credit monitoring costs, failure to implement and maintain reasonable security procedures, invasion of customer's privacy and negligence, subject to the policy's coverage conditions and limitations. We also carry directors and officers insurance. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and standard industry practice; however, our insurance coverage may not be sufficient to cover all of our losses.

## **Competition**

In acquiring our target properties, we compete primarily with local or regional operators due to the smaller, single asset (versus portfolio) focus of our acquisition strategy. From time to time we compete with other public industrial property sector REITs, single-tenant REITs, income oriented non-traded REITs, and private real estate funds. Local real estate investors historically have represented our predominant competition for deals and they typically do not have the same access to capital that we do as a publicly traded institution. We also face significant competition from owners and managers of competing properties in leasing our properties to prospective tenants and in re-leasing space to existing tenants.

## **Operating Segments**

We manage our operations on an aggregated, single segment basis for purposes of assessing performance and making operating decisions, and accordingly, have only one reporting and operating segment. See Note 2 in the accompanying Notes to Consolidated Financial Statements under “Segment Reporting.”

## **Employees**

As of December 31, 2019, we employed 72 employees. None of our employees are represented by a labor union.

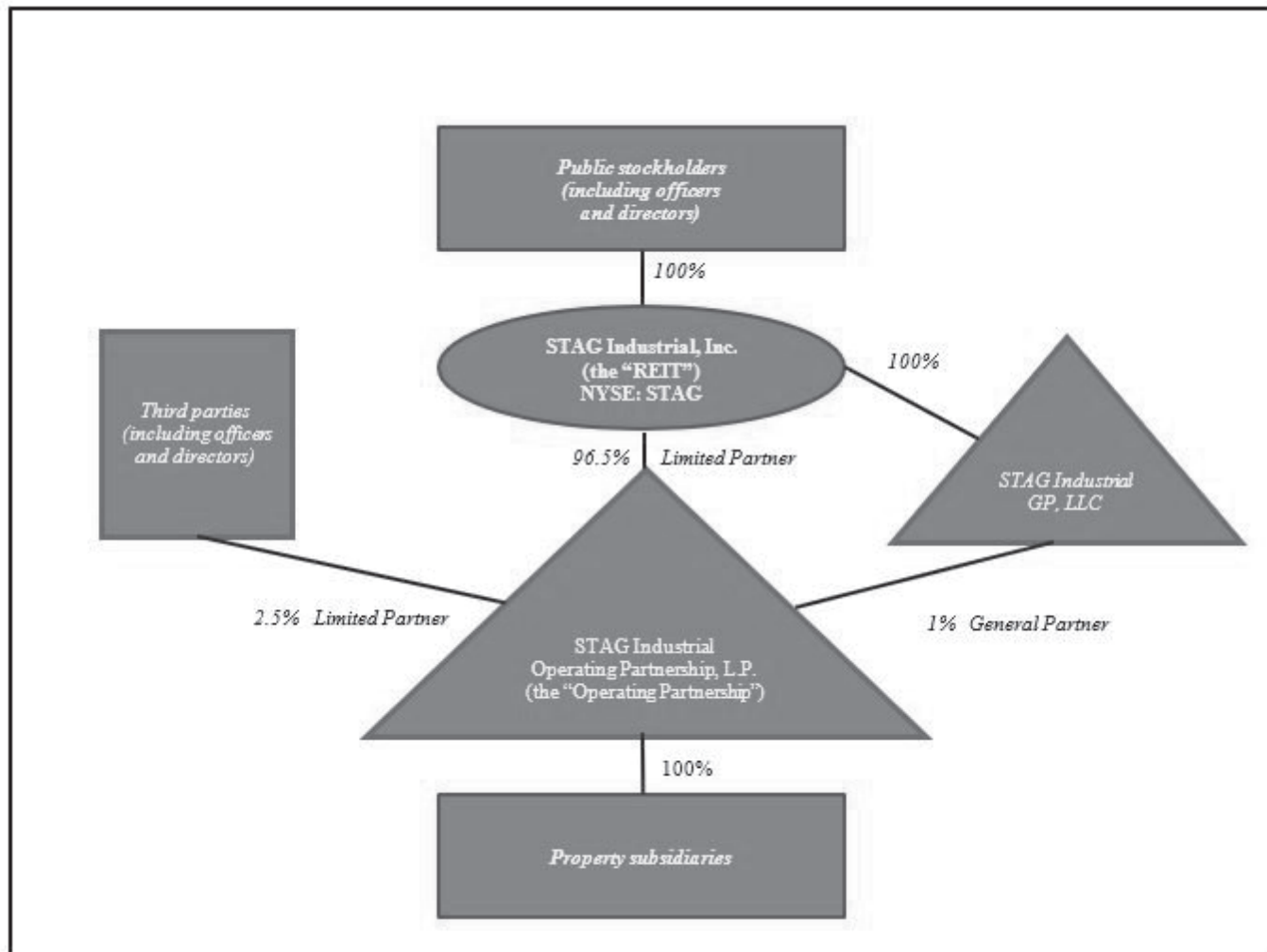
## **Our Corporate Structure**

We were incorporated in Maryland on July 21, 2010, and our Operating Partnership was formed as a Delaware limited partnership on December 21, 2009.

We are structured as an UPREIT; our publicly-traded entity, STAG Industrial, Inc., is the REIT in the UPREIT structure, and our Operating Partnership is the umbrella partnership. We own a majority, but not all, of the Operating Partnership. We also wholly own the sole general partner (the manager) of the Operating Partnership. Substantially all of our assets are held in, and substantially all of our operations are conducted through, the Operating Partnership. Shares of our common stock are traded on the NYSE under the symbol “STAG.” The limited partnership interests in the Operating Partnership, which we sometimes refer to as “common units,” are not and cannot be publicly traded, although they may provide liquidity through an exchange feature described below. Our UPREIT structure allows us to acquire properties on a tax-deferred basis by issuing common units in exchange for the property.

The common units of limited partnership interest in our Operating Partnership correlate on a one-for-one economic basis to the shares of common stock in the REIT. Each common unit receives the same distribution as a share of our common stock, the value of each common unit is tied to the value of a share of our common stock and each common unit, after one year, generally may be redeemed (that is, exchanged) for cash in an amount equivalent to the value of a share of common stock or, if we choose, for a share of common stock on a one-for-one basis. When redeeming common units for cash, the value of a share of common stock is calculated as the average common stock closing price on the NYSE for the 10 trading days immediately preceding the redemption notice date.

The following is a simplified diagram of our UPREIT structure at December 31, 2019.



### Additional Information

Our principal executive offices are located at One Federal Street, 23rd Floor, Boston, Massachusetts 02110. Our telephone number is (617) 574-4777.

Our website is [www.stagindustrial.com](http://www.stagindustrial.com). Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to any of those reports that we file with the Securities and Exchange Commission ("SEC") are available free of charge as soon as reasonably practicable through our website at [www.stagindustrial.com](http://www.stagindustrial.com). Also posted on our website, and available in print upon request, are charters of each committee of the board of directors, our code of business conduct and ethics and our corporate governance guidelines. Within the time period required by the SEC, we will post on our website any amendment to the code of business conduct and ethics and any waiver applicable to any executive officer, director or senior financial officer. The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this report or any other report or document we file with or furnish to the SEC.

All reports, proxy and information statements and other information we file with the SEC are also available free of charge through the SEC's website at [www.sec.gov](http://www.sec.gov).

### Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only risks we face. Additional risks and uncertainties not presently known to us or that we may currently deem immaterial also may impair our business operations. If any of the following or other risks

occur, our business, financial condition, operating results, cash flows, and distributions, as well as the market prices for our securities, could be materially adversely affected.

### **Risks Related to Our Business and Operations**

***Our investments are concentrated in the industrial real estate sector, and we would be adversely affected by an economic downturn in that sector.***

As of December 31, 2019, the majority of our buildings were industrial properties. This concentration may expose us to the risk of economic downturns in the industrial real estate sector to a greater extent than if our properties were more diversified across other sectors of the real estate industry.

***Adverse economic conditions may adversely affect our operating results and financial condition.***

Our operating results and financial condition may be affected by market and economic challenges and uncertainties, which may result from a general economic downturn experienced by the nation as a whole, by the local economies where our properties are located or our tenants conduct business, or by the real estate industry, including the following:

- poor economic conditions may result in tenant defaults under leases and extended vacancies at our properties;
- re-leasing may require concessions or reduced rental rates under the new leases due to reduced demand;
- adverse capital and credit market conditions may restrict our operating activities; and
- constricted access to credit may result in tenant defaults, non-renewals under leases or inability of potential buyers to acquire properties held for sale.

Also, to the extent we purchase real estate in an unstable market, we are subject to the risk that if the real estate market ceases to attract the same level of capital investment in the future that it attracts at the time of our purchases, or the number of companies seeking to acquire properties decreases, the value of our investments may not appreciate or may decrease significantly below the amount we paid for these investments. The length and severity of any economic slowdown or downturn cannot be predicted. Our operating results and financial condition could be negatively affected to the extent that an economic slowdown or downturn is prolonged or becomes more severe.

***Substantial international, national and local government deficits and the weakened financial condition of these governments may adversely affect us.***

The values of, and the cash flows from, the properties we own may be affected by historical or future developments in global, national and local economies. As a result of any global economic crisis and significant government intervention, federal, state and local governments have historically incurred and may continue to incur record deficits and assume or guarantee liabilities of private financial institutions or other private entities. Increased budget deficits and weakened financial condition of federal, state and local governments may lead to reduced governmental spending, tax increases, public sector job losses, increased interest rates, currency devaluations, defaults on debt obligations or other adverse economic events, which may directly or indirectly adversely affect our business, financial condition and results of operations.

***Events or occurrences that affect areas in which our properties are geographically concentrated may impact financial results.***

In addition to general, regional, national and international economic conditions, our operating performance is impacted by the economic conditions of the specific markets in which we have concentrations of properties. See our “Geographic Diversification” table in Item 2, “Properties” for details of geographic concentration of our properties. Our operating performance could be adversely affected if conditions become less favorable in any of the markets in which we have a concentration of properties.

***We are subject to industry concentrations that make us susceptible to adverse events with respect to certain industries.***

We are subject to certain industry concentrations with respect to our properties. See our “Industry Diversification” table in Item 2, “Properties” for details of industry concentration of our properties. Such industries are subject to specific risks that could result in downturns within the industries. Any downturn in one or more of these industries, or in any other industry in which we may have a significant concentration now or in the future, could adversely affect our tenants who are involved in such industries. If any of these tenants is unable to withstand such downturn or is otherwise unable to compete effectively in its business, it may be forced to declare bankruptcy, fail to meet its rental obligations, seek rental concessions or be unable to enter into new leases, which could materially and adversely affect us.

***Default by one or more of our tenants could materially and adversely affect us.***

Any of our tenants may experience a downturn in its business at any time that may significantly weaken its financial condition or cause its failure. As a result, such a tenant may decline to extend or renew its lease upon expiration, fail to make rental payments when due or declare bankruptcy. The default, financial distress or bankruptcy of a tenant could cause interruptions in the receipt of rental revenue and/or result in a vacancy, which is, in the case of a single-tenant property, likely to result in the complete reduction in the operating cash flows generated by the property and may decrease the value of that property. In addition, a majority of our leases generally require the tenant to pay all or substantially all of the operating expenses normally associated with the ownership of the property, such as utilities, real estate taxes, insurance and routine maintenance. Following a vacancy at a single-tenant property, we will be responsible for all of the operating costs at such property until it can be re-let, if at all.

***If our tenants are unable to obtain financing necessary to continue to operate their businesses and pay us rent, we could be materially and adversely affected.***

Many of our tenants rely on external sources of financing to operate their businesses. The U.S. financial and credit markets may experience liquidity disruptions, resulting in the unavailability of financing for many businesses. If our tenants are unable to obtain financing necessary to continue to operate their businesses, they may be unable to meet their rental obligations to us or enter into new leases with us or be forced to declare bankruptcy and reject our leases, which could materially and adversely affect us.

***We have owned our properties for a limited time, and we may not be aware of characteristics or deficiencies involving any one or all of them.***

Of the properties in our portfolio at December 31, 2019, 261 buildings totaling approximately 54.4 million rentable square feet have been acquired in the past five years. These properties may have characteristics or deficiencies unknown to us that could affect their valuation or revenue potential and such properties may not ultimately perform up to our expectations. We cannot assure you that the operating performance of the properties will not decline under our management.

***We face risks associated with system failures through security breaches or cyber-attacks, as well as other significant disruptions of our information technology (“IT”) networks and related systems.***

We face risks associated with security breaches, whether through cyber-attacks, computer viruses, attachments to e-mails, phishing schemes, persons inside our organization or persons with access to systems inside of our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber-attack, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures, to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to mitigate this risk entirely. A security breach or other significant disruption involving our IT networks and related systems could disrupt the proper functioning of our networks and systems; result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines; result in our inability to monitor our compliance with the rules and regulations regarding our qualification as a REIT; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract or failure to safeguard personal information, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally.

***We depend on key personnel; the loss of their full service could adversely affect us.***

Our success depends to a significant degree upon the continued contributions of certain key personnel including, but not limited to, our executive officers, whose continued service is not guaranteed, and each of whom would be difficult to replace. While we have entered into employment contracts with our executive officers, they may nevertheless cease to provide services to us at any time. If any of our key personnel were to cease employment with us, our operating results could suffer. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flows. Further, such a loss could be negatively perceived

in the capital markets. As of December 31, 2019, we have not obtained and do not expect to obtain key man life insurance on any of our key personnel.

We also believe that, as we expand, our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, investment, financing, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such skilled personnel.

***Our growth will depend upon future acquisitions of properties, and we may be unable to consummate acquisitions on advantageous terms and acquisitions may not perform as we expect.***

We acquire and intend to continue to acquire primarily warehouse/distribution properties and light manufacturing properties. The acquisition of properties entails various risks, including the risk that our investments may not perform as we expect. Further, we face competition for attractive investment opportunities from other well-capitalized real estate investors, including both publicly-traded REITs and private institutional investment funds, and these competitors may have greater financial resources and a greater ability to borrow funds to acquire properties. This competition will increase as investments in real estate become increasingly attractive relative to other forms of investment. As a result of competition, we may be unable to acquire additional properties for the purchase price we desire. In addition, we expect to finance future acquisitions through a combination of secured and unsecured borrowings, proceeds from equity or debt offerings by us or our Operating Partnership or its subsidiaries and proceeds from property contributions and divestitures which may not be available and which could adversely affect our cash flows.

***The cash available for distribution to stockholders may not be sufficient to pay dividends at expected levels, nor can we assure you of our ability to make distributions in the future.***

Distributions will be authorized and determined by our board of directors in its sole discretion from time to time and will depend upon a number of factors, including:

- cash available for distribution;
- our results of operations;
- our financial condition, especially in relation to the anticipated future capital needs of our properties;
- the distribution requirements for REITs under the Code;
- our operating expenses; and
- other factors our board of directors deems relevant.

Consequently, we may not continue our current level of distributions to stockholders, and our distribution levels may fluctuate.

In addition, some of our distributions may include a return of capital. To the extent that we make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for federal income tax purposes to the extent of the holder's adjusted tax basis in its shares. A return of capital is not taxable, but it has the effect of reducing the holder's adjusted tax basis in its investment. To the extent that distributions exceed the adjusted tax basis of a holder's shares, they will be treated as gain from the sale or exchange of such stock. If we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been.

### **Risks Related to Our Organization and Structure**

***Our growth depends on external sources of capital, which are outside of our control and affect our ability to take advantage of strategic opportunities, satisfy debt obligations and make distributions to our stockholders.***

In order to maintain our qualification as a REIT, we are generally required under the Code to annually distribute at least 90% of our net taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to federal income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including acquisition financing, from operating cash flow. Consequently, we may rely on third-party sources to fund our capital needs. We may not be able to sell equity or obtain financing on favorable terms or at all. In addition, any additional debt we incur will increase our leverage and debt service obligations. Our access to third-party sources of capital depends, in part, on:

- general market conditions;



- the market’s perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and dividends; and
- the market price per share of our common stock.

If we cannot raise equity or obtain capital from third-party sources, we may not be able to acquire properties when strategic opportunities exist, meet the capital and operating needs of our existing properties or satisfy our debt service obligations. Further, in order to meet the REIT distribution requirements and maintain our REIT status and to avoid the payment of income and excise taxes, we may need to borrow funds on a short-term basis even if the then-prevailing market conditions are not favorable for these borrowings. These short-term borrowing needs could result from differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes or the effect of non-deductible capital expenditures, the creation of reserves, certain restrictions on distributions under loan documents or required debt or amortization payments.

To the extent that capital is not available to acquire properties, profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than some of our competitors or a failure to meet our projected earnings and distributable cash flow levels in a particular reporting period. Such a failure to meet our projected earnings and distributable cash flow levels in a particular reporting period could have an adverse effect on our financial condition and on the market price of our stock.

***Our fiduciary duties as sole member of the general partner of our Operating Partnership could create conflicts of interest, which may impede business decisions that could benefit our stockholders.***

We, as the sole member of the general partner of our Operating Partnership, have fiduciary duties to the other limited partners in our Operating Partnership, the discharge of which may conflict with the interests of our stockholders. The limited partners of our Operating Partnership have agreed that, in the event of a conflict in the fiduciary duties owed by us to our stockholders and, in our capacity as indirect general partner of our Operating Partnership, to such limited partners, we are under no obligation to give priority to the interests of such limited partners. In addition, those persons holding common units will have the right to vote on certain amendments to the Operating Partnership agreement (which require approval by a majority interest of the limited partners, including us) and individually to approve certain amendments that would adversely affect their rights. These voting rights may be exercised in a manner that conflicts with the interests of our stockholders. For example, we are unable to modify the rights of limited partners to receive distributions as set forth in the Operating Partnership agreement in a manner that adversely affects their rights without their consent, even though such modification might be in the best interest of our stockholders.

In addition, conflicts may arise when the interests of our stockholders and the limited partners of our Operating Partnership diverge, particularly in circumstances in which there may be an adverse tax consequence to the limited partners. Tax consequences to holders of common units upon a sale or refinancing of our properties may cause the interests of our senior management to differ from your own. As a result of unrealized built-in gain attributable to contributed property at the time of contribution, some holders of common units, including our principals, may suffer different and more adverse tax consequences than holders of our securities upon the sale or refinancing of the properties owned by our Operating Partnership, including disproportionately greater allocations of items of taxable income and gain upon a realization event. As those holders will not receive a correspondingly greater distribution of cash proceeds, they may have different objectives regarding the appropriate pricing, timing and other material terms of any sale or refinancing of certain properties, or whether to sell or refinance such properties at all.

We may experience conflicts of interest with several members of our senior management team and board who have or may become limited partners in our Operating Partnership through the receipt of common units or long-term incentive plan units in our Operating Partnership (“LTIP units”) granted under the STAG Industrial, Inc. 2011 Equity Incentive Plan, as amended and restated (the “2011 Plan”).

***We are subject to financial reporting and other requirements for which our accounting, internal audit and other management systems and resources may not be adequately prepared and we may not be able to accurately report our financial results.***

We are subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. These reporting and other obligations place significant demands on our management, administrative, operational, internal audit and accounting resources and cause us to incur significant expenses. We may need to upgrade our systems or create new systems; implement additional

financial and management controls, reporting systems and procedures; expand our internal audit function; or hire additional accounting, internal audit and finance staff. Any failure to maintain effective internal controls could have a material adverse effect on our business, operating results and trading price of our securities.

***Our charter, the partnership agreement of our Operating Partnership and Maryland law contain provisions that may delay or prevent a change of control transaction.***

***Our charter contains 9.8% ownership limits.*** Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to limit any person to actual or constructive ownership of no more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our capital stock and no more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock. In addition, the articles supplementary for our 6.875% Series C Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the “Series C Preferred Stock”) provide that generally no person may own, or be deemed to own by virtue of the attribution provisions of the Code, either more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding Series C Preferred Stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limits. However, our board of directors may not grant an exemption from the ownership limits to any proposed transferee whose ownership, direct or indirect, of more than 9.8% of the value or number of our outstanding shares of our common stock or Series C Preferred Stock, could jeopardize our status as a REIT. The ownership limits contained in our charter and the restrictions on ownership of our common stock may delay or prevent a transaction or a change of control that might be in the best interest of our stockholders.

***Our board of directors may create and issue a class or series of preferred stock without stockholder approval.*** Subject to the rights of holders of Series C Preferred Stock to approve the classification or issuance of any class or series of stock ranking senior to the Series C Preferred Stock, our board of directors is empowered under our charter to amend our charter to increase or decrease the aggregate number of shares of our common stock or the number of shares of stock of any class or series that we have authority to issue, to designate and issue from time to time one or more classes or series of preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock without stockholder approval. Subject to the rights of holders of Series C Preferred Stock discussed above, our board of directors may determine the relative rights, preferences and privileges of any class or series of preferred stock issued. The issuance of preferred stock could also have the effect of delaying or preventing a change of control transaction that might otherwise be in the best interests of our stockholders.

***Certain provisions in the partnership agreement for our Operating Partnership may delay or prevent unsolicited acquisitions of us.*** Provisions in the partnership agreement for our Operating Partnership could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;
- transfer restrictions on our common units;
- the ability of the general partner in some cases to amend the partnership agreement without the consent of the limited partners; and
- the right of the limited partners to consent to transfers of the general partnership interest and mergers under specified circumstances.

Any potential change of control transaction may be further limited as a result of provisions of the partnership unit designation for the LTIP units, which require us to preserve the rights of LTIP unit holders and may restrict us from amending the partnership agreement for our Operating Partnership in a manner that would have an adverse effect on the rights of LTIP unit holders.

***Certain provisions of Maryland law could inhibit changes in control.***

Title 8, Subtitle 3 of the Maryland General Corporation Law (“MGCL”), permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or our bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not currently have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change in control of our company under circumstances that might be in the best interest of our stockholders.

Our charter and bylaws, the partnership agreement for our Operating Partnership and Maryland law contain other provisions that may delay, defer or prevent a transaction or a change of control that might be in the best interest of our stockholders.

***Under their employment agreements, our executive officers have the right to terminate their employment and, under certain conditions, receive severance, which may adversely affect us.***

The employment agreements with our executive officers provide that each executive officer may terminate his employment and, under certain conditions, receive severance based on two or three times (depending on the executive officer) the annual total of salary and bonus and immediate vesting of equity-based awards. In addition, in the case of certain terminations, executive officers would not be restricted from competing with us after their departure.

***Compensation awards to our management may not be tied to or correspond with our improved financial results or the stock price, which may adversely affect us.***

The compensation committee of our board of directors is responsible for overseeing our compensation and employee benefit plans and practices, including our executive compensation plans and our incentive compensation and equity-based compensation plans. Our compensation committee has significant discretion in structuring compensation packages and may make compensation decisions based on any number of factors. As a result, compensation awards may not be tied to or correspond with improved financial results at our company or the share price of our common stock.

***Our board of directors can take many actions without stockholder approval.***

Our board of directors has the general authority to oversee our operations and determine our major corporate policies. This authority includes significant flexibility. For example, our board of directors can do the following:

- amend or revise at any time and from time to time our investment, financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations;
- amend our policies with respect to conflicts of interest, provided that such changes are consistent with applicable legal requirements;
- within the limits provided in our charter, prevent the ownership, transfer and accumulation of shares in order to protect our status as a REIT or for any other reason deemed to be in the best interests of us and our stockholders;
- issue additional shares without obtaining stockholder approval, which could dilute the ownership of existing stockholders;
- amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series, without obtaining stockholder approval;
- subject to the rights of holders of Series C Preferred Stock, classify or reclassify any unissued shares of our common stock or preferred stock, set the preferences, rights and other terms of such classified or reclassified shares, without obtaining stockholder approval;
- make certain amendments to the 2011 Plan;
- employ and compensate affiliates;
- direct our resources toward investments that do not ultimately appreciate over time;
- change creditworthiness standards with respect to third-party tenants; and
- determine that it is no longer in our best interests to continue to qualify as a REIT.

Any of these actions could increase our operating expenses, impact our ability to make distributions or reduce the value of our assets without giving you, as a stockholder, the right to vote.

***Our rights and the rights of our stockholders to take action against our directors and officers are limited.***

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors' and officers' liability to us and our stockholders for monetary damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our bylaws require us to indemnify our directors and officers to the maximum extent permitted by Maryland law for liability actually incurred in connection with any proceeding to which they may be made, or threatened to be made, a party, except to the

extent that the act or omission of the director or officer was material to the matter giving rise to the proceeding and was either committed in bad faith or was the result of active and deliberate dishonesty, the director or officer actually received an improper personal benefit in money, property or services, or, in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

***The number of shares of our common stock available for future sale, including by our affiliates or investors in our Operating Partnership, could adversely affect the market price of our common stock, and future sales by us of shares of our common stock may be dilutive to existing stockholders.***

Sales of substantial amounts of shares of our common stock in the public market, or upon exchange of common units or exercise of any options, or the perception that such sales might occur could adversely affect the market price of our common stock. The exchange of common units for common stock, the exercise of any stock options or the vesting of any restricted stock granted under the 2011 Plan, the issuance of our common stock or common units in connection with property, portfolio or business acquisitions and other issuances of our common stock or common units could have an adverse effect on the market price of our common stock. The existence of shares of our common stock reserved for issuance under the 2011 Plan or upon exchange of common units may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. We also have filed a registration statement with the SEC allowing us to offer, from time to time, an indefinite amount of equity securities (including common and preferred stock) on an as-needed basis and subject to our ability to affect offerings on satisfactory terms based on prevailing conditions. Our board of directors has authorized us to issue shares of common stock in our “at-the-market” program under such registration statement. We may also enter into forward sale agreements under our “at-the-market” program or in follow-on offerings from time to time. Settlement provisions contained in any forward sale agreement could result in substantial dilution to our earnings per share and return on equity or result in substantial cash payment obligations. In addition, in the case of our bankruptcy or insolvency, any forward sale agreement will automatically terminate, and we would not receive the expected proceeds from the sale of our common stock under such agreement. Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including issuances of common and preferred stock. No prediction can be made about the effect that future distributions or sales of our common stock will have on the market price of our common stock. In addition, future sales by us of our common stock may be dilutive to existing stockholders.

***Future offerings of debt securities, which would be senior to our common stock upon liquidation, or equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of distributions, may adversely affect the market price of our securities.***

Our common stock is ranked junior to our Series C Preferred Stock. Our outstanding Series C Preferred Stock also has or will have a preference upon our dissolution, liquidation or winding up in respect of assets available for distribution to our stockholders. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred or common stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our securities or both. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our securities and diluting their proportionate ownership.

***The market price and trading volume of our common stock may be volatile.***

The market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the price at which they traded when you acquired them. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the market price of our common stock or result in fluctuations in the market price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results;
- changes in our operations or earnings estimates or publication of research reports about us or the industry;
- changes in our dividend policy;

- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- our ability to comply with applicable financial covenants in our unsecured credit facility, unsecured term loans, unsecured notes, and other loan agreements;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- the realization of any of the other risk factors presented in this report;
- speculation in the press or investment community; and
- general U.S. and worldwide market and economic conditions.

### **General Real Estate Risks**

*Our performance and value are subject to general economic conditions and risks associated with our real estate assets.*

The investment returns available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by the properties, as well as the expenses incurred in connection with the properties. If our properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, then our ability to pay distributions to our stockholders could be adversely affected. In addition, there are significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) that generally do not decline when circumstances reduce the income from the property. Income from and the value of our properties may be adversely affected by:

- changes in general or local economic climate;
- the attractiveness of our properties to potential tenants;
- changes in supply of or demand for similar or competing properties in an area;
- bankruptcies, financial difficulties or lease defaults by our tenants;
- technological changes, such as reconfiguration of supply chains, autonomous vehicles, drones, robotics, 3D printing, online marketplaces for industrial space, or other developments;
- changes in interest rates and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive or otherwise reduce returns to stockholders;
- changes in operating costs and expenses and our ability to control rents;
- changes in or increased costs of compliance with governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws, and our potential liability thereunder;
- our ability to provide adequate maintenance and insurance;
- changes in the cost or availability of insurance, including coverage for mold or asbestos;
- unanticipated changes in costs associated with known adverse environmental conditions or retained liabilities for such conditions;
- periods of high interest rates and tight money supply;
- tenant turnover;
- general overbuilding or excess supply in the market; and
- disruptions in the global supply chain caused by political, regulatory or other factors, including terrorism and geopolitical developments outside the United States, such as the effects of the United Kingdom's referendum to withdraw from the European Union.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or public perception that any of these events may occur, would result in a general decrease in rents or an increased occurrence of defaults under existing leases, which would adversely affect our financial condition and results of operations. Future terrorist attacks may result in declining economic activity, which could reduce the demand for, and the value of, our properties. To the extent that future attacks impact our tenants, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases.

For these and other reasons, we cannot assure you that we will be profitable or that we will realize growth in the value of our properties.

***Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties.***

We compete with other owners, operators and developers of real estate, some of which own properties similar to ours in the same markets and sub-markets in which our properties are located. If our competitors offer space at rental rates below current market rates or below the rental rates we currently charge our tenants, we may lose potential tenants, and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire.

***A significant portion of our properties have leases that expire in the next three years and we may be unable to renew leases, lease vacant space or re-lease space as leases expire.***

Our results of operations, cash flows, cash available for distribution, and the value of our securities would be adversely affected if we are unable to lease, on economically favorable terms, a significant amount of space in our operating properties. As of December 31, 2019, leases with respect to approximately 32.3% (excluding month-to-month leases) of our total annualized base rental revenue will expire before December 31, 2022. We cannot assure you that expiring leases will be renewed or that our properties will be re-leased at base rental rates equal to or above the current market rental rates. In addition, the number of vacant or partially vacant industrial properties in a market or sub-market could adversely affect our ability to re-lease the space at attractive rental rates.

***We may be unable to lease vacant space or renew leases or re-lease on favorable terms.***

A property may incur a vacancy either by the continued default of a tenant under its lease or the expiration of one of our leases. In addition, certain of the properties we acquire may have some level of vacancy at the time of closing. Certain of our properties may be specifically suited to the particular needs of a tenant. We may face difficulty obtaining, or be unable to obtain, a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenue resulting in less cash available to be distributed to stockholders. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

***We may not have funding for future tenant improvements.***

When a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract one or more new tenants, we will be required to expend funds to construct new tenant improvements in the vacated space. Except with respect to our current reserves for capital expenditures, tenant improvements and leasing commissions, we cannot assure you that we will have adequate sources of funding available to us for such purposes in the future.

***Bankruptcy laws will limit our remedies if a tenant becomes bankrupt and rejects the lease and we may be unable to collect balances due on our leases.***

The bankruptcy or insolvency of a tenant could diminish the income we receive from that tenant's lease. Our tenants may experience downturns in their operating results due to adverse changes to their business or economic conditions, and those tenants that are highly leveraged may have a higher possibility of filing for bankruptcy or insolvency. We may not be able to evict a tenant solely because of its bankruptcy. On the other hand, a bankruptcy court might authorize the tenant to terminate its lease with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be an unsecured pre-petition claim subject to statutory limitations, and therefore such amounts received in bankruptcy are likely to be substantially less than the remaining rent we otherwise were owed under the lease. In addition, any claim we have for unpaid past rent could be substantially less than the amount owed. If the lease for such a property is rejected in bankruptcy, our revenue would be reduced and could adversely impact our ability to pay distributions to stockholders.

***Real estate investments are not as liquid as other types of investments.***

Real estate investments are not as liquid as other types of investments, and this lack of liquidity may limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. In addition, we intend to comply with the safe harbor rules relating to the number of properties

that can be disposed of in a year, the tax basis and the costs of improvements made to these properties, and other items that enable a REIT to avoid punitive taxation on the sale of assets. Thus, our ability at any time to sell assets or contribute assets to property funds or other entities in which we have an ownership interest may be restricted. This lack of liquidity may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions.

***Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market.***

We have acquired, and may continue to acquire, properties in markets that are new to us. When we acquire properties located in these markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures.

***Uninsured losses relating to real property may adversely affect your returns.***

We attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, there are certain losses, including losses from floods, earthquakes, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. In addition, changes in the cost or availability of insurance could expose us to uninsured casualty losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by the amount of any such uninsured loss, and we could experience a significant loss of capital invested and potential revenue in these properties and could potentially remain obligated under any recourse debt associated with the property. Moreover, we, as the indirect general partner of our Operating Partnership, generally will be liable for all of our Operating Partnership's unsatisfied recourse obligations, including any obligations incurred by our Operating Partnership as the general partner of joint ventures. In addition, we may have no source of funding to repair or reconstruct the damaged property, and we cannot assure you that any such sources of funding will be available to us for such purposes in the future. We evaluate our insurance coverage annually in light of current industry practice through an analysis prepared by outside consultants.

***Environmentally hazardous conditions may adversely affect our operating results.***

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of remediation or removing hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resources or property damage or other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination, or otherwise adversely affect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition and ownership of our properties, we may be exposed to such costs. The cost of defending against environmental claims, of compliance with environmental regulatory requirements or of remediation of any contaminated property could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to our stockholders.

Environmental laws in the United States also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our properties contain asbestos-containing building materials.

We invest in properties historically used for industrial, light manufacturing and commercial purposes. Some of these properties contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. All of these operations create a potential for the release of petroleum products or other hazardous or toxic substances. Some of our properties are adjacent to or near other properties that have contained or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. In addition, certain of our properties are on or are adjacent to or near other properties upon which others, including former owners or tenants of our properties, have engaged, or may in the future engage, in activities that may release petroleum products or other hazardous or toxic substances.

From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a

superior risk-adjusted return. In such an instance, we underwrite the costs of environmental investigation, clean-up and monitoring into the cost. Further, in connection with property dispositions, we may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

Before acquiring a property, we typically obtain a preliminary assessment of environmental conditions at the property that meets certain specifications, often referred to as “Phase I environmental site assessment” or “Phase I environmental assessment.” It is intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. A Phase I environmental assessment generally includes an historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report, but does not include soil sampling or subsurface investigations and typically does not include an asbestos survey. Material environmental conditions, liabilities or compliance concerns may arise after the environmental assessment has been completed. Moreover, there can be no assurance that:

- future laws, ordinances or regulations will not impose any material environmental liability; or
- the current environmental condition of our properties will not be affected by tenants, by the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third parties unrelated to us.

***We are exposed to the potential impacts of future climate change and climate-change related risks.***

We are exposed to potential physical risks from any changes in climate. Our properties may be exposed to rare catastrophic weather events, such as severe storms, floods or wildfires. If the frequency of extreme weather events increases due to climate change, our exposure to these events could increase. We may be harmed with respect to any real estate development or redevelopment by potential changes to the supply chain or stricter energy efficiency standards for industrial buildings. To the extent climate change causes shifts in weather patterns, our markets could experience negative consequences, including declining demand for industrial space and our inability to operate our buildings. Climate change may also have indirect negative effects on our business by increasing the cost of, or decreasing the availability of, property insurance on terms we find acceptable and increasing the cost of energy, building materials and snow removal at our properties. In addition, compliance with new laws or regulations relating to climate change, including compliance with “green” building codes, may require us to make improvements to our existing properties or result in increased operating costs that we may not be able to effectively pass on to our tenants. Any such laws or regulations could also impose substantial costs on our tenants, thereby impacting the financial condition of our tenants and their ability to meet their lease obligations and to lease or re-lease our properties.

***Compliance or failure to comply with the ADA and other similar regulations could result in substantial costs.***

Under the ADA, places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If we are required to make unanticipated expenditures to comply with the ADA, including removing access barriers, then our cash flows and the amounts available for distributions to our stockholders may be adversely affected. While we believe that our properties are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures.

***Some of our properties are subject to ground leases that expose us to the loss of such property upon breach or termination of the ground lease and may limit our ability to sell the property.***

We own some properties through leasehold interests in the land underlying the building and we may acquire additional buildings in the future that are subject to similar ground leases. As lessee under a ground lease, we are exposed to the possibility of losing the property upon expiration, or an earlier breach by us, of the ground lease.

In the future, our ground leases may contain certain provisions that may limit our ability to sell certain of our properties. In addition, in the future, in order to assign or transfer our rights and obligations under certain of our ground leases, we may be required to obtain the consent of the landlord which, in turn, could adversely impact the price realized from any such sale.

We also own properties that benefit from payment in lieu of tax (“PILOT”) programs or similar programs and to facilitate such tax treatment our ownership in this property is structured as a leasehold interest with the relevant municipality serving as lessor. With respect to such arrangements, we have the right to purchase the fee interest in the property for a nominal purchase price, so the risk factors set forth above for traditional ground leases are mitigated by our ability to convert such leasehold interests to fee interests. In the event of such a conversion of our ownership interests, however, any preferential tax treatment offered by the PILOT programs will be lost.



***We may be unable to sell a property if or when we decide to do so, including as a result of uncertain market conditions.***

We expect to hold the various real properties in which we invest until such time as we decide that a sale or other disposition is appropriate given our investment objectives. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. We cannot predict the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure you that we will be able to sell our properties at a profit in the future. Accordingly, the extent to which you will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions.

Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct such defects or to make such improvements.

***If we sell properties and provide financing to purchasers, defaults by the purchasers would adversely affect our cash flows.***

If we decide to sell any of our properties, we presently intend to use our best efforts to sell them for cash. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash distributions to stockholders and result in litigation and related expenses. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

### **Risks Related to Our Debt Financings**

***Our operating results and financial condition could be adversely affected if we are unable to make required payments on our debt.***

Our charter and bylaws do not limit the amount or percentage of indebtedness that we may incur, and we are subject to risks normally associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest. There can be no assurance that we will be able to refinance any maturing indebtedness, that such refinancing would be on terms as favorable as the terms of the maturing indebtedness or that we will be able to otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness.

In particular, loans obtained to fund property acquisitions may be secured by first mortgages on such properties. If we are unable to make our debt service payments as required, a lender could foreclose on the property or properties securing its debt. This could cause us to lose part or all of our investment. Certain of our existing secured indebtedness is, and future secured indebtedness may be, cross-collateralized and, consequently, a default on this indebtedness could cause us to lose part or all of our investment in multiple properties.

***Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to make distributions to our stockholders.***

As of December 31, 2019, we had total outstanding debt of approximately \$1.7 billion, including \$246.0 million of debt subject to variable interest rates (excluding amounts that were hedged to fix rates), and we expect that we will incur additional indebtedness in the future. Interest we pay reduces our cash available for distributions. Since we have incurred and may continue to incur variable rate debt, increases in interest rates by the Federal Reserve or changes in the London Interbank Offered Rate (“LIBOR”), or its replacement would raise our interest costs, which reduces our cash flows and our ability to make distributions to you. If we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected, and we may lose the property securing such indebtedness. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to sell one or more of our properties at times which may not permit realization of the maximum return on such investments.

***We may be adversely affected by developments in the London Inter-bank Offered Rate (“LIBOR”) market, changes in the methods in which LIBOR is determined or the use of alternative reference rates.***

As of December 31, 2019, approximately 61.8% or \$1.0 billion of our outstanding debt outstanding was indexed to LIBOR. In July 2017, the U.K. Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced its intention to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Accordingly, there is considerable uncertainty regarding the publication of LIBOR beyond 2021. The Federal Reserve Board convened the Alternative Reference Rates Committee (“ARRC”) to identify a set of alternative reference rates for possible use as market benchmarks. Based on the ARRC’s recommendation, the

Federal Reserve Bank of New York began publishing the Secured Overnight Financing Rate (“SOFR”) and two other alternative rates beginning in April 2018. Since then, certain derivative products and debt securities tied to SOFR have been introduced, and a number of industry groups are developing transition plans to SOFR as the new market benchmark.

We are not able to predict whether LIBOR will actually cease to be available after 2021 or whether SOFR will become the market benchmark in its place. Any changes announced or adopted by the FCA or other authorities or institutions in the methods used for determining LIBOR or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase in LIBOR, a delay in the publication of LIBOR, higher interest obligations arising from such successor benchmark and changes in the rules or methodologies for determining LIBOR in the overall debt capital markets, which may discourage market participants from continuing to administer or to participate in variable rate debt tied to LIBOR or such successor benchmark. If LIBOR as determined in accordance with the terms of our particular debt is no longer available, whether before or after 2021, the interest rates on such debt would be determined using various alternative methods, any of which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if LIBOR was available in its current form. As a result, there can be no assurance that any of the aforementioned developments or changes will not result in financial market disruptions, significant increases in benchmark interest rates, substantially higher financing costs or a shortage of available debt financing, any of which could have an adverse effect on us, which currently would be limited by our relatively low exposure to variable rate LIBOR-based debt.

***Covenants in our unsecured credit facility, unsecured term loans, unsecured notes, mortgage notes, and any future debt instruments could limit our flexibility, prevent us from paying distributions, and adversely affect our financial condition or our status as a REIT.***

The terms of certain of our mortgage notes require us to comply with loan-to-collateral-value ratios, debt service coverage ratios and, in the case of an event of default, limitations on the ability of our subsidiaries that are borrowers under our mortgage notes to make distributions to us or our other subsidiaries. In addition, our unsecured credit facility, unsecured term loans and unsecured notes require us to comply with loan-to-collateral-value ratios, debt service coverage ratios, leverage ratios, and fixed charge coverage ratios. Our existing loan covenants may reduce flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations. In addition, upon a default, our unsecured credit facility, unsecured term loans and unsecured notes, will limit, among other things, our ability to pay dividends, even if we are otherwise in compliance with our financial covenants. Other indebtedness that we may incur in the future may contain financial or other covenants more restrictive than those in our unsecured credit facility, unsecured term loans, unsecured notes and mortgage notes.

Our unsecured credit facility, unsecured term loans and unsecured notes contain, and future borrowing facilities may contain, certain cross-default provisions which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the facilities in addition to any mortgage or other debt that is in default. If our properties were foreclosed upon, or if we are unable to refinance our indebtedness at maturity or meet our payment obligations, we would be adversely affected.

We are a holding company and conduct substantially all of our business through our Operating Partnership. We do not have, apart from our ownership of our Operating Partnership, any independent operations. As a result, we will rely on distributions from our Operating Partnership to pay any dividends we might declare on our securities. We will also rely on distributions from our Operating Partnership to meet our debt service and other obligations, including our obligations to make distributions required to maintain our REIT status. The ability of subsidiaries of our Operating Partnership to make distributions to our Operating Partnership, and the ability of our Operating Partnership to make distributions to us in turn, will depend on their operating results and on the terms of any loans that encumber the properties owned by them. Such loans may contain lock box arrangements, reserve requirements, financial covenants and other provisions that restrict the distribution of funds. In the event of a default under these loans, the defaulting subsidiary would be prohibited from distributing cash. For example, our subsidiaries are party to mortgage notes that prohibit, in the event of default, their distribution of any cash to a related party, including our Operating Partnership. As a result, a default under any of these loans by the borrower subsidiaries could cause us to have insufficient cash to make the distributions required to maintain our REIT status.

***Financing arrangements involving balloon payment obligations may adversely affect us.***

Most of our financing arrangements require us to make a lump-sum or “balloon” payment at maturity. Our ability to make a balloon payment at maturity is uncertain and, in the event that we do not have sufficient funds to repay the debt at maturity of these loans, we will need to refinance this debt. If the credit environment is constrained at the time the balloon payment is due, we may not be able to refinance the existing financing on acceptable terms and may be forced to choose from a number of unfavorable options.

These options include agreeing to otherwise unfavorable financing terms on one or more of our unencumbered assets, selling one or more properties on disadvantageous terms or defaulting on the loan and permitting the lender to foreclose. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

***If mortgage debt or unsecured debt is unavailable at reasonable rates, we may not be able to finance the purchase of our properties or refinance our debt.***

If mortgage debt or unsecured debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. In addition, we run the risk of being unable to refinance mortgage debt or unsecured debt when the loans come due or of being unable to refinance such debt on favorable terms. If interest rates are higher when we refinance such debt, our net income could be reduced. We may be unable to refinance such debt at appropriate times, which may require us to sell properties on terms that are not advantageous to us or could result in the foreclosure of any mortgaged properties. In addition, we locked in our fixed-rate debt at a point in time when we were able to obtain favorable interest rates, principal amortization and other terms. When we refinance our debt, prevailing interest rates and other factors may result in paying a greater amount of debt service, which will adversely affect our cash flow, and, consequently, our cash available for distribution to our stockholders.

***Our hedging strategies may not be successful in mitigating our risks associated with interest rates.***

We use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. These instruments involve risks, such as the risk that the counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such agreements are not legally enforceable. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the 75% or 95% REIT income tests. In addition, the nature and timing of hedging transactions may influence the effectiveness of our hedging strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. Moreover, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses that may adversely impact our financial condition.

***Adverse changes in our credit ratings could negatively affect our financing activity.***

The credit ratings of our unsecured debt are based on our operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the credit rating agencies. Our credit ratings can affect the amount of capital we can access, as well as the terms and pricing of any debt we may incur. There can be no assurance that we will be able to maintain our current credit ratings, and in the event our credit ratings are downgraded, we would incur greater borrowing costs and may encounter difficulty in obtaining additional financing. Also, a downgrade in our credit ratings may trigger additional payments or other negative consequences under our unsecured credit facility and other debt instruments. Adverse changes in our credit ratings could harm our business and, in particular, our financing, refinancing and other capital market activities, our ability to manage debt maturities, our future growth and our acquisition activity.

## **U.S. Federal Income Tax Risks**

***Failure to qualify as a REIT would reduce our net earnings available for investment or distribution.***

Our qualification as a REIT will depend upon our ability to meet requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets and other tests imposed by the Code. If we fail to qualify as a REIT for any taxable year after electing REIT status, we will be subject to federal income tax on our taxable income at regular corporate rates (21%). In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year in which we failed to qualify as a REIT. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, dividends to stockholders would no longer qualify for the dividends-paid deduction and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

***Even if we maintain our qualification as a REIT for federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flow and our ability to make distributions to our stockholders.***

Even if we maintain our qualification as a REIT for federal income tax purposes, we may be subject to some federal, state and local taxes on our income or property. For example:

- To maintain our qualification as a REIT, we must distribute annually at least 90% of our REIT taxable income to our stockholders (which is determined without regard to the dividends-paid deduction or net capital gain). To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on the undistributed income.
- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.
- If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.
- If we sell an asset, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain would be subject to the 100% “prohibited transaction” tax unless such sale were made by our taxable REIT subsidiary (“TRS”) or if we qualify for a safe harbor from tax.
- Our TRS will be subject to federal, state and local income tax at regular corporate rates on any income that it earns.

We intend to make distributions to our stockholders to comply with the REIT requirements of the Code.

***REIT distribution requirements could adversely affect our ability to execute our business plan.***

From time to time, we may generate taxable income greater than our income for financial reporting purposes, or our taxable income may be greater than our cash flow available for distribution to stockholders. If we do not have other funds available in these situations, we could be required to borrow or raise equity on unfavorable terms, sell investments at disadvantageous prices, make taxable distributions of our stock or debt securities or find another alternative source of funds to distribute enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce the value of our equity. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

***To maintain our REIT status, we may be forced to forego otherwise attractive opportunities, which may delay or hinder our ability to meet our investment objectives and reduce our stockholders’ overall return.***

To maintain our qualification as a REIT, we must satisfy certain tests on an ongoing basis concerning, among other things, the sources of our income, nature of our assets and the amounts we distribute to our stockholders. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits and the value of our stockholders’ investment.

***Re-characterization of sale-leaseback transactions may cause us to lose our REIT status.***

In certain circumstances, we expect to purchase real properties and lease them back to the sellers of such properties. While we intend to structure any such sale-leaseback transaction such that the lease will be characterized as a “true lease” for tax purposes, thereby allowing us to be treated as the owner of the property for federal income tax purposes, we cannot assure you that the Internal Revenue Service (“IRS”) will not challenge such characterization. In the event that any such sale-leaseback transaction is challenged and re-characterized as a financing transaction or loan for federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed. If a sale-leaseback transaction were so re-characterized, we might fail to satisfy the REIT qualification “asset tests” or “income tests” and, consequently, lose our REIT status effective with the year of re-characterization. Alternatively, the amount of our REIT taxable income could be recalculated which might also cause us to fail to meet the distribution requirement for a taxable year.

***The prohibited transactions tax may limit our ability to engage in transactions, including dispositions of assets that would be treated as sales for federal income tax purposes.***

A REIT’s net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transaction tax upon a disposition of real property. Although a safe harbor to the characterization of the sale of real property by a REIT as a prohibited transaction is available, we cannot assure you that we can comply with the safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary

course of business. Consequently, we may choose not to engage in certain sales of real property or may conduct such sales through a TRS.

***We may be subject to adverse legislative or regulatory tax changes.***

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our stockholders or us. We cannot predict how changes in the tax laws might affect our stockholders or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification, or may reduce the relative attractiveness of an investment in a REIT compared to a corporation not qualified as a REIT. Additional changes to the tax laws are likely to continue to occur. We cannot predict the long-term effect of any recent changes or any future changes on REITs and their stockholders.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

As of December 31, 2019, we owned the properties in the following table.

State	City	Number of Buildings	Asset Type	Total Rentable Square Feet
<b>Alabama</b>				
	Montgomery	1	Warehouse / Distribution	332,000
	Phenix City	1	Warehouse / Distribution	117,568
<b>Arkansas</b>				
	Rogers	1	Warehouse / Distribution	400,000
<b>Arizona</b>				
	Avondale	1	Warehouse / Distribution	186,643
	Tucson	1	Warehouse / Distribution	129,047
<b>California</b>				
	Camarillo	2	Warehouse / Distribution	732,606
	Sacramento	1	Warehouse / Distribution	147,840
	San Diego	1	Warehouse / Distribution	205,440
<b>Colorado</b>				
	Grand Junction	1	Warehouse / Distribution	82,800
	Johnstown	1	Warehouse / Distribution	132,194
	Longmont	1	Light Manufacturing	64,750
<b>Connecticut</b>				
	Avon	1	Light Manufacturing	78,400
	East Windsor	2	Warehouse / Distribution	271,111
	Milford	1	Warehouse / Distribution	200,000
	North Haven	3	Warehouse / Distribution	824,727
	Wallingford	1	Warehouse / Distribution	105,000
<b>Delaware</b>				
	New Castle	1	Warehouse / Distribution	485,987
<b>Florida</b>				
	Daytona Beach	1	Light Manufacturing	142,857
	Jacksonville	5	Warehouse / Distribution	1,256,750
	Ocala	1	Warehouse / Distribution	619,466
	Orlando	1	Light Manufacturing	215,900
	Orlando	1	Warehouse / Distribution	155,000
	Pensacola	1	Flex / Office	30,620
	Tampa	1	Warehouse / Distribution	78,560
<b>Georgia</b>				
	Augusta	1	Warehouse / Distribution	203,726
	Calhoun	1	Warehouse / Distribution	151,200
	Dallas	1	Warehouse / Distribution	92,807
	Forest Park	2	Warehouse / Distribution	799,200
	Norcross	1	Warehouse / Distribution	152,036
	Savannah	1	Warehouse / Distribution	504,300
	Shannon	1	Warehouse / Distribution	568,516

State	City	Number of Buildings	Asset Type	Total Rentable Square Feet
	Smyrna	1	Warehouse / Distribution	102,000
	Statham	1	Warehouse / Distribution	225,680
	Stone Mountain	1	Warehouse / Distribution	78,000
<b>Idaho</b>				
	Idaho Falls	1	Warehouse / Distribution	90,300
<b>Illinois</b>				
	Batavia	1	Warehouse / Distribution	102,500
	Belvidere	9	Warehouse / Distribution	1,364,222
	DeKalb	1	Warehouse / Distribution	146,740
	Gurnee	2	Warehouse / Distribution	562,500
	Harvard	1	Light Manufacturing	126,304
	Itasca	1	Warehouse / Distribution	202,000
	Libertyville	1	Warehouse / Distribution	251,961
	Libertyville	1	Flex / Office	35,141
	Lisle	1	Light Manufacturing	105,925
	Machesney Park	1	Warehouse / Distribution	80,000
	McHenry	2	Warehouse / Distribution	169,311
	Montgomery	1	Warehouse / Distribution	584,301
	Sauk Village	1	Warehouse / Distribution	375,785
	Waukegan	1	Warehouse / Distribution	131,252
	West Chicago	5	Light Manufacturing	305,874
	West Chicago	1	Warehouse / Distribution	249,470
	Wood Dale	1	Light Manufacturing	137,607
	Woodstock	1	Light Manufacturing	129,803
<b>Indiana</b>				
	Albion	7	Light Manufacturing	261,013
	Elkhart	2	Warehouse / Distribution	170,100
	Fort Wayne	1	Warehouse / Distribution	108,800
	Goshen	1	Warehouse / Distribution	366,000
	Greenwood	1	Warehouse / Distribution	446,500
	Kendallville	1	Light Manufacturing	58,500
	Lafayette	3	Warehouse / Distribution	466,400
	Lebanon	3	Warehouse / Distribution	2,065,393
	Marion	1	Warehouse / Distribution	249,920
	Portage	2	Warehouse / Distribution	786,249
	South Bend	1	Warehouse / Distribution	225,000
<b>Iowa</b>				
	Ankeny	1	Warehouse / Distribution	200,011
	Council Bluffs	1	Warehouse / Distribution	90,000
	Des Moines	1	Warehouse / Distribution	121,922
	Marion	1	Warehouse / Distribution	95,500
<b>Kansas</b>				
	Edwardsville	1	Warehouse / Distribution	270,869
	Lenexa	3	Warehouse / Distribution	581,059
	Olathe	2	Warehouse / Distribution	725,839
	Wichita	3	Warehouse / Distribution	248,550
<b>Kentucky</b>				
	Bardstown	1	Warehouse / Distribution	102,318
	Danville	1	Warehouse / Distribution	757,047
	Erlanger	1	Warehouse / Distribution	108,620
	Florence	2	Warehouse / Distribution	641,136
	Hebron	1	Warehouse / Distribution	109,000
	Louisville	2	Warehouse / Distribution	497,820
	Walton	1	Warehouse / Distribution	224,921
<b>Louisiana</b>				
	Baton Rouge	3	Warehouse / Distribution	532,036
	Shreveport	1	Warehouse / Distribution	420,259
<b>Maine</b>				
	Belfast	5	Flex / Office	306,554
	Biddeford	2	Warehouse / Distribution	265,126
	Gardiner	1	Warehouse / Distribution	265,000

State	City	Number of Buildings	Asset Type	Total Rentable Square Feet
	Lewiston	1	Flex / Office	60,000
	Portland	1	Warehouse / Distribution	100,600
<b>Maryland</b>				
	Elkridge	1	Warehouse / Distribution	167,410
	Hampstead	1	Warehouse / Distribution	1,035,249
	White Marsh	1	Warehouse / Distribution	60,000
<b>Massachusetts</b>				
	Chicopee	1	Warehouse / Distribution	217,000
	Malden	2	Light Manufacturing	109,943
	Middleborough	1	Light Manufacturing	80,100
	Norton	1	Warehouse / Distribution	200,000
	South Easton	1	Light Manufacturing	86,000
	Stoughton	2	Warehouse / Distribution	258,213
	Taunton	1	Warehouse / Distribution	349,870
	Westborough	1	Warehouse / Distribution	121,700
<b>Michigan</b>				
	Belleville	1	Light Manufacturing	160,464
	Chesterfield	4	Warehouse / Distribution	478,803
	Grand Rapids	1	Warehouse / Distribution	301,317
	Holland	1	Warehouse / Distribution	195,000
	Kentwood	1	Warehouse / Distribution	210,120
	Kentwood	1	Light Manufacturing	85,157
	Lansing	4	Warehouse / Distribution	770,425
	Livonia	2	Warehouse / Distribution	285,306
	Marshall	1	Light Manufacturing	57,025
	Novi	3	Warehouse / Distribution	685,010
	Plymouth	1	Warehouse / Distribution	125,214
	Redford	1	Warehouse / Distribution	135,728
	Romulus	1	Light Manufacturing	274,500
	Romulus	1	Warehouse / Distribution	303,760
	Sterling Heights	1	Warehouse / Distribution	108,000
	Walker	1	Warehouse / Distribution	210,000
	Warren	2	Warehouse / Distribution	422,377
	Zeeland	1	Warehouse / Distribution	230,200
<b>Minnesota</b>				
	Carlos	1	Light Manufacturing	196,270
	Blaine	1	Warehouse / Distribution	248,816
	Bloomington	1	Light Manufacturing	145,351
	Brooklyn Park	1	Warehouse / Distribution	200,720
	Eagan	1	Warehouse / Distribution	276,550
	Maple Grove	1	Warehouse / Distribution	108,628
	Mendota Heights	1	Warehouse / Distribution	87,183
	New Hope	1	Light Manufacturing	107,348
	Oakdale	2	Warehouse / Distribution	210,044
	Plymouth	3	Warehouse / Distribution	357,085
	Rogers	1	Warehouse / Distribution	386,724
	Savage	1	Warehouse / Distribution	244,050
	Shakopee	1	Light Manufacturing	136,589
	South Saint Paul	1	Warehouse / Distribution	422,727
<b>Missouri</b>				
	Earth City	1	Warehouse / Distribution	116,783
	Fenton	1	Warehouse / Distribution	127,464
	Hazelwood	1	Warehouse / Distribution	305,550
	O'Fallon	2	Warehouse / Distribution	186,854
<b>Nebraska</b>				
	Omaha	3	Warehouse / Distribution	365,832
<b>Nevada</b>				
	Las Vegas	1	Light Manufacturing	122,472

State	City	Number of Buildings	Asset Type	Total Rentable Square Feet
	Las Vegas	1	Warehouse / Distribution	34,916
	Paradise	2	Light Manufacturing	80,422
	Reno	1	Light Manufacturing	87,264
	Sparks	1	Warehouse / Distribution	161,986
<b>New Hampshire</b>				
	Londonderry	1	Warehouse / Distribution	125,060
	Nashua	1	Warehouse / Distribution	337,391
<b>New Jersey</b>				
	Branchburg	1	Warehouse / Distribution	113,973
	Burlington	2	Warehouse / Distribution	1,552,121
	Franklin Township	1	Warehouse / Distribution	183,000
	Lopatcong	1	Warehouse / Distribution	237,500
	Lumberton	1	Light Manufacturing	120,000
	Moorestown	2	Warehouse / Distribution	187,569
	Pedricktown	1	Warehouse / Distribution	245,749
	Swedesboro	1	Warehouse / Distribution	123,962
<b>New York</b>				
	Buffalo	1	Warehouse / Distribution	117,000
	Cheektowaga	1	Warehouse / Distribution	121,760
	Farmington	1	Warehouse / Distribution	149,657
	Gloversville	3	Warehouse / Distribution	211,554
	Johnstown	1	Light Manufacturing	42,325
	Johnstown	3	Warehouse / Distribution	169,602
<b>North Carolina</b>				
	Charlotte	3	Warehouse / Distribution	295,471
	Durham	1	Warehouse / Distribution	80,600
	Greensboro	1	Warehouse / Distribution	128,287
	Huntersville	1	Warehouse / Distribution	185,570
	Lexington	1	Warehouse / Distribution	201,800
	Mebane	2	Warehouse / Distribution	606,840
	Mebane	1	Light Manufacturing	202,691
	Mocksville	1	Warehouse / Distribution	129,600
	Mooresville	2	Warehouse / Distribution	799,200
	Mountain Home	1	Warehouse / Distribution	146,014
	Newton	1	Warehouse / Distribution	217,200
	Pineville	1	Light Manufacturing	75,400
	Rural Hall	1	Warehouse / Distribution	250,000
	Salisbury	1	Warehouse / Distribution	288,000
	Smithfield	1	Warehouse / Distribution	307,845
	Troutman	1	Warehouse / Distribution	301,000
	Winston-Salem	1	Warehouse / Distribution	385,000
	Youngsville	1	Warehouse / Distribution	365,000
<b>Ohio</b>				
	Bedford Heights	1	Warehouse / Distribution	173,034
	Boardman	1	Warehouse / Distribution	168,111
	Columbus	2	Warehouse / Distribution	333,645
	Dayton	2	Warehouse / Distribution	775,727
	Fairborn	1	Warehouse / Distribution	258,680
	Fairfield	2	Warehouse / Distribution	364,948
	Gahanna	1	Warehouse / Distribution	383,000
	Groveport	1	Warehouse / Distribution	320,657
	Hilliard	1	Warehouse / Distribution	237,500
	Macedonia	1	Warehouse / Distribution	201,519
	Mason	1	Light Manufacturing	116,200
	North Jackson	2	Warehouse / Distribution	517,150
	Oakwood Village	1	Warehouse / Distribution	75,000
	Salem	1	Light Manufacturing	271,000
	Seville	1	Warehouse / Distribution	75,000
	Streetsboro	1	Warehouse / Distribution	343,416
	Strongsville	1	Warehouse / Distribution	161,984
	Toledo	1	Warehouse / Distribution	177,500



State	City	Number of Buildings	Asset Type	Total Rentable Square Feet
	Twinsburg	1	Warehouse / Distribution	150,974
	West Chester	1	Warehouse / Distribution	269,868
	West Jefferson	1	Warehouse / Distribution	857,390
<b>Oklahoma</b>				
	Oklahoma City	2	Warehouse / Distribution	303,740
	Tulsa	1	Warehouse / Distribution	175,000
<b>Oregon</b>				
	Salem	2	Light Manufacturing	155,900
<b>Pennsylvania</b>				
	Allentown	1	Warehouse / Distribution	289,900
	Burgettstown	1	Warehouse / Distribution	455,000
	Charleroi	1	Warehouse / Distribution	119,161
	Clinton	3	Warehouse / Distribution	737,768
	Croydon	1	Warehouse / Distribution	101,869
	Export	1	Warehouse / Distribution	138,270
	Elizabethtown	1	Warehouse / Distribution	206,236
	Imperial	1	Warehouse / Distribution	315,634
	Lancaster	1	Warehouse / Distribution	240,529
	Langhorne	2	Light Manufacturing	287,647
	Langhorne	1	Warehouse / Distribution	102,000
	Lebanon	1	Warehouse / Distribution	211,358
	Mechanicsburg	4	Warehouse / Distribution	1,077,054
	Muhlenberg Township	1	Warehouse / Distribution	392,107
	New Galilee	1	Warehouse / Distribution	410,389
	New Kensington	1	Warehouse / Distribution	200,500
	O'Hara Township	1	Warehouse / Distribution	887,084
	Pittston	1	Warehouse / Distribution	437,446
	Reading	1	Warehouse / Distribution	248,000
	Warrendale	1	Warehouse / Distribution	179,394
	Williamsport	1	Warehouse / Distribution	250,000
	York	3	Warehouse / Distribution	811,931
<b>South Carolina</b>				
	Columbia	1	Light Manufacturing	185,600
	Duncan	2	Warehouse / Distribution	787,380
	Edgefield	1	Light Manufacturing	126,190
	Fountain Inn	1	Light Manufacturing	203,000
	Fountain Inn	2	Warehouse / Distribution	442,472
	Gaffney	1	Warehouse / Distribution	226,968
	Goose Creek	1	Warehouse / Distribution	500,355
	Graniteville	1	Warehouse / Distribution	450,000
	Greenwood	2	Light Manufacturing	175,055
	Greer	6	Warehouse / Distribution	645,417
	Laurens	1	Warehouse / Distribution	125,000
	Piedmont	5	Warehouse / Distribution	942,736
	Rock Hill	2	Warehouse / Distribution	590,520
	Simpsonville	3	Warehouse / Distribution	1,138,494
	Spartanburg	9	Warehouse / Distribution	1,802,623
	Summerville	1	Warehouse / Distribution	88,583
	Ware Shoals	1	Light Manufacturing	20,514
	West Columbia	1	Light Manufacturing	464,206
	West Columbia	5	Warehouse / Distribution	969,532
<b>Tennessee</b>				
	Chattanooga	3	Warehouse / Distribution	646,200
	Cleveland	1	Warehouse / Distribution	151,704
	Clinton	1	Warehouse / Distribution	166,000
	Jackson	1	Warehouse / Distribution	216,902
	Knoxville	1	Light Manufacturing	106,000
	Knoxville	2	Warehouse / Distribution	335,550
	Lebanon	1	Warehouse / Distribution	348,880
	Loudon	1	Warehouse / Distribution	104,000
	Madison	1	Warehouse / Distribution	418,406

State	City	Number of Buildings	Asset Type	Total Rentable Square Feet
	Mascot	1	Warehouse / Distribution	130,560
	Mascot	1	Light Manufacturing	130,560
	Memphis	2	Warehouse / Distribution	1,764,539
	Murfreesboro	1	Warehouse / Distribution	102,505
	Nashville	1	Warehouse / Distribution	150,000
	Portland	1	Warehouse / Distribution	414,043
	Vonore	1	Warehouse / Distribution	342,700
<b>Texas</b>				
	Arlington	2	Warehouse / Distribution	290,132
	Cedar Hill	1	Warehouse / Distribution	420,000
	Conroe	1	Warehouse / Distribution	252,662
	El Paso	8	Warehouse / Distribution	1,903,033
	Garland	1	Light Manufacturing	253,900
	Houston	3	Light Manufacturing	536,735
	Houston	9	Warehouse / Distribution	1,133,349
	Humble	1	Warehouse / Distribution	289,200
	Katy	2	Warehouse / Distribution	244,903
	Laredo	2	Warehouse / Distribution	420,792
	Mission	1	Warehouse / Distribution	270,084
	Rockwall	1	Warehouse / Distribution	389,546
	Stafford	1	Warehouse / Distribution	68,300
	Waco	1	Warehouse / Distribution	66,400
<b>Virginia</b>				
	Chester	1	Warehouse / Distribution	100,000
	Harrisonburg	1	Warehouse / Distribution	357,673
	Independence	1	Warehouse / Distribution	120,000
	N. Chesterfield	1	Warehouse / Distribution	109,520
<b>Washington</b>				
	Ridgefield	1	Warehouse / Distribution	141,400
<b>Wisconsin</b>				
	Caledonia	1	Light Manufacturing	53,680
	Chippewa Falls	2	Light Manufacturing	97,400
	Delavan	2	Light Manufacturing	146,400
	DeForest	1	Warehouse / Distribution	254,431
	De Pere	1	Warehouse / Distribution	200,000
	East Troy	1	Warehouse / Distribution	149,624
	Elkhorn	1	Warehouse / Distribution	111,000
	Elkhorn	1	Light Manufacturing	78,540
	Germantown	4	Warehouse / Distribution	520,163
	Hartland	1	Warehouse / Distribution	121,050
	Janesville	1	Warehouse / Distribution	700,000
	Kenosha	1	Light Manufacturing	175,052
	Madison	2	Warehouse / Distribution	283,000
	Mayville	1	Light Manufacturing	339,179
	New Berliin	2	Warehouse / Distribution	397,863
	Oak Creek	2	Warehouse / Distribution	232,144
	Pewaukee	2	Warehouse / Distribution	288,201
	Pleasant Prairie	1	Light Manufacturing	105,637
	Pleasant Prairie	1	Warehouse / Distribution	195,415
	Sun Prairie	1	Warehouse / Distribution	427,000
	West Allis	4	Warehouse / Distribution	241,977
	Yorkville	1	Warehouse / Distribution	98,151
		<b>450</b>		<b>91,359,999</b>

As of December 31, 2019, 25 of our 450 buildings were encumbered by mortgage indebtedness totaling approximately \$55.1 million (excluding unamortized deferred financing fees, debt issuance costs, and fair market value premiums). See Note 4 in the accompanying Notes to the Consolidated Financial Statements and the accompanying Schedule III for additional information.

## Geographic Diversification

The following table summarizes information about the 20 largest markets in our portfolio based on total annualized base rental revenue as of December 31, 2019.

Top 20 Markets <sup>(1)</sup>	% of Total Annualized Base Rental Revenue
Philadelphia, PA	8.5%
Chicago, IL	7.6%
Greenville/Spartanburg, SC	5.5%
Pittsburgh, PA	4.5%
Milwaukee/Madison, WI	4.2%
Minneapolis/St Paul, MN	4.1%
Detroit, MI	3.7%
Houston, TX	3.4%
Charlotte, NC	2.8%
Cincinnati/Dayton, OH	2.6%
Boston, MA	2.5%
West Michigan, MI	2.5%
Indianapolis, IN	2.4%
Columbus, OH	2.3%
El Paso, TX	2.2%
Columbia, SC	1.8%
Westchester/So Connecticut, CT/NY	1.8%
Raleigh/Durham, NC	1.6%
Memphis, TN	1.4%
Kansas City, MO	1.4%
<b>Total</b>	<b>66.8%</b>

(1) As defined by CoStar Realty Information, Inc.

## Industry Diversification

The following table summarizes information about the 20 largest tenant industries in our portfolio based on total annualized base rental revenue as of December 31, 2019.

Top 20 Tenant Industries <sup>(1)</sup>	% of Total Annualized Base Rental Revenue
Auto Components	11.1%
Air Freight & Logistics	8.6%
Commercial Services & Supplies	7.4%
Containers & Packaging	7.2%
Machinery	4.8%
Household Durables	4.7%
Building Products	4.5%
Food Products	4.5%
Electrical Equipment	3.6%
Food & Staples Retailing	3.4%
Household Products	3.2%
Internet & Direct Mkt Retail	3.2%
Beverages	2.9%
Media	2.8%
Electronic Equip, Instruments	2.4%
Chemicals	2.0%
Specialty Retail	2.0%
Textiles, Apparel, Luxury Good	1.9%
Metals & Mining	1.8%
Pharmaceuticals	1.6%
<b>Total</b>	<b>83.6%</b>

(1) Industry classification based on Global Industry Classification Standard methodology.

## Tenant Diversification

The following table summarizes information about the 20 largest tenants in our portfolio based on total annualized base rental revenue as of December 31, 2019.

Top 20 Tenants <sup>(1)</sup>	Number of Leases	% of Total Annualized Base Rental Revenue
Amazon	3	1.9%
General Service Administration	1	1.8%
XPO Logistics, Inc.	4	1.2%
DHL Supply Chain	5	1.0%
Solo Cup	1	1.0%
TriMas Corporation	4	1.0%
DS Smith	2	1.0%
Ford Motor Company	1	0.9%
Yanfeng US Automotive Interior	2	0.8%
FedEx Corporation	3	0.8%
WestRock Company	6	0.8%
Kenco Logistic Services, LLC	2	0.8%
Perrigo Company	2	0.7%
Generation Brands	1	0.7%
Carolina Beverage Group	2	0.7%
Emerson Electric	2	0.7%
Quoizel, Inc.	1	0.7%
Hachette Book Group, Inc.	1	0.7%
Schneider Electric USA, Inc.	3	0.7%
American Tire Distributors Inc	4	0.6%
<b>Total</b>	<b>50</b>	<b>18.5%</b>

(1) Includes tenants, guarantors, and/or non-guarantor parents.

## Scheduled Lease Expirations

As of December 31, 2019, our weighted average lease term was approximately 5.2 years. We define weighted average lease term as the contractual lease term in years, assuming that tenants exercise no renewal options, purchase options, or early termination rights, weighted by square footage. The following table summarizes lease expirations for leases in place as of December 31, 2019, plus available space, for each of the ten calendar years beginning with 2020 and thereafter in our portfolio.

Lease Expiration Year	Number of Leases Expiring	Total Rentable Square Feet	% of Total Occupied Square Feet	Total Annualized Base Rental Revenue (in thousands)	% of Total Annualized Base Rental Revenue
Available	—	4,543,872	—	\$ —	—
Month-to-month leases	2	22,800	—%	54	—%
2020	41	6,977,348	8.0%	32,555	8.6%
2021	74	11,594,269	13.4%	50,683	13.3%
2022	73	9,048,131	10.4%	39,581	10.4%
2023	74	11,398,164	13.1%	44,345	11.7%
2024	60	11,119,594	12.8%	47,036	12.4%
2025	41	7,295,205	8.4%	30,933	8.1%
2026	39	6,543,870	7.6%	30,121	7.9%
2027	19	2,724,585	3.1%	13,394	3.5%
2028	25	4,716,771	5.5%	20,136	5.3%
2029	21	3,743,900	4.3%	18,220	4.8%
Thereafter	40	11,631,490	13.4%	53,366	14.0%
<b>Total/weighted average</b>	<b>509</b>	<b>91,359,999</b>	<b>100.0%</b>	<b>\$ 380,424</b>	<b>100.0%</b>

## Item 3. Legal Proceedings

From time to time, we are a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. We are not currently a party, as plaintiff or defendant, to any legal proceedings that, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operations if determined adversely to our company.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

### **PART II.**

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

Information about our equity compensation plans and other related stockholder matters is incorporated by reference to our definitive Proxy Statement for our 2020 Annual Meeting of Stockholders.

##### **Market Information**

Our common stock is listed on the NYSE and is traded under the symbol “STAG.”

##### **Holders of Our Common Stock**

As of February 10, 2020, we had 69 stockholders of record. This figure does not reflect the beneficial ownership of shares held in the nominee name.

##### **Dividends**

To maintain our qualification as a REIT, we must make annual distributions to our stockholders of at least 90% of our taxable net income (not including net capital gains). Dividends are declared at the discretion of our board of directors and depend on actual and anticipated cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and other factors our board of directors may consider relevant.

##### **Unregistered Sales of Equity Securities and Use of Proceeds**

###### **Recent Sales of Unregistered Equity Securities**

During the quarter ended December 31, 2019, the Operating Partnership issued 3,550 common units in the Operating Partnership upon exchange of outstanding long term incentive plan units pursuant to the 2011 Plan. Subject to certain restrictions, common units in the Operating Partnership may be redeemed for cash in an amount equal to the value of a share of common stock or, at our election, for a share of common stock on a one-for-one basis.

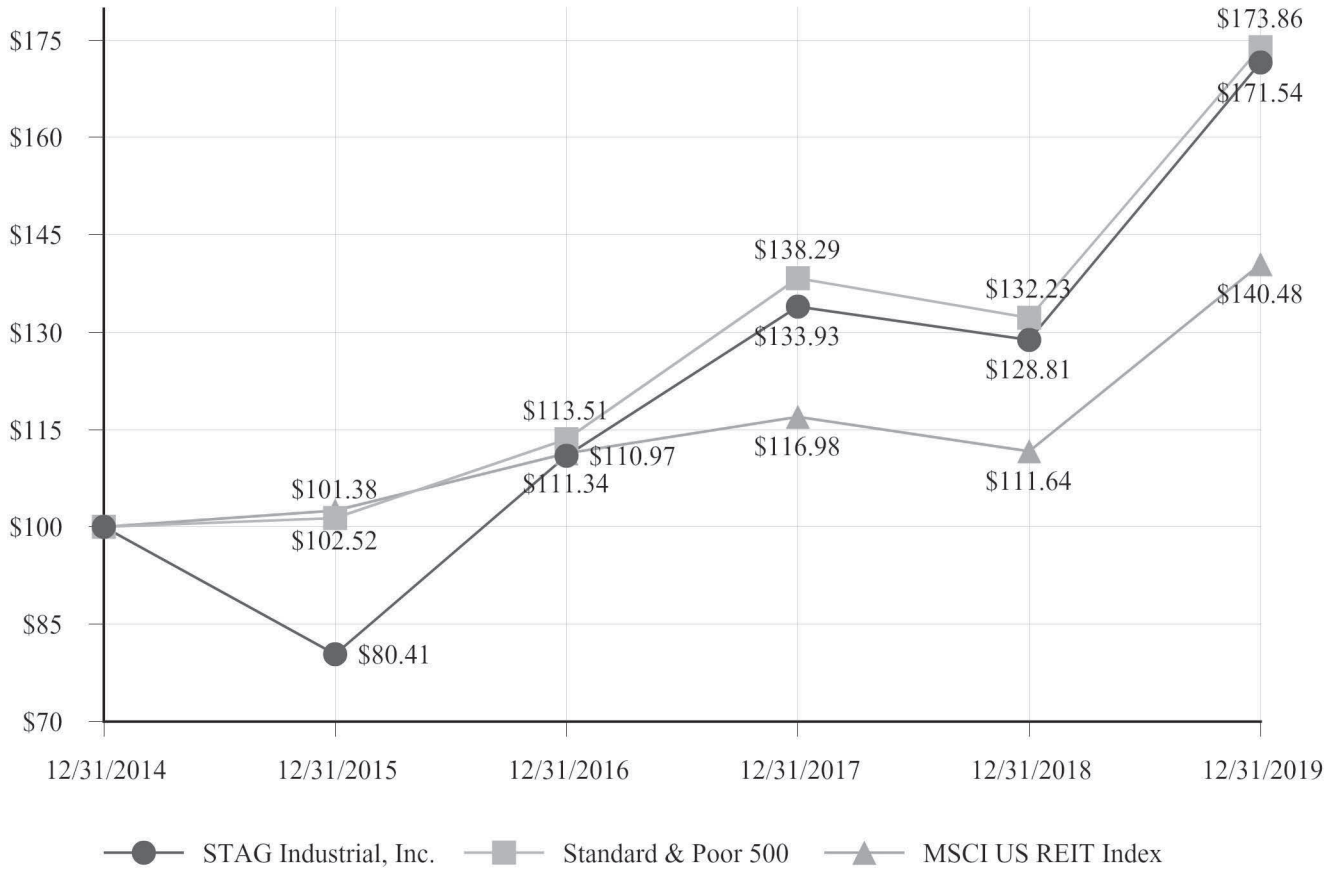
During the quarter ended December 31, 2019, we issued 19,055 shares of common stock upon redemption of 19,055 common units in the Operating Partnership held by various limited partners. The issuance of such shares of common stock was either registered under the Securities Act or effected in reliance upon an exemption from registration provided by Section 4(a)(2) under the Securities Act and the rules and regulations promulgated thereunder. We relied on the exemption based on representations given by the holders of the common units.

All other issuances of unregistered securities during the quarter ended December 31, 2019, if any, have previously been disclosed in filings with the SEC.

## Performance Graph

The following graph provides a comparison of the cumulative total return on our common stock with the cumulative total return on the Standard & Poor's 500 Index and the MSCI US REIT Index. The MSCI US REIT Index represents performance of publicly-traded REITs. Returns over the indicated period are based on historical data and should not be considered indicative of future returns. The graph covers the period from December 31, 2014 to December 31, 2019 and assumes that \$100 was invested in our common stock and in each index on December 31, 2014 and that all dividends were reinvested.

**Cumulative Total Return**  
Based upon an initial investment of \$100 on December 31, 2014 with dividends reinvested



This performance graph shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act, or incorporated by reference into any filing by us under the Securities Act, except as shall be expressly set forth by specific reference in such filing.

## Item 6. Selected Financial Data

The following table summarizes selected financial and operating data for our company on a historical consolidated basis. The following data should be read in conjunction with the Consolidated Financial Statements and Notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report on Form 10-K. Our selected historical Consolidated Balance Sheet information as of December 31, 2019, 2018, 2017, 2016 and 2015, and our selected historical Consolidated Statement of Operations data for the years ended December 31, 2019, 2018, 2017, 2016 and 2015, have been derived from the audited financial statements of STAG Industrial, Inc. Certain prior year amounts have been reclassified to conform to the current year presentation.

Selected Financial Data (in thousands, except per share data)	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Statements of Operations Data:</b>					
<b>Revenue</b>					
Total revenue	\$ 405,950	\$ 350,993	\$ 301,087	\$ 250,243	\$ 218,633
<b>Expenses</b>					
Property	75,179	69,021	57,701	48,904	42,627
General and administrative	35,946	34,052	33,349	33,395	28,750
Property acquisition costs	—	—	5,386	4,567	4,757
Depreciation and amortization	185,450	167,617	150,881	125,444	110,421
Loss on impairments	9,757	6,182	1,879	16,845	29,272
Gain on involuntary conversion	—	—	(325)	—	—
Other expenses	1,785	1,277	1,786	1,149	1,048
Total expenses	308,117	278,149	250,657	230,304	216,875
<b>Other income (expense)</b>					
Interest and other income	87	20	12	10	9
Interest expense	(54,647)	(48,817)	(42,469)	(42,923)	(36,098)
Loss on extinguishment of debt	—	(13)	(15)	(3,261)	—
Gain on the sales of rental property, net	7,392	72,211	24,242	61,823	4,986
Total other income (expense)	(47,168)	23,401	(18,230)	15,649	(31,103)
<b>Net income (loss)</b>	<b>\$ 50,665</b>	<b>\$ 96,245</b>	<b>\$ 32,200</b>	<b>\$ 35,588</b>	<b>\$ (29,345)</b>
Less: income (loss) attributable to noncontrolling interest after preferred stock dividends	1,384	3,319	941	1,069	(1,962)
Less: preferred stock dividends	5,156	7,604	9,794	13,897	10,848
Less: redemption of preferred stock	—	2,661	—	—	—
Less: amount allocated to participating securities	314	276	334	384	385
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ 43,811</b>	<b>\$ 82,385</b>	<b>\$ 21,131</b>	<b>\$ 20,238</b>	<b>\$ (38,616)</b>
<b>Net income (loss) per share attributable to common stockholders — basic</b>	<b>\$ 0.35</b>	<b>\$ 0.80</b>	<b>\$ 0.24</b>	<b>\$ 0.29</b>	<b>\$ (0.58)</b>
<b>Net income (loss) per share attributable to common stockholders — diluted</b>	<b>\$ 0.35</b>	<b>\$ 0.79</b>	<b>\$ 0.23</b>	<b>\$ 0.29</b>	<b>\$ (0.58)</b>
<b>Balance Sheets Data (December 31):</b>					
Rental property, before accumulated depreciation and amortization	\$ 4,627,444	\$ 3,555,133	\$ 3,097,276	\$ 2,541,705	\$ 2,188,642
Rental property, after accumulated depreciation and amortization	\$ 3,998,507	\$ 2,991,701	\$ 2,567,577	\$ 2,116,836	\$ 1,839,967
Total assets	\$ 4,164,645	\$ 3,102,532	\$ 2,680,667	\$ 2,186,156	\$ 1,901,782
Total debt	\$ 1,645,013	\$ 1,325,908	\$ 1,173,781	\$ 1,036,139	\$ 980,248
Total liabilities	\$ 1,800,754	\$ 1,432,900	\$ 1,270,360	\$ 1,119,230	\$ 1,043,925
Total equity	\$ 2,363,891	\$ 1,669,632	\$ 1,410,307	\$ 1,066,926	\$ 857,857
<b>Other Data:</b>					
Dividends declared per common share	\$ 1.430004	\$ 1.419996	\$ 1.405002	\$ 1.389996	\$ 1.365
Net cash provided by operating activities	\$ 233,357	\$ 197,769	\$ 162,098	\$ 135,788	\$ 121,747
Net cash used in investing activities	\$ 1,222,574	\$ 507,201	\$ 571,635	\$ 346,259	\$ 370,589
Net cash provided by financing activities	\$ 978,539	\$ 303,845	\$ 415,861	\$ 211,870	\$ 238,464

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report. For the definitions of certain terms used in the following discussion, refer to Item 1, “Business - Certain Definitions” included elsewhere in this Annual Report on Form 10-K.*

### **Overview**

We are a REIT focused on the acquisition, ownership, and operation of single-tenant, industrial properties throughout the United States. We seek to (i) identify properties that offer relative value across all locations, industrial property types, and tenants through the principled application of our proprietary risk assessment model, (ii) operate our properties in an efficient, cost-effective manner, and (iii) capitalize our business appropriately given the characteristics of our assets. We are a Maryland corporation and our common stock is publicly traded on the NYSE under the symbol “STAG.”

We are organized and conduct our operations to qualify as a REIT under Sections 856 through 860 of the Code, and generally are not subject to federal income tax to the extent we currently distribute our income to our stockholders and maintain our qualification as a REIT. We remain subject to state and local taxes on our income and property and to U.S. federal income and excise taxes on our undistributed income.

Our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, qualification tests in the federal income tax laws. Those tests involve the percentage of income that we earn from specified sources, the percentage of our assets that falls within specified categories, the diversity of our capital stock ownership and the percentage of our earnings that we distribute.

As of December 31, 2019, we owned 450 buildings in 38 states with approximately 91.4 million rentable square feet, consisting of 365 warehouse/distribution buildings, 69 light manufacturing buildings, eight flex/office buildings, six Value Add Portfolio buildings, and two buildings classified as held for sale. We own both single- and multi-tenant properties, although we focus on the former.

As of December 31, 2019, our buildings were approximately 95% leased to 414 tenants, with no single tenant accounting for more than approximately 1.9% of our total annualized base rental revenue and no single industry accounting for more than approximately 11.1% of our total annualized base rental revenue.

We own the interests in all of our properties and conduct substantially all of our business through our Operating Partnership. We are the sole member of the sole general partner of the Operating Partnership. As of December 31, 2019, we owned approximately 97.5% of the common equity of our Operating Partnership, and our current and former executive officers, directors, senior employees and their affiliates, and third parties who contributed properties to us in exchange for common equity in our Operating Partnership, owned the remaining 2.5%.

### **Factors That May Influence Future Results of Operations**

Our ability to increase revenues or cash flow will depend in part on our (i) external growth, specifically acquisition activity, and (ii) internal growth, specifically occupancy and rental rates on our portfolio. A variety of other factors, including those noted below, also affect our future results of operations.

### **Outlook**

The outlook for our business remains positive, albeit on a moderated basis in light of over ten years of economic growth, uncertainty regarding the current U.S. presidential administration and its policy initiatives, and continued asset appreciation. In the fourth quarter of 2019, the federal funds target rate was lowered by 25 basis points, to a target range of 1.50% to 1.75%. The Federal Reserve has signaled it will support economic growth as needed. The current economic growth combined with the favorable industrial supply demand balance should translate to a net positive result for our business. Specifically, our existing portfolio should benefit from rising rental rates and strong occupancy. Furthermore, we believe certain characteristics of our business should position us well in an uncertain interest rate environment, including the fact that we have minimal floating rate debt exposure (taking into account our hedging activities) and that many of our competitors for the assets we purchase tend to be smaller local and regional investors who are likely to be more heavily impacted by interest rates.



Several industrial specific trends contribute to the expected strong demand, including:

- the rise of e-commerce (as compared to the traditional retail store distribution model) and the concomitant demand by e-commerce industry participants for well-located, functional distribution space;
- the increasing attractiveness of the United States as a manufacturing and distribution location because of the size of the United States consumer market, an increase in overseas labor costs and the overall cost of supplying and shipping goods (i.e. the shortening and fattening of the supply chain); and
- the overall quality of the transportation infrastructure in the United States.

Our portfolio continues to benefit from historically low availability throughout the national industrial market. As of the most recent data, demand for space continues to support new supply and an accommodative environment for owners. Development activity has steadily increased over the past several years and is now reaching material levels in a growing number of primary industrial markets. Though availability remains historically low, this is a trend we will monitor closely. In addition, currently, the supply remains fairly concentrated in the larger primary industrial markets and we have limited exposure to many of these markets. On the demand side, we note that the quality and availability of labor remains a key focus of tenants making occupancy decisions. We will continue to monitor the supply and demand fundamentals for industrial real estate and assess its impact on our business.

### **Conditions in Our Markets**

The buildings in our portfolio are located in markets throughout the United States. Positive or negative changes in economic or other conditions, new supply, adverse weather conditions and natural disasters and other factors in these markets may affect our overall performance.

### **Rental Income**

We receive income primarily in the form of rental income from the tenants who occupy our buildings. The amount of rental income generated by the buildings in our portfolio depends principally on occupancy and rental rates.

Future economic downturns or regional downturns affecting our submarkets that impair our ability to renew or re-lease space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our buildings. Our ability to lease our properties and the attendant rental rate is dependent upon, among other things, (i) the overall economy, (ii) the supply/demand dynamic in our markets, (iii) the quality of our properties, including relative fit within the submarket, and (iv) our tenants' ability to meet their contractual obligations to us.

The following table summarizes our Operating Portfolio leases that commenced during the years ended December 31, 2019 and 2018. Certain leases contain rental concessions; any such rental concessions are accounted for on a straight-line basis over the term of the lease.

<b>Operating Portfolio</b>	<b>Square Feet</b>	<b>Cash Basis Rent Per Square Foot</b>	<b>SL Rent Per Square Foot</b>	<b>Total Costs Per Square Foot<sup>(1)</sup></b>	<b>Cash Rent Change</b>	<b>SL Rent Change</b>	<b>Weighted Average Lease Term<sup>(2)</sup> (years)</b>	<b>Rental Concessions per Square Foot<sup>(3)</sup></b>
<b>Year ended December 31, 2019</b>								
New Leases	1,869,573	\$ 4.26	\$ 4.46	\$ 2.89	14.5 %	24.6 %	5.6	\$ 0.51
Renewal Leases	7,740,691	\$ 4.05	\$ 4.20	\$ 0.68	9.2 %	17.0 %	4.0	\$ 0.08
<b>Total/weighted average</b>	<b>9,610,264</b>	<b>\$ 4.09</b>	<b>\$ 4.25</b>	<b>\$ 1.11</b>	<b>10.0%</b>	<b>18.2%</b>	<b>4.3</b>	<b>\$ 0.17</b>

(1) We define Total Costs as the costs for improvements of vacant and renewal spaces, as well as the contingent-based legal fees and commissions for leasing transactions. Total Costs per square foot represent the total costs expected to be incurred on the leases that commenced during the period and do not reflect actual expenditures for the period.

(2) We define weighted average lease term as the contractual lease term in years, assuming that tenants exercise no renewal options, purchase options, or early termination rights, weighted by square footage.

(3) Represents the total rental concessions for the entire lease term.

### ***Property Operating Expenses***

Our property operating expenses generally consist of utilities, real estate taxes, management fees, insurance, and site repair and maintenance costs. For the majority of our tenants, our property operating expenses are controlled, in part, by the triple net provisions in tenant leases. In our triple net leases, the tenant is responsible for all aspects of and costs related to the building and its operation during the lease term, including utilities, taxes, insurance and maintenance costs, but typically excluding roof and building structure. However, we also have modified gross leases and gross leases in our building portfolio. The terms of those leases vary and on some occasions we may absorb certain building related expenses of our tenants. In our modified gross leases, we are responsible for some building related expenses during the lease term, but the cost of most of the expenses is passed through to the tenant for reimbursement to us. In our gross leases, we are responsible for all costs related to the building and its operation during the lease term. Our overall performance will be affected by the extent to which we are able to pass-through property operating expenses to our tenants.

### ***Scheduled Lease Expirations***

Our ability to re-lease space subject to expiring leases will impact our results of operations and is affected by economic and competitive conditions in our markets and by the desirability of our individual buildings. Leases that comprise approximately 8.6% of our total annualized base rental revenue will expire during the period from January 1, 2020 to December 31, 2020, excluding month-to-month leases. We assume, based upon internal renewal probability estimates, that some of our tenants will renew and others will vacate and the associated space will be re-let subject to downtime assumptions. Using the aforementioned assumptions, we expect that the rental rates on the respective new leases will generally be the same as the rates under existing leases expiring during the period January 1, 2020 to December 31, 2020, thereby resulting in approximately the same revenue from the same space.

### ***Critical Accounting Policies***

The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied resulting in a different presentation of our financial statements. From time to time, we evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current information. Below is a discussion of accounting policies that we consider critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

See Note 2 in the accompanying Notes to the Consolidated Financial Statements for a discussion of new accounting pronouncements.

### ***Rental Property and Deferred Leasing Intangibles***

Rental property is carried at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are expensed as incurred. Significant renovations and betterments that extend the economic useful lives of assets are capitalized.

We capitalize costs directly and indirectly related to the development, pre-development, redevelopment, or improvement of rental property. Real estate taxes, compensation costs of development personnel, insurance, interest, and other directly related costs during construction periods are capitalized as incurred, with depreciation commencing with the date the property is substantially completed. Such costs begin to be capitalized to the development projects from the point we are undergoing the necessary activities to get the development project ready for its intended use and cease when the development projects are substantially completed and held available for occupancy. Interest is capitalized based on actual capital expenditures from the period when development or redevelopment commences until the asset is ready for its intended use, at the weighted average borrowing rate of our unsecured indebtedness during the period.

For properties classified as held for sale, we cease depreciating and amortizing the rental property and value the rental property at the lower of depreciated and amortized cost or fair value less costs to dispose. We present those properties classified as held for sale with any qualifying assets and liabilities associated with those properties as held for sale in the accompanying Consolidated Balance Sheets.

Using information available at the time of acquisition, we allocate the purchase price of properties acquired based upon the fair value of the assets acquired and liabilities assumed, which generally consist of land, buildings, tenant improvements, mortgage debt assumed, and deferred leasing intangibles, which includes in-place leases, above market and below market leases, and tenant relationships. The process for determining the allocation to these components requires estimates and assumptions, including rental rates, discount rates and exit capitalization rates, and land value per square foot, as well as available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant. The portion of the purchase price that is allocated to above and below market leases is valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease term plus the term of any bargain renewal options. The purchase price is further allocated to in-place lease values and tenant relationships based on our evaluation of the specific characteristics of each tenant’s lease and its overall relationship with the respective tenant.

The above and below market lease values are amortized into rental income over the remaining lease term. The value of in-place lease intangibles and tenant relationships are amortized over the remaining lease term (and expected renewal period of the respective lease for tenant relationships) as increases to depreciation and amortization expense. The remaining lease terms are adjusted for bargain renewal options or assumed exercises of early termination options, as applicable. If a tenant subsequently terminates its lease, any unamortized portion of above and below market leases is accelerated into rental income and the in-place lease value and tenant relationships are accelerated into depreciation and amortization expense over the shortened lease term.

The purchase price allocated to deferred leasing intangible assets are included in rental property, net on the accompanying Consolidated Balance Sheets and the purchase price allocated to deferred leasing intangible liabilities are included in deferred leasing intangibles, net on the accompanying Consolidated Balance Sheets under the liabilities section.

In determining the fair value of the debt assumed, we discount the spread between the future contractual interest payments and hypothetical future interest payments on mortgage debt based on a current market rate. The associated fair market value debt adjustment is amortized through interest expense over the life of the debt on a basis which approximates the effective interest method.

We evaluate the carrying value of all tangible and intangible rental property assets and deferred leasing intangible liabilities (collectively, the “property”) held for use for possible impairment when an event or change in circumstance has occurred that indicates their carrying value may not be recoverable. The evaluation includes estimating and reviewing anticipated future undiscounted cash flows to be derived from the property. If such cash flows are less than the property’s carrying value, an impairment charge is recognized to the extent by which the property’s carrying value exceeds the estimated fair value. Estimating future cash flows is highly subjective and is based in part on assumptions regarding anticipated hold period, future occupancy, rental rates, capital requirements, and exit capitalization rates that could differ from actual results. The discount rate used to present value the cash flows for determining fair value is also subjective.

Depreciation expense is computed using the straight-line method based on the following estimated useful lives.

<b>Description</b>	<b>Estimated Useful Life</b>
Building	40 Years
Building and land improvements	Up to 20 years
Tenant improvements	Shorter of useful life or terms of related lease

***Leases***

For leases in which we are the lessee, we recognize a right-of-use asset and corresponding lease liability on the accompanying Consolidated Balance Sheets equal to the present value of the fixed lease payments. In determining operating right-of-use asset and lease liability for our existing operating leases upon the adoption of the new lease guidance, we were required to estimate an appropriate incremental borrowing rate on a fully-collateralized basis for the terms of the leases. We utilized a market-based approach to estimate the incremental borrowing rate for each individual lease. Since the terms under the ground leases are significantly longer than the terms of borrowings available to us on a fully-collateralized basis, the estimate of this rate required significant judgment, and considered factors such as yields on outstanding public debt and other market based pricing on longer duration financing instruments.

## ***Goodwill***

The excess of the cost of an acquired business over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Our goodwill of approximately \$4.9 million represents amounts allocated to the assembled workforce from the acquired management company, and is presented in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets. Our goodwill has an indeterminate life and is not amortized, but is tested for impairment on an annual basis at December 31, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We take a qualitative approach to consider whether an impairment of goodwill exists prior to quantitatively determining the fair value of the reporting unit in step one of the impairment test. We have recorded no impairments to goodwill through December 31, 2019.

## ***Use of Derivative Financial Instruments***

We record all derivatives on the accompanying Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or we elect not to apply hedge accounting.

In accordance with fair value measurement guidance, we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting arrangements on a net basis by counterparty portfolio. Credit risk is the risk of failure of the counterparty to perform under the terms of the contract. We minimize the credit risk in our derivative financial instruments by entering into transactions with various high-quality counterparties. Our exposure to credit risk at any point is generally limited to amounts recorded as assets on the accompanying Consolidated Balance Sheets.

## ***Fair Value of Financial Instruments***

Financial instruments include cash and cash equivalents, restricted cash, tenant accounts receivable, interest rate swaps, accounts payable, accrued expenses, unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes. See Note 4 in the accompanying Notes to Consolidated Financial Statements for the fair value of our indebtedness. See Note 5 in the accompanying Notes to Consolidated Financial Statements for the fair value of our interest rate swaps.

We adopted fair value measurement provisions for our financial instruments recorded at fair value. The guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

## ***Incentive and Equity-Based Employee Compensation Plans***

We grant equity-based compensation awards to our employees and directors in the form of restricted shares of common stock, LTIP units, and outperformance programs and performance units (outperformance programs and performance units are collectively, the “Performance-based Compensation Plans”). See Notes 6, 7 and 8 in the accompanying Notes to Consolidated Financial Statements for further discussion of restricted shares of common stock, LTIP units, and Performance-based Compensation Plans, respectively. We measure equity-based compensation expense based on the fair value of the awards on the grant date and recognize the expense ratably over the vesting period, and forfeitures are recognized in the period in which they occur.

## ***Revenue Recognition***

All current leases are classified as operating leases and rental income is recognized on a straight-line basis over the term of the lease (and expected bargain renewal terms or assumed exercise of early termination options) when collectability is reasonably assured. Differences between rental income earned and amounts due under the lease are charged or credited, as applicable, to accrued rental income.

We determined that for all leases where we are the lessor, that the timing and pattern of transfer of the non-lease components and associated lease components are the same, and that the lease components, if accounted for separately, would be classified as an operating lease. Accordingly, we have made an accounting policy election to recognize the combined component in accordance with Topic 842 as rental income on the accompanying Consolidated Statements of Operations.

Rental income recognition commences when the tenant takes possession of or controls the physical use of the leased space and the leased space is substantially complete and ready for its intended use. In order to determine whether the leased space is substantially complete and ready for its intended use, we determine whether we or the tenant own the tenant improvements. When it is determined that we are the owner of the tenant improvements, rental income recognition begins when the tenant takes possession of or controls the physical use of the finished space, which is generally when our owned tenant improvements are completed. In instances when it is determined that the tenant is the owner of tenant improvements, rental income recognition begins when the tenant takes possession of or controls the physical use of the leased space.

When we are the owner of tenant improvements or other capital items, the cost to construct the tenant improvements or other capital items, including costs paid for or reimbursed by the tenants, is recorded as capital assets. For these tenant improvements or other capital items, the amount funded by or reimbursed by the tenants are recorded as deferred revenue, which is amortized on a straight-line basis as income over the shorter of the useful life of the capital asset or the term of the related lease.

Early lease termination fees are recorded in rental income on a straight-line basis from the notification date of such termination to the then remaining (not the original) lease term, if any, or upon collection if collection is not reasonably assured.

We evaluate cash basis versus accrual basis of rental income recognition based on the collectability of future lease payments.

We earned revenue from asset management fees, which are included on the accompanying Consolidated Statements of Operations in other income. We recognized revenue from asset management fees when the related fees were earned and were realized or realizable. As of December 31, 2017, we no longer earned revenue from asset management fees.

## **Results of Operations**

The following discussion of our results of our same store (as defined below) net operating income (“NOI”) should be read in conjunction with our Consolidated Financial Statements. For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see “Non-GAAP Financial Measures” below. Same store results are considered to be useful to investors in evaluating our performance because they provide information relating to changes in building-level operating performance without taking into account the effects of acquisitions or dispositions. We encourage the reader to not only look at our same store results, but also our total portfolio results, due to historic and future growth.

We define same store properties as properties that were in the Operating Portfolio for the entirety of the comparative periods presented. Same store properties exclude Operating Portfolio properties with expansions placed into service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2017. On December 31, 2019, we owned 313 industrial buildings consisting of approximately 62.3 million square feet, which represents approximately 68.2% of our total portfolio, that are considered our same store portfolio in the analysis below. Same store occupancy decreased approximately 1% to 95.6% as of December 31, 2019 compared to 96.6% as of December 31, 2018.

### ***Comparison of the year ended December 31, 2019 to the year ended December 31, 2018***

The following table summarizes selected operating information for our same store portfolio and our total portfolio for the years ended December 31, 2019 and 2018 (dollars in thousands). This table includes a reconciliation from our same store portfolio to our total portfolio by also providing information for the years ended December 31, 2019 and 2018 with respect to the buildings acquired and disposed of and Operating Portfolio buildings with expansions placed into service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2017 and our flex/office buildings, Value Add Portfolio, and buildings classified as held for sale.

	Same Store Portfolio			Acquisitions/Dispositions			Other		Total Portfolio		
	Year ended December 31,		Change	Year ended December 31,			Year ended December 31,		Year ended December 31,		Change
	2019	2018	\$ %	2019	2018		2019	2018	2019	2018	\$ %
<b>Revenue</b>											
<i>Operating revenue</i>											
Rental income	\$ 299,567	\$ 293,222	\$ 6,345 2.2 %	\$ 89,841	\$ 41,243	\$ 15,228	\$ 15,942	\$ 15,228	\$ 405,350	\$ 349,693	\$ 55,657 15.9 %
Other income	407	920	(513) (55.8)%	193	377	3	—	3	600	1,300	(700) (53.8)%
<i>Total operating revenue</i>	<u>299,974</u>	<u>294,142</u>	<u>5,832 2.0 %</u>	<u>90,034</u>	<u>41,620</u>	<u>15,231</u>	<u>15,942</u>	<u>15,231</u>	<u>405,950</u>	<u>350,993</u>	<u>54,957 15.7 %</u>
<b>Expenses</b>											
Property	55,335	53,526	1,809 3.4 %	13,739	10,076	5,419	6,105	5,419	75,179	69,021	6,158 8.9 %
<i>Net operating income <sup>(1)</sup></i>	<u>\$ 244,639</u>	<u>\$ 240,616</u>	<u>\$ 4,023 1.7 %</u>	<u>\$ 76,295</u>	<u>\$ 31,544</u>	<u>\$ 9,812</u>	<u>\$ 9,837</u>	<u>\$ 9,812</u>	<u>\$ 330,771</u>	<u>\$ 281,972</u>	<u>\$ 48,799 17.3 %</u>
<i>Other expenses</i>											
General and administrative									35,946	34,052	1,894 5.6 %
Depreciation and amortization									185,450	167,617	17,833 10.6 %
Loss on impairments									9,757	6,182	3,575 57.8 %
Other expenses									1,785	1,277	508 39.8 %
<i>Total other expenses</i>									<u>232,938</u>	<u>209,128</u>	<u>23,810 11.4 %</u>
<i>Total expenses</i>									<u>308,117</u>	<u>278,149</u>	<u>29,968 10.8 %</u>
Other income (expense)									87	20	67 335.0 %
Interest and other income									(54,647)	(48,817)	(5,830) 11.9 %
Interest expense									—	(13)	13 (100.0)%
Loss on extinguishment of debt									7,392	72,211	(64,819) (89.8)%
Gain on the sales of rental property, net									(47,168)	23,401	(70,569) (301.6)%
<i>Total other income (expense)</i>									<u>\$ 50,665</u>	<u>\$ 96,245</u>	<u>\$ (45,580) (47.4)%</u>
<b>Net income</b>											

(1) For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see "Non-GAAP Financial Measures" below.

## ***Net Income***

Net income for our total portfolio decreased by \$45.6 million or 47.4% to \$50.7 million for the year ended December 31, 2019 compared to \$96.2 million for the year ended December 31, 2018.

## ***Same Store Total Operating Revenue***

Same store total operating revenue consists primarily of rental income consisting of (i) fixed lease payments, variable lease payments, straight-line rental income, and above and below market lease amortization from our properties (“lease income”), and (ii) other tenant billings for insurance, real estate taxes and certain other expenses (“other billings”).

For a detailed reconciliation of our same store total operating revenue to net income, see the table above.

Same store rental income, which is comprised of lease income and other billings as discussed below, increased by \$6.3 million or 2.2% to \$299.6 million for the year ended December 31, 2019 compared to \$293.2 million for the year ended December 31, 2018.

Same store lease income increased by \$3.9 million or 1.9% to \$252.9 million for the year ended December 31, 2019 compared to \$249.0 million for the year ended December 31, 2018. Approximately \$7.4 million of the increase was attributable to rental increases due to new leases and renewals of existing tenants and approximately \$0.6 million due to a net decrease in the amortization of net above market leases. This increase was partially offset by an approximately \$4.1 million decrease due to a reduction of base rent due to tenants downsizing their spaces and vacancies.

Same store other billings increased by \$2.5 million or 5.6% to \$46.7 million for the year ended December 31, 2019 compared to \$44.2 million for the year ended December 31, 2018. The increase was primarily attributable to an increase in real estate taxes levied by the taxing authority and changes to lease terms where we began paying the real estate taxes and operating expenses on behalf of tenants that had previously paid its taxes and operating expenses directly to respective vendors of approximately \$2.8 million. This increase was partially offset by a decrease of approximately \$0.3 million related to tenant specific billings that occurred during the year ended December 31, 2018 that did not recur during the year ended December 31, 2019.

Same store other income decreased by \$0.5 million or 55.8% to \$0.4 million for the year ended December 31, 2019 compared to \$0.9 million for the year ended December 31, 2018. This decrease is primarily the result of income received during the year ended December 31, 2018 for settlements or other sums received from former tenants which did not recur during the year ended December 31, 2019.

## ***Same Store Operating Expenses***

Same store operating expenses consist primarily of property operating expenses and real estate taxes and insurance.

For a detailed reconciliation of our same store portfolio operating expenses to net income, see the table above.

Total same store expenses increased by \$1.8 million or 3.4% to \$55.3 million for the year ended December 31, 2019 compared to \$53.5 million for the year ended December 31, 2018. This increase was primarily related to increases in real estate taxes levied by the related taxing authority and changes to lease terms where we began paying the real estate taxes on behalf of tenants that had previously paid its taxes directly to the taxing authority of approximately \$3.1 million, as well as an increase in snow removal and other expenses of approximately \$0.6 million. These increases were partially offset by a decrease in insurance expenses of approximately \$1.4 million and a decrease in repairs and maintenance and utility expenses of \$0.5 million.

## ***Acquisitions and Dispositions Net Operating Income***

For a detailed reconciliation of our acquisitions and dispositions NOI to net income, see the table above.

Subsequent to December 31, 2017, we acquired 115 buildings consisting of approximately 25.0 million square feet (excluding seven buildings that were included in the Value Add Portfolio at December 31, 2019 or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2017), and sold 28 buildings and two land parcels consisting of approximately 5.5 million square feet. For the years ended December 31, 2019 and 2018, the buildings acquired after December 31, 2017 contributed approximately \$77.0 million and \$18.2 million to NOI, respectively. For the years ended December 31, 2019 and 2018, the buildings sold after December 31, 2017 contributed approximately \$(0.7) million and \$13.3 million to NOI, respectively. Refer to Note 3 in the accompanying Notes to Consolidated Financial Statements for additional discussion regarding buildings acquired or sold.

### ***Other Net Operating Income***

Our other assets include our flex/office buildings, Value Add Portfolio, buildings classified as held for sale, and Operating Portfolio buildings with expansions placed in service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2017. Other NOI also includes termination income from buildings from our same store portfolio.

For a detailed reconciliation of our other NOI to net income, see the table above.

At December 31, 2019 we owned eight flex/office buildings consisting of approximately 0.4 million square feet, six buildings in our Value Add Portfolio consisting of approximately 1.4 million square feet, two buildings classified as held for sale consisting of approximately 0.7 million square feet, and six buildings consisting of approximately 1.6 million square feet that were Operating Portfolio buildings with expansions placed in service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2017. These buildings contributed approximately \$9.7 million and \$10.0 million to NOI for the years ended December 31, 2019 and 2018, respectively. Additionally, there was \$0.1 million and \$(0.2) million of termination, solar, and other income adjustments from certain buildings in our same store portfolio for the years ended December 31, 2019 and December 31, 2018, respectively.

### ***Total Other Expenses***

Total other expenses consist of general and administrative expenses, depreciation and amortization, loss on impairments, and other expenses.

Total other expenses increased \$23.8 million or 11.4% for the year ended December 31, 2019 to \$232.9 million compared to \$209.1 million for the year ended December 31, 2018. This is primarily a result of an increase in depreciation and amortization of approximately \$17.8 million as a result of acquisitions that increased the depreciable asset base, as well as an increase of approximately \$3.6 million in loss on impairments. General and administrative expenses increased by approximately \$1.9 million primarily due to increases in compensation and other payroll costs.

### ***Total Other Income (Expense)***

Total other income (expense) consists of interest and other income, interest expense, loss on extinguishment of debt, and gain on the sales of rental property, net. Interest expense includes interest incurred during the period as well as adjustments related to amortization of financing fees and debt issuance costs, and amortization of fair market value adjustments associated with the assumption of debt.

Total net other income decreased \$70.6 million or 301.6% to \$47.2 million total other expense for the year ended December 31, 2019 compared to \$23.4 million total other income for the year ended December 31, 2018. This decrease is primarily the result of an decrease in the gain on the sales of rental property, net of approximately \$64.8 million. This decrease is also attributable to an increase in interest expense of approximately \$5.8 million which was primarily attributable to the funding of unsecured term loans on March 28, 2018, July 27, 2018, July 25, 2019, and December 18, 2019, and the funding of unsecured notes on June 13, 2018.

### ***Comparison of year ended December 31, 2018 to the year ended December 31, 2017***

The following table summarizes selected operating information for our same store portfolio and our total portfolio for the years ended December 31, 2018 and 2017 (dollars in thousands). This table includes a reconciliation from our same store portfolio to our total portfolio by also providing information for the years ended December 31, 2018 and 2017 with respect to the buildings acquired and disposed of and Operating Portfolio buildings with expansions placed into service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2016 and our flex/office buildings and Value Add Portfolio.



	Same Store Portfolio			Acquisitions/Dispositions		Other		Total Portfolio			
	Year ended December 31,		Change	Year ended December 31,		Year ended December 31,		Change			
	2018	2017	\$	2018	2017	2018	2017	\$	%		
<b>Revenue</b>											
<i>Operating revenue</i>											
Rental income	\$ 243,313	\$ 238,931	\$ 4,382	\$ 86,251	\$ 49,069	\$ 20,129	\$ 12,836	\$ 349,693	\$ 300,836	\$ 48,857	16.2 %
Other income	898	98	800	309	96	93	57	1,300	251	1,049	417.9 %
<i>Total operating revenue</i>	<u>244,211</u>	<u>239,029</u>	<u>5,182</u>	<u>86,560</u>	<u>49,165</u>	<u>20,222</u>	<u>12,893</u>	<u>350,993</u>	<u>301,087</u>	<u>49,906</u>	<u>16.6 %</u>
<b>Expenses</b>											
Property	45,622	42,893	2,729	16,692	9,590	6,707	5,218	69,021	57,701	11,320	19.6 %
<i>Net operating income <sup>(1)</sup></i>	<u>\$ 198,589</u>	<u>\$ 196,136</u>	<u>\$ 2,453</u>	<u>\$ 69,868</u>	<u>\$ 39,575</u>	<u>\$ 13,515</u>	<u>\$ 7,675</u>	<u>\$ 281,972</u>	<u>\$ 243,386</u>	<u>\$ 38,586</u>	<u>15.9 %</u>
<i>Other expenses</i>											
General and administrative				34,052					33,349	703	2.1 %
Property acquisition costs				—					5,386	(5,386)	(100.0)%
Depreciation and amortization				167,617	150,881	16,736			150,881	16,736	11.1 %
Loss on impairments				6,182	1,879	4,303			1,879	4,303	229.0 %
Gain on involuntary conversion				—					(325)	325	(100.0)%
Other expenses				1,277	1,786				1,786	(509)	(28.5)%
<i>Total other expenses</i>	<u>209,128</u>	<u>192,956</u>	<u>16,172</u>	<u>278,149</u>	<u>192,956</u>	<u>16,172</u>	<u>27,492</u>	<u>278,149</u>	<u>192,956</u>	<u>16,172</u>	<u>8.4 %</u>
<b>Other income (expense)</b>											
Interest and other income						20	12		12	8	66.7 %
Interest expense				(48,817)	(42,469)	(6,348)			(42,469)	(6,348)	14.9 %
Loss on extinguishment of debt				(13)					(15)	2	(13.3)%
Gain on the sales of rental property, net				72,211	24,242	47,969			24,242	47,969	197.9 %
Total other income (expense)	<u>23,401</u>	<u>(18,230)</u>	<u>41,631</u>	<u>96,245</u>	<u>32,200</u>	<u>64,045</u>			<u>32,200</u>	<u>64,045</u>	<u>198.9 %</u>
<b>Net income</b>											

(1) For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see “Non-GAAP Financial Measures” below.

### ***Net Income***

Net income for our total portfolio increased by \$64.0 million or 198.9% to \$96.2 million for the year ended December 31, 2018 compared to \$32.2 million for the year ended December 31, 2017.

### ***Same Store Total Operating Revenue***

Same store total operating revenue consists primarily of rental income consisting of (i) fixed lease payments, variable lease payments, straight-line rental income, and above and below market lease amortization from our properties (“lease income”), and (ii) other tenant billings for insurance, real estate taxes and certain other expenses (“other billings”).

For a detailed reconciliation of our same store total operating revenue to net income, see the table above.

Same store rental income, which is comprised of lease income and other billings as discussed below, increased by \$4.4 million or 1.8% to \$243.3 million for the year ended December 31, 2018 compared to \$238.9 million for the year ended December 31, 2017.

Same store lease income increased by \$3.7 million or 1.8% to \$207.5 million for the year ended December 31, 2018 compared to \$203.7 million for the year ended December 31, 2017. Approximately \$7.3 million of the increase was attributable to rental increases due to new leases and renewals of existing tenants. Same store rental income also increased by approximately \$0.7 million due to a net decrease in the amortization of net above market leases. These increases were partially offset by an approximately \$4.3 million decrease due to a reduction of base rent due to tenants downsizing their spaces and vacancies.

Same store other billings increased by \$0.6 million or 1.8% to \$35.9 million for the year ended December 31, 2018 compared to \$35.2 million for the year ended December 31, 2017. Approximately \$1.7 million of the increase was primarily due to increases in occupancy and real estate taxes levied by the taxing authority, as well as changes to lease terms where we began paying the real estate taxes and operating expenses on behalf of tenants that had previously paid its taxes and operating expenses directly to respective vendors. This increase was partially offset by a decrease of approximately \$0.5 million related to vacancy of previously occupied buildings and decreases in real estate taxes levied by the taxing authority. The increase was also partially offset by one of our properties where it was determined, during the year ended December 31, 2017, that the tenant will not be able to meet its requirements set forth by the taxing authority to be entitled to an abatement of real estate taxes. The abatement was applicable to prior periods, and therefore the expense and related tenant recovery income recorded for the year ended December 31, 2017 includes 36 months of real estate taxes, which attributed to approximately \$0.6 million of the decrease in same store tenant recoveries as it did not recur for the year ended December 31, 2018.

### ***Same Store Operating Expenses***

Same store operating expenses consist primarily of property operating expenses and real estate taxes and insurance.

For a detailed reconciliation of our same store portfolio operating expenses to net income, see the table above.

Total same store expenses increased by \$2.7 million or 6.4% to \$45.6 million for the year ended December 31, 2018 compared to \$42.9 million for the year ended December 31, 2017. This increase was primarily related to increases in general repairs and maintenance expense of approximately \$0.4 million, real estate taxes levied by the related taxing authority of approximately \$0.8 million, snow removal and utilities expenses of approximately \$0.9 million, insurance expense of approximately \$0.4 million, and bad debt expense of approximately \$0.8 million. These increases were partially offset by a decrease in real estate taxes attributable to one of our properties where it was determined, during the year ended December 31, 2017, that the tenant will not be able to meet its requirements set forth by the taxing authority to be entitled to an abatement of real estate taxes. The abatement was applicable to prior periods, and therefore the expense and related tenant recovery income recorded for the year ended December 31, 2017 includes 36 months of real estate taxes, which attributed to approximately \$0.6 million of the decrease in same store operating expenses as it did not recur for the year ended December 31, 2018.

### ***Acquisitions and Dispositions Net Operating Income***

For a detailed reconciliation of our acquisitions and dispositions NOI to net income, see the table above.

Subsequent to December 31, 2016, we acquired 100 buildings consisting of approximately 20.0 million square feet (excluding six buildings that were included in the Value Add Portfolio at December 31, 2018 or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2016), and sold 30 buildings consisting of approximately 5.8 million square feet. For the

years ended December 31, 2018 and 2017, the buildings acquired after December 31, 2016 contributed approximately \$61.3 million and \$22.1 million to NOI, respectively. For the years ended December 31, 2018 and 2017, the buildings sold after December 31, 2016 contributed approximately \$8.6 million and \$17.5 million to NOI, respectively. Refer to Note 3 in the accompanying Notes to Consolidated Financial Statements for additional discussion regarding buildings acquired or sold.

### ***Other Net Operating Income***

Our other assets include our flex/office buildings, Value Add Portfolio, and Operating Portfolio buildings with expansions placed in service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2016. Other NOI also includes termination income from buildings from our same store portfolio.

For a detailed reconciliation of our other NOI to net income, see the table above.

At December 31, 2018 we owned nine flex/office buildings consisting of approximately 0.6 million square feet, three buildings in our Value Add Portfolio consisting of approximately 0.6 million square feet, and nine buildings consisting of approximately 2.7 million square feet that were Operating Portfolio buildings with expansions placed in service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2016. These buildings contributed approximately \$13.0 million and \$7.6 million to NOI for the years ended December 31, 2018 and 2017, respectively. Additionally, there was \$0.5 million and \$0.1 million of termination fee income from certain buildings in our same store portfolio for the years ended December 31, 2018 and December 31, 2017, respectively.

### ***Total Other Expenses***

Total other expenses consist of general and administrative expenses, property acquisition costs, depreciation and amortization, loss on impairments, gain on involuntary conversion, and other expenses.

Total other expenses increased \$16.2 million or 8.4% for the year ended December 31, 2018 to \$209.1 million compared to \$193.0 million for the year ended December 31, 2017. This is primarily a result of an increase in depreciation and amortization of approximately \$16.7 million as a result of acquisitions that increased the depreciable asset base. The increase was also attributable to four buildings that were impaired in the amount of approximately \$6.2 million during the year ended December 31, 2018, whereas there was only one building impaired in the amount of approximately \$1.9 million during the year ended December 31, 2017. These increases were partially offset by a decrease in property acquisition costs of approximately \$5.4 million due to the adoption of Accounting Standards Update 2017-01.

### ***Total Other Income (Expense)***

Total other income (expense) consists of interest and other income, interest expense, loss on extinguishment of debt, and gain on the sales of rental property, net. Interest expense includes interest incurred during the period as well as adjustments related to amortization of financing fees and debt issuance costs, and amortization of fair market value adjustments associated with the assumption of debt.

Total net other income increased \$41.6 million or 228.4% to a net other income position of \$23.4 million for the year ended December 31, 2018 compared to a net other expense position of \$18.2 million for the year ended December 31, 2017. This increase was primarily the result of an increase in the gain on the sales of rental property of approximately \$48.0 million. This was partially offset by an increase in interest expense of approximately \$6.3 million which was primarily attributable to a higher unsecured credit facility balance during the year ended December 31, 2018 compared to the year ended December 31, 2017, and the issuance of new unsecured term loans and unsecured notes as discussed in Note 4 of the accompanying Notes to Consolidated Financial Statements. The increase in interest expense was slightly offset by the repayment of several mortgage notes during the year ended December 31, 2017.

### **Non-GAAP Financial Measures**

In this report, we disclose funds from operations (“FFO”) and NOI, which meet the definition of “non-GAAP financial measures” as set forth in Item 10(e) of Regulation S-K promulgated by the SEC. As a result, we are required to include in this report a statement of why management believes that presentation of these measures provides useful information to investors.

## ***Funds From Operations***

FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of our performance, and we believe that to understand our performance further, FFO should be compared with our reported net income (loss) in accordance with GAAP, as presented in our consolidated financial statements included in this report.

We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts (“NAREIT”). FFO represents GAAP net income (loss), excluding gains (or losses) from sales of depreciable operating buildings, impairment write-downs of depreciable real estate, real estate related depreciation and amortization (excluding amortization of deferred financing costs and fair market value of debt adjustment) and after adjustments for unconsolidated partnerships and joint ventures.

Management uses FFO as a supplemental performance measure because it is a widely recognized measure of the performance of REITs. FFO may be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our buildings that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our buildings, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other REITs may not calculate FFO in accordance with the NAREIT definition, and, accordingly, our FFO may not be comparable to such other REITs’ FFO. FFO should not be used as a measure of our liquidity, and is not indicative of funds available for our cash needs, including our ability to pay dividends.

The following table summarizes a reconciliation of our FFO attributable to common stockholders and unit holders for the periods presented to net income, the nearest GAAP equivalent.

<b>Reconciliation of Net Income to FFO (in thousands)</b>	<b>Year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net income</b>	<b>\$ 50,665</b>	<b>\$ 96,245</b>	<b>\$ 32,200</b>
Rental property depreciation and amortization	185,154	167,321	150,591
Loss on impairments	9,757	6,182	1,879
Gain on the sales of rental property, net	(7,392)	(72,211)	(24,242)
<b>FFO</b>	<b>\$ 238,184</b>	<b>\$ 197,537</b>	<b>\$ 160,428</b>
Preferred stock dividends	(5,156)	(7,604)	(9,794)
Redemption of preferred stock	—	(2,661)	—
Amount allocated to restricted shares of common stock and unvested units	(891)	(751)	(927)
<b>FFO attributable to common stockholders and unit holders</b>	<b>\$ 232,137</b>	<b>\$ 186,521</b>	<b>\$ 149,707</b>

## ***Net Operating Income***

We consider NOI to be an appropriate supplemental performance measure to net income (loss) because we believe it helps investors and management understand the core operations of our buildings. NOI is defined as rental income, which includes billings for common area maintenance, real estate taxes and insurance, less property expenses. NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating NOI.

The following table summarizes a reconciliation of our NOI for the periods presented to net income, the nearest GAAP equivalent.

Reconciliation of Net Income to NOI (in thousands)	Year ended December 31,		
	2019	2018	2017
<b>Net income</b>	<b>\$ 50,665</b>	<b>\$ 96,245</b>	<b>\$ 32,200</b>
Asset management fee income	—	—	(52)
General and administrative	35,946	34,052	33,349
Transaction costs	346	214	5,386
Depreciation and amortization	185,450	167,617	150,881
Interest and other income	(87)	(20)	(12)
Interest expense	54,647	48,817	42,469
Loss on impairments	9,757	6,182	1,879
Gain on involuntary conversion	—	—	(325)
Loss on extinguishment of debt	—	13	15
Other expenses	1,439	1,063	1,097
Loss on incentive fee	—	—	689
Gain on the sales of rental property, net	(7,392)	(72,211)	(24,242)
<b>Net operating income</b>	<b>\$ 330,771</b>	<b>\$ 281,972</b>	<b>\$ 243,334</b>

## Cash Flows

### Comparison of the year ended December 31, 2019 to the year ended December 31, 2018

The following table summarizes our cash flows for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Cash Flows (dollars in thousands)	Year ended December 31,		Change	
	2019	2018	\$	%
Net cash provided by operating activities	\$ 233,357	\$ 197,769	\$ 35,588	18.0%
Net cash used in investing activities	\$ 1,222,574	\$ 507,201	\$ 715,373	141.0%
Net cash provided by financing activities	\$ 978,539	\$ 303,845	\$ 674,694	222.1%

Net cash provided by operating activities increased \$35.6 million to \$233.4 million for the year ended December 31, 2019, compared to \$197.8 million for the year ended December 31, 2018. The increase was primarily attributable to incremental operating cash flows from property acquisitions completed after December 31, 2018, and operating performance at existing properties. These increases were partially offset by the loss of cash flows from property dispositions completed after December 31, 2018 and fluctuations in working capital due to timing of payments and rental receipts.

Net cash used in investing activities increased by \$715.4 million to \$1,222.6 million for the year ended December 31, 2019, compared to \$507.2 million for the year ended December 31, 2018. The increase was primarily attributable to an increase in cash paid for the acquisition of 69 buildings during the year ended December 31, 2019 of approximately \$1,203.4 million, compared to the acquisition of 53 buildings during the year ended December 31, 2018 of approximately \$675.6 million. The increase is also attributable to a decrease in net proceeds from the sale of nine buildings and two land parcels during the year ended December 31, 2019 for net proceeds of approximately \$42.0 million, compared to the year ended December 31, 2018 where we sold 19 buildings for net proceeds of approximately \$207.9 million.

Net cash provided by financing activities increased \$674.7 million to \$978.5 million for the year ended December 31, 2019, compared to \$303.8 million for the year ended December 31, 2018. The increase was primarily due to an increase in net cash inflow on our unsecured credit facility of approximately \$216.0 million and an increase in proceeds from sales of common stock of approximately \$466.3 million, as well as an increase in proceeds from unsecured term loans of \$125.0 million during the year ended December 31, 2019 compared to the year ended December 31, 2018. These increases were partially offset by decreases in proceeds from unsecured notes of \$175.0 million and an approximately \$30.7 million increase in dividends paid during the year ended December 31, 2019 compared to the year ended December 31, 2018.

### Comparison of the year ended December 31, 2018 to the year ended December 31, 2017

The following table summarizes our cash flows for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Cash Flows (dollars in thousands)	Year ended December 31,		Change	
	2018	2017	\$	%
Net cash provided by operating activities	\$ 197,769	\$ 162,098	\$ 35,671	22.0 %
Net cash used in investing activities	\$ 507,201	\$ 571,635	\$ (64,434)	(11.3)%
Net cash provided by financing activities	\$ 303,845	\$ 415,861	\$ (112,016)	(26.9)%

Net cash provided by operating activities increased \$35.7 million to \$197.8 million for the year ended December 31, 2018, compared to \$162.1 million for the year ended December 31, 2017. The increase was primarily attributable to incremental operating cash flows from property acquisitions completed after December 31, 2017, and operating performance at existing properties. These increases were partially offset by the loss of cash flows from property dispositions completed after December 31, 2017 and fluctuations in working capital due to timing of payments and rental receipts.

Net cash used in investing activities decreased by \$64.4 million to \$507.2 million for the year ended December 31, 2018, compared to \$571.6 million for the year ended December 31, 2017. The decrease is primarily attributable an increase in net proceeds from the sale of 19 buildings during the year ended December 31, 2018 for net proceeds of approximately \$207.9 million, compared to the year ended December 31, 2017 where we sold 11 buildings for net proceeds of approximately \$65.1 million. This was partially offset by an increase in cash paid for the acquisition of 53 buildings during the year ended December 31, 2018 of approximately \$675.6 million, compared to the acquisition of 53 buildings during the year ended December 31, 2017 of approximately \$593.0 million.

Net cash provided by financing activities decreased \$112.0 million to \$303.8 million for the year ended December 31, 2018, compared to \$415.9 million for the year ended December 31, 2017. The decrease was primarily due to an increase in net cash outflow on our unsecured credit facility of approximately \$413.5 million and a decrease in proceeds from sales of common stock of approximately \$37.1 million, as well as an approximately \$17.9 million increase in dividends paid during the year ended December 31, 2018 compared to the year ended December 31, 2017 and the redemption of the 6.625% Series B Cumulative Redeemable Preferred Stock (“Series B Preferred Stock”) of \$70.0 million on July 11, 2018. These increases in net cash outflow were partially offset by the \$150.0 million draw on the unsecured term loan that was entered into on July 28, 2017, the funding of the unsecured notes that were entered into on April 10, 2018 of \$175.0 million, as well as a decrease in the repayment of mortgage notes of approximately \$103.6 million during the year ended December 31, 2018 compared to the year ended December 31, 2017.

### Liquidity and Capital Resources

We believe that our liquidity needs will be satisfied through cash flows generated by operations, disposition proceeds, and financing activities. Operating cash flow is primarily rental income, expense recoveries from tenants, and other income from operations and is our principal source of funds that we use to pay operating expenses, debt service, recurring capital expenditures, and the distributions required to maintain our REIT qualification. We look to the capital markets (common equity, preferred equity, and debt) to primarily fund our acquisition activity. We seek to increase cash flows from our properties by maintaining quality standards for our buildings that promote high occupancy rates and permit increases in rental rates while reducing tenant turnover and controlling operating expenses. We believe that our revenue, together with proceeds from building sales and debt and equity financings, will continue to provide funds for our short-term and medium-term liquidity needs.

Our short-term liquidity requirements consist primarily of funds to pay for operating expenses and other expenditures directly associated with our buildings, including interest expense, interest rate swap payments, scheduled principal payments on outstanding indebtedness, funding of property acquisitions under contract, general and administrative expenses, and capital expenditures for tenant improvements and leasing commissions.

Our long-term liquidity needs, in addition to recurring short-term liquidity needs as discussed above, consist primarily of funds necessary to pay for acquisitions, non-recurring capital expenditures, and scheduled debt maturities. We intend to satisfy our long-term liquidity needs through cash flow from operations, the issuance of equity or debt securities, other borrowings, property dispositions, or, in connection with acquisitions of certain additional buildings, the issuance of common units in the Operating Partnership.

As of December 31, 2019, we had total immediate liquidity of approximately \$460.0 million, comprised of \$9.0 million of cash and cash equivalents and \$451.0 million of immediate availability on our unsecured credit facility and unsecured term loans.

In addition, we require funds for future dividends to be paid to our common and preferred stockholders and common unit holders in our Operating Partnership. These distributions on our common stock are voluntary (at the discretion of our board of directors), to the extent in excess of distribution requirements in order to maintain our REIT status for federal income tax purposes, and the excess portion may be reduced or stopped if needed to fund other liquidity requirements or for other reasons. The following table summarizes the dividends attributable to our common stock that were declared or paid during the year ended December 31, 2019.

<b>Month Ended 2019</b>	<b>Declaration Date</b>	<b>Record Date</b>	<b>Per Share</b>	<b>Payment Date</b>
December 31	October 15, 2019	December 31, 2019	\$ 0.119167	January 15, 2020
November 30	October 15, 2019	November 29, 2019	0.119167	December 16, 2019
October 31	October 15, 2019	October 31, 2019	0.119167	November 15, 2019
September 30	July 15, 2019	September 30, 2019	0.119167	October 15, 2019
August 31	July 15, 2019	August 30, 2019	0.119167	September 16, 2019
July 31	July 15, 2019	July 31, 2019	0.119167	August 15, 2019
June 30	April 9, 2019	June 28, 2019	0.119167	July 15, 2019
May 31	April 9, 2019	May 31, 2019	0.119167	June 17, 2019
April 30	April 9, 2019	April 30, 2019	0.119167	May 15, 2019
March 31	January 10, 2019	March 29, 2019	0.119167	April 15, 2019
February 28	January 10, 2019	February 28, 2019	0.119167	March 15, 2019
January 31	January 10, 2019	January 31, 2019	0.119167	February 15, 2019
<b>Total</b>			<b>\$ 1.430004</b>	

On January 8, 2020, our board of directors declared the common stock dividends for the months ending January 31, 2020, February 29, 2020 and March 31, 2020 at a monthly rate of \$0.12 per share of common stock.

We pay quarterly cumulative dividends on the Series C Preferred Stock at a rate equivalent to the fixed annual rate of \$1.71875 per share, respectively. The following table summarizes the dividends on the Series C Preferred Stock during the year ended December 31, 2019.

<b>Quarter Ended 2019</b>	<b>Declaration Date</b>	<b>Series C Preferred Stock Per Share</b>	<b>Payment Date</b>
December 31	October 15, 2019	\$ 0.4296875	December 31, 2019
September 30	July 15, 2019	0.4296875	September 30, 2019
June 30	April 9, 2019	0.4296875	July 1, 2019
March 31	January 10, 2019	0.4296875	April 1, 2019
<b>Total</b>		<b>\$ 1.7187500</b>	

On January 8, 2020, our board of directors declared the Series C Preferred Stock dividend for the quarter ending March 31, 2020 at a quarterly rate of \$0.4296875 per share.

## Indebtedness Outstanding

The following table summarizes certain information with respect to the indebtedness outstanding as of December 31, 2019.

Loan	Principal Outstanding as of December 31, 2019 (in thousands)	Interest Rate <sup>(1)(2)</sup>	Maturity Date	Prepayment Terms <sup>(3)</sup>
<b>Unsecured credit facility:</b>				
Unsecured Credit Facility <sup>(4)</sup>	\$ 146,000	L + 0.90%	January 15, 2023	i
<b>Total unsecured credit facility</b>	<b>146,000</b>			
<b>Unsecured term loans:</b>				
Unsecured Term Loan C	150,000	2.39%	September 29, 2020	i
Unsecured Term Loan B	150,000	3.05%	March 21, 2021	i
Unsecured Term Loan A	150,000	2.70%	March 31, 2022	i
Unsecured Term Loan D	150,000	2.85%	January 4, 2023	i
Unsecured Term Loan E	175,000	3.92%	January 15, 2024	i
Unsecured Term Loan F <sup>(5)</sup>	100,000	L + 1.00%	January 12, 2025	i
Total unsecured term loans	875,000			
Less: Total unamortized deferred financing fees and debt issuance costs	(3,625)			
<b>Total carrying value unsecured term loans, net</b>	<b>871,375</b>			
<b>Unsecured notes:</b>				
Series F Unsecured Notes	100,000	3.98%	January 5, 2023	ii
Series A Unsecured Notes	50,000	4.98%	October 1, 2024	ii
Series D Unsecured Notes	100,000	4.32%	February 20, 2025	ii
Series G Unsecured Notes	75,000	4.10%	June 13, 2025	ii
Series B Unsecured Notes	50,000	4.98%	July 1, 2026	ii
Series C Unsecured Notes	80,000	4.42%	December 30, 2026	ii
Series E Unsecured Notes	20,000	4.42%	February 20, 2027	ii
Series H Unsecured Notes	100,000	4.27%	June 13, 2028	ii
Total unsecured notes	575,000			
Less: Total unamortized deferred financing fees and debt issuance costs	(2,117)			
<b>Total carrying value unsecured notes, net</b>	<b>572,883</b>			
<b>Mortgage notes (secured debt):</b>				
Wells Fargo Bank, National Association CMBS Loan	51,406	4.31%	December 1, 2022	iii
Thrivent Financial for Lutherans	3,679	4.78%	December 15, 2023	iv
Total mortgage notes	55,085			
Add: Total unamortized fair market value premiums	39			
Less: Total unamortized deferred financing fees and debt issuance costs	(369)			
<b>Total carrying value mortgage notes, net</b>	<b>54,755</b>			
<b>Total / weighted average interest rate <sup>(6)</sup></b>	<b>\$ 1,645,013</b>	<b>3.48%</b>		

- (1) Interest rate as of December 31, 2019. At December 31, 2019, the one-month LIBOR ("L") was 1.7625%. The interest rate is not adjusted to include the amortization of deferred financing fees or debt issuance costs incurred in obtaining debt or any unamortized fair market value premiums. The spread over the applicable rate for our unsecured credit facility and unsecured term loans is based on our debt rating, as defined in the respective loan agreements.
- (2) The unsecured term loans have a stated interest rate of one-month LIBOR plus a spread of 1.0%. As of December 31, 2019, one-month LIBOR for the Unsecured Term Loans A, B, C, D, and E was swapped to a fixed rate of 1.70%, 2.05%, 1.39%, 1.85%, and 2.92%, respectively. One-month LIBOR for the Unsecured Term Loan F will be swapped to a fixed rate of 2.11% effective July 15, 2020.
- (3) Prepayment terms consist of (i) pre-payable with no penalty; (ii) pre-payable with penalty; (iii) pre-payable without penalty three months prior to the maturity date, however can be defeased; and (iv) pre-payable without penalty three months prior to the maturity date.
- (4) The capacity of the unsecured credit facility is \$500.0 million.
- (5) The remaining capacity is \$100.0 million as of December 31, 2019, which we have until July 12, 2020 to draw.
- (6) The weighted average interest rate was calculated using the fixed interest rate swapped on the current notional amount of \$775.0 million of debt, and was not adjusted to include the amortization of deferred financing fees or debt issuance costs incurred in obtaining debt or any unamortized fair market value premiums.

The aggregate undrawn nominal commitments on the unsecured credit facility and unsecured term loans as of December 31, 2019 was approximately \$451.0 million, including issued letters of credit. Our actual borrowing capacity at any given point in time may be less and is restricted to a maximum amount based on our debt covenant compliance.

The Wells Fargo, National Association CMBS loan agreement is a commercial mortgage backed security that provides for a secured loan. There are 24 properties that are collateral for the CMBS loan. The Operating Partnership guarantees the obligations under the CMBS loan.



The following table summarizes our debt capital structure as of December 31, 2019.

<b>Debt Capital Structure</b>	<b>December 31, 2019</b>	
Total principal outstanding (in thousands)	\$	1,651,085
Weighted average duration (years)		3.8
% Secured debt		3%
% Debt maturing next 12 months		9%
Net Debt to Real Estate Cost Basis <sup>(1)</sup>		35%

(1) We define Net Debt as our amounts outstanding under our unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes, less cash and cash equivalents. We define Real Estate Cost Basis as the book value of rental property and deferred leasing intangibles, exclusive of the related accumulated depreciation and amortization.

We regularly pursue new financing opportunities to ensure an appropriate balance sheet position. As a result of these dedicated efforts, we are confident in our ability to meet future debt maturities and building acquisition funding needs. We believe that our current balance sheet is in an adequate position at the date of this filing, despite possible volatility in the credit markets.

Our interest rate exposure as it relates to interest expense payments on our floating rate debt is managed through our use of interest rate swaps, which fix the rate of our long term floating rate debt. For a detailed discussion on our use of interest rate swaps, see “Interest Rate Risk” below.

### ***Unsecured Credit Facility, Unsecured Term Loans, and Unsecured Notes***

The unsecured credit facility provides for a facility fee payable by us to the lenders at a rate per annum of 0.125% to 0.3%, depending on our debt rating, as defined in the credit agreement, of the aggregate commitments (currently \$500.0 million). The facility fee is due and payable quarterly.

*Covenants:* Our ability to borrow, maintain borrowings and avoid default under the unsecured credit facility, the unsecured term loans, and unsecured notes is subject to our ongoing compliance with a number of financial covenants, including:

- a maximum consolidated leverage ratio of not greater than 0.60:1.00;
- a maximum secured leverage ratio of not greater than 0.40:1.00;
- a maximum unencumbered leverage ratio of not greater than 0.60:1.00;
- a minimum fixed charge ratio of not less than or equal to 1.50:1.00; and
- a minimum unsecured interest coverage ratio of not less than or equal to 1.75:1.00.

The respective note purchase agreements additionally contain a financial covenant that requires us to maintain a minimum interest coverage ratio of not less than 1.50:1.00.

Pursuant to the terms of our unsecured debt agreements, we may not pay distributions that exceed the minimum amount required for us to qualify and maintain our status as a REIT if a default or event of default occurs and is continuing.

Our unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes are subject to ongoing compliance with a number of financial and other covenants. As of December 31, 2019, we were in compliance with the applicable financial covenants.

*Events of Default:* Our unsecured credit facility and unsecured term loans contain customary events of default, including but not limited to non-payment of principal, interest, fees or other amounts, defaults in the compliance with the covenants contained in the documents evidencing the unsecured credit facility and the unsecured term loans, cross-defaults to other material debt and bankruptcy or other insolvency events.

*Borrower and Guarantors:* The Operating Partnership is the borrower under the unsecured credit facility, the unsecured term loans and is the issuer of the unsecured notes. STAG Industrial, Inc. and certain of its subsidiaries guarantee the obligations under our unsecured debt agreements.

## Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2019, specifically our obligations under long-term debt agreements and ground lease agreements.

Contractual Obligations (in thousands) <sup>(1)(2)</sup>	Payments by Period				
	Total	2020	2021-2022	2023-2024	Thereafter
Principal payments <sup>(3)</sup>	\$ 1,651,085	\$ 152,006	\$ 349,784	\$ 624,295	\$ 525,000
Interest payments—Fixed rate debt <sup>(4)</sup>	152,938	27,433	54,410	41,706	29,389
Interest payments—Variable rate debt <sup>(4)(5)</sup>	88,981	30,304	44,324	14,241	112
Property lease	1,513	1,210	303	—	—
Ground leases	52,560	1,084	2,204	2,237	47,035
<b>Total</b>	<b>\$ 1,947,077</b>	<b>\$ 212,037</b>	<b>\$ 451,025</b>	<b>\$ 682,479</b>	<b>\$ 601,536</b>

- (1) From time to time in the normal course of our business, we enter into various contracts with third parties that may obligate us to make payments, such as maintenance agreements at our buildings. Such contracts, in the aggregate, do not represent material obligations, are typically short-term and cancellable within 90 days and are not included in the table above.
- (2) The terms of the loan agreements for the Wells Fargo, National Association CMBS loan calls for a monthly leasing escrow payment of approximately \$0.1 million and the balance of the reserve is capped at \$2.1 million. The cap was not met at December 31, 2019 and the balance at December 31, 2019 was approximately \$2.0 million. The funding of these reserves is not included in the table above.
- (3) The total payments do not include unamortized deferred financing fees, debt issuance costs, or fair market value premiums associated with certain loans.
- (4) This is not included in our Consolidated Balance Sheets included in this report.
- (5) Amounts include interest rate payments on the \$775.0 million current notional amount of our interest rate swaps, as discussed below.

## Equity

### Preferred Stock

The following table summarizes our outstanding preferred stock issuances as of December 31, 2019.

Preferred Stock Issuances	Issuance Date	Number of Shares	Liquidation Value Per Share	Interest Rate
6.875% Series C Cumulative Redeemable Preferred Stock	March 17, 2016	3,000,000	\$ 25.00	6.875%

The Series C Preferred Stock ranks senior to our common stock with respect to dividend rights and rights upon the liquidation, dissolution or winding up of our affairs. The Series C Preferred Stock has no stated maturity date and is not subject to mandatory redemption or any sinking fund. Generally, we are not permitted to redeem the Series C Preferred Stock prior to March 17, 2021, except in limited circumstances relating to our ability to qualify as a REIT and in certain other circumstances related to a change of control.

### Common Stock

The following table summarizes our at-the market (“ATM”) common stock offering program as of December 31, 2019. We may from time to time sell common stock through sales agents under the program.

ATM Common Stock Offering Program	Date	Maximum Aggregate Offering Price (in thousands)	Aggregate Common Stock Available as of December 31, 2019 (in thousands)
2019 \$600 million ATM	February 14, 2019	\$ 600,000	\$ 318,248

The following table summarizes the activity for the ATM common stock offering programs during the three months and year ended December 31, 2019 (in thousands, except share data).

ATM Common Stock Offering Program	Three months ended December 31, 2019		
	Shares Sold	Weighted Average Price Per Share	Net Proceeds
2019 \$600 million ATM	2,689,374	\$ 30.82	\$ 82,082
<b>Total/weighted average</b>	<b>2,689,374</b>	<b>\$ 30.82</b>	<b>\$ 82,082</b>
ATM Common Stock Offering Program	Year ended December 31, 2019		
	Shares Sold	Weighted Average Price Per Share	Net Proceeds
2019 \$600 million ATM	9,711,706	\$ 29.01	\$ 279,156
<b>Total/weighted average</b>	<b>9,711,706</b>	<b>\$ 29.01</b>	<b>\$ 279,156</b>

Subsequent to December 31, 2019, on January 13, 2020, we completed an underwritten public offering of an aggregate 10,062,500 shares of common stock at a price to the underwriters of \$30.9022 per share, consisting of (i) 5,600,000 shares offered directly by us and (ii) 4,462,500 shares offered by the forward dealer in connection with certain forward sale agreements (including 1,312,500 shares offered pursuant to the underwriters' option to purchase additional shares, which option was exercised in full). The offering closed on January 16, 2020 and we received net proceeds from the sale of shares offered directly by us of \$173.1 million. Subject to our right to elect cash or net share settlement, we have the ability to settle the forward sales agreements at any time through scheduled maturity date of the forward sale agreements of January 13, 2021.

On September 24, 2019, we completed an underwritten public offering of an aggregate 12,650,000 shares of common stock at a price to the underwriters of \$28.60 per share, consisting of (i) 5,500,000 shares offered directly by us and (ii) 7,150,000 shares offered by the forward dealer in connection with certain forward sale agreements (including 1,650,000 shares offered pursuant to the underwriters' option to purchase additional shares, which option was exercised in full). The offering closed on September 27, 2019 and we received net proceeds from the sale of shares offered directly by us of \$157.3 million. On December 26, 2019, we physically settled the forward sales agreements in full by issuing 7,150,000 shares of common stock and received net proceeds of approximately \$202.3 million.

On April 1, 2019, we completed an underwritten public offering of 7,475,000 shares of common stock (including 975,000 shares issued pursuant to the underwriters' option to purchase additional shares, which option was exercised in full) at a price to the underwriters of \$28.72 per share. The offering closed on April 4, 2019 and we received net proceeds of approximately \$214.7 million.

#### *Noncontrolling Interest*

We own our interests in all of our properties and conduct substantially all of our business through our Operating Partnership. We are the sole member of the sole general partner of the Operating Partnership. As of December 31, 2019, we owned approximately 97.5% of the common units of our Operating Partnership, and our current and former executive officers, directors, senior employees and their affiliates, and third parties who contributed properties to us in exchange for common units in our Operating Partnership, owned the remaining 2.5%.

#### **Interest Rate Risk**

We use interest rate swaps to fix the rate of our variable rate debt. As of December 31, 2019, all of our outstanding variable rate debt, with the exception of our unsecured credit facility and Unsecured Term Loan F, was fixed with interest rate swaps through maturity. The Unsecured Term Loan F will be swapped to a fixed rate effective July 15, 2020 through maturity.

We recognize all derivatives on the balance sheet at fair value. If the derivative is designated as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income (loss), which is a component of equity. Derivatives that are not designated as hedges must be adjusted to fair value and the changes in fair value must be reflected as income or expense.

We have established criteria for suitable counterparties in relation to various specific types of risk. We only use counterparties that have a credit rating of no lower than investment grade at swap inception from Moody's Investor Services, Standard & Poor's, Fitch Ratings, or other nationally recognized rating agencies.

The following table summarizes our outstanding interest rate swaps as of December 31, 2019.

Interest Rate Derivative Counterparty	Trade Date	Effective Date	Notional Amount (in thousands)	Fair Value (in thousands)	Pay Fixed Interest Rate	Receive Variable Interest Rate	Maturity Date
Regions Bank	Mar-01-2013	Mar-01-2013	\$ 25,000	\$ 13	1.3300%	One-month L	Feb-14-2020
Capital One, N.A.	Jun-13-2013	Jul-01-2013	\$ 50,000	\$ 5	1.6810%	One-month L	Feb-14-2020
Capital One, N.A.	Jun-13-2013	Aug-01-2013	\$ 25,000	\$ 2	1.7030%	One-month L	Feb-14-2020
Regions Bank	Sep-30-2013	Feb-03-2014	\$ 25,000	\$ (7)	1.9925%	One-month L	Feb-14-2020
The Toronto-Dominion Bank	Oct-14-2015	Sep-29-2016	\$ 25,000	\$ 48	1.3830%	One-month L	Sep-29-2020
PNC Bank, N.A.	Oct-14-2015	Sep-29-2016	\$ 50,000	\$ 94	1.3906%	One-month L	Sep-29-2020
Regions Bank	Oct-14-2015	Sep-29-2016	\$ 35,000	\$ 67	1.3858%	One-month L	Sep-29-2020
U.S. Bank, N.A.	Oct-14-2015	Sep-29-2016	\$ 25,000	\$ 46	1.3950%	One-month L	Sep-29-2020
Capital One, N.A.	Oct-14-2015	Sep-29-2016	\$ 15,000	\$ 28	1.3950%	One-month L	Sep-29-2020
Royal Bank of Canada	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ (37)	1.7090%	One-month L	Mar-21-2021
The Toronto-Dominion Bank	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ (38)	1.7105%	One-month L	Mar-21-2021
The Toronto-Dominion Bank	Jan-08-2015	Sep-10-2017	\$ 100,000	\$ (778)	2.2255%	One-month L	Mar-21-2021
Wells Fargo, N.A.	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ (162)	1.8280%	One-month L	Mar-31-2022
The Toronto-Dominion Bank	Jan-08-2015	Feb-14-2020	\$ 25,000	\$ (490)	2.4535%	One-month L	Mar-31-2022
Regions Bank	Jan-08-2015	Feb-14-2020	\$ 50,000	\$ (1,003)	2.4750%	One-month L	Mar-31-2022
Capital One, N.A.	Jan-08-2015	Feb-14-2020	\$ 50,000	\$ (1,061)	2.5300%	One-month L	Mar-31-2022
The Toronto-Dominion Bank	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ (229)	1.8485%	One-month L	Jan-04-2023
Royal Bank of Canada	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ (230)	1.8505%	One-month L	Jan-04-2023
Wells Fargo, N.A.	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ (230)	1.8505%	One-month L	Jan-04-2023
PNC Bank, N.A.	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ (229)	1.8485%	One-month L	Jan-04-2023
PNC Bank, N.A.	Jul-20-2017	Oct-30-2017	\$ 50,000	\$ (456)	1.8475%	One-month L	Jan-04-2023
The Toronto-Dominion Bank	Jul-24-2018	Jul-26-2019	\$ 50,000	\$ (2,663)	2.9180%	One-month L	Jan-12-2024
PNC Bank, N.A.	Jul-24-2018	Jul-26-2019	\$ 50,000	\$ (2,665)	2.9190%	One-month L	Jan-12-2024
Bank of Montreal	Jul-24-2018	Jul-26-2019	\$ 50,000	\$ (2,665)	2.9190%	One-month L	Jan-12-2024
U.S. Bank, N.A.	Jul-24-2018	Jul-26-2019	\$ 25,000	\$ (1,332)	2.9190%	One-month L	Jan-12-2024
Wells Fargo, N.A.	May-02-2019	Jul-15-2020	\$ 50,000	\$ (1,422)	2.2460%	One-month L	Jan-15-2025
U.S. Bank, N.A.	May-02-2019	Jul-15-2020	\$ 50,000	\$ (1,421)	2.2459%	One-month L	Jan-15-2025
Regions Bank	May-02-2019	Jul-15-2020	\$ 50,000	\$ (1,425)	2.2459%	One-month L	Jan-15-2025
Bank of Montreal	Jul-16-2019	Jul-15-2020	\$ 50,000	\$ (276)	1.7165%	One-month L	Jan-15-2025

The swaps outlined in the above table were all designated as cash flow hedges of interest rate risk, and all are valued as Level 2 financial instruments. Level 2 financial instruments are defined as significant other observable inputs. As of December 31, 2019, the fair value of eight of our 29 interest rate swaps that were in an asset position was approximately \$0.3 million and 21 interest rate swaps that were in a liability position was approximately \$18.8 million, including any adjustment for nonperformance risk related to these agreements.

As of December 31, 2019, we had \$1,021.0 million of variable rate debt. As of December 31, 2019, all of our outstanding variable rate debt, with exception of our unsecured credit facility and Unsecured Term Loan F, was fixed with interest rate swaps through maturity. The Unsecured Term Loan F will be swapped to a fixed rate effective July 15, 2020 through maturity. To the extent interest rates increase, interest costs on our floating rate debt not fixed with interest rate swaps will increase, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our security holders. From time to time, we may enter into interest rate swap agreements and other interest rate hedging contracts, including swaps, caps and floors. In addition, an increase in interest rates could decrease the amounts third parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions.

### ***Inflation***

Our business could be impacted in multiple ways due to inflation. We believe, however, that we are well positioned to be able to manage our business in an inflationary environment. Specifically, as of December 31, 2019 our weighted average lease term was approximately 5.2 years and, on average, approximately 8-14% of our total annualized base rental revenue will roll annually over the next few years. We expect that this lease roll will allow us to capture inflationary increases in rent on a relatively efficient basis. In addition, as of December 31, 2019 we have long term liabilities averaging approximately 3.9 years when excluding our unsecured credit facility. Our variable rate debt as of December 31, 2019 has been fully swapped to fixed rates through maturity with the exception of our unsecured credit facility and Unsecured Term Loan F. The Unsecured Term Loan F will be swapped to a fixed rate effective July 15, 2020 through maturity. Therefore, as rents rise and increase our operating cash flow, this positive impact will flow more directly to the bottom line without the offset of higher in place debt costs. Lastly, while inflation will likely lead to increases in the operating costs of our portfolio, such as real estate taxes, utility expenses, and other operating expenses,

the majority of our leases are either triple net leases or otherwise provide for tenant reimbursement for costs related to these expenses. Therefore, the increased costs in an inflationary environment would generally be passed through to our tenant.

### Off-balance Sheet Arrangements

As of December 31, 2019, we had letters of credit related to development projects and certain other agreements of approximately \$3.0 million. As of December 31, 2019, we had no other material off-balance sheet arrangements. See the table under “Liquidity and Capital Resources—Contractual Obligations” above for information regarding certain off-balance sheet arrangements.

### Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. The primary market risk we are exposed to is interest rate risk. We have used derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings, primarily through interest rate swaps.

As of December 31, 2019, we had \$1,021.0 million of variable rate debt outstanding. As of December 31, 2019, all of our outstanding variable rate debt, with the exception of \$246.0 million outstanding under our unsecured credit facility and Unsecured Term Loan F, was fixed with interest rate swaps through maturity. The Unsecured Term Loan F will be swapped to a fixed rate effective July 15, 2020 through maturity. To the extent we undertake additional variable rate indebtedness, if interest rates increase, then so will the interest costs on our unhedged variable rate debt, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our security holders. Further, rising interest rates could limit our ability to refinance existing debt when it matures or significantly increase our future interest expense. From time to time, we enter into interest rate swap agreements and other interest rate hedging contracts, including swaps, caps and floors. While these agreements are intended to lessen the impact of rising interest rates on us, they also expose us to the risk that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under GAAP. In addition, an increase in interest rates could decrease the amounts third parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions. If interest rates increased by 100 basis points and assuming we had an outstanding balance of \$246.0 million on the unsecured credit facility and Unsecured Term Loan F (the portion outstanding at December 31, 2019 not fixed by interest rate swaps) for the year ended December 31, 2019, our interest expense would have increased by approximately \$2.5 million for the year ended December 31, 2019.

### Item 8. Financial Statements and Supplementary Data

The required response under this Item is submitted in a separate section of this report. See Index to Consolidated Financial Statements on page F-1.

The following table summarizes the Company’s selected quarterly information for the quarters ended December 31, 2019 and 2018, September 30, 2019 and 2018, June 30, 2019 and 2018, and March 31, 2019 and 2018 (in thousands, except for per share data).

Selected Interim Financial Information	Three months ended,			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total revenue	\$ 111,181	\$ 102,421	\$ 96,646	\$ 95,702
Net income	\$ 17,916	\$ 11,190	\$ 14,170	\$ 7,389
Net income attributable to common stockholders	\$ 16,077	\$ 9,533	\$ 12,394	\$ 5,807
Net income per share attributable to common stockholders — basic and diluted	\$ 0.12	\$ 0.07	\$ 0.10	\$ 0.05

Selected Interim Financial Information	Three months ended,			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total revenue	\$ 93,290	\$ 88,946	\$ 85,474	\$ 83,283
Net income	\$ 47,256	\$ 8,876	\$ 14,964	\$ 25,149
Net income attributable to common stockholders	\$ 44,256	\$ 7,237	\$ 9,264	\$ 21,676
Net income per share attributable to common stockholders — basic and diluted	\$ 0.40	\$ 0.07	\$ 0.09	\$ 0.22

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

None.

## **Item 9A. Controls and Procedures**

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

As required by SEC Rule 13a-15(b), we have evaluated, under the supervision of and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of December 31, 2019. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures for the periods covered by this report were effective to provide reasonable assurance that information required to be disclosed by our Company in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears on page F-2 of this Annual Report on Form 10-K.

### **Changes in Internal Controls**

There was no change to our internal control over financial reporting during the fourth quarter ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **Item 9B. Other Information**

None.

## **PART III.**

## **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by Item 10 will be included in the Proxy Statement to be filed relating to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

## **Item 11. Executive Compensation**

The information required by Item 11 will be included in the Proxy Statement to be filed relating to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

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

The information required by Item 12 will be included in the Proxy Statement to be filed relating to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

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

The information required by Item 13 will be included in the Proxy Statement to be filed relating to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

## Item 14. Principal Accountant Fees and Services

The information required by Item 14 will be included in the Proxy Statement to be filed relating to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

## PART IV.

## Item 15. Exhibits and Financial Statement Schedules

### 1. Consolidated Financial Statements

The financial statements listed in the accompanying Index to Consolidated Financial Statements on page F-1 are filed as a part of this report.

### 2. Financial Statement Schedules

The financial statement schedules required by this Item are filed with this report and listed in the accompanying Index to Consolidated Financial Statements on page F-1. All other financial statement schedules are not applicable.

### 3. Exhibits

The following exhibits are filed as part of this report:

Exhibit Number	Description of Document
3.1	Articles of Amendment and Restatement of STAG Industrial, Inc. (including all articles of amendment and articles supplementary) (1)
3.2	Third Amended and Restated Bylaws of STAG Industrial, Inc. (2)
4.1	Form of Common Stock Certificate of STAG Industrial, Inc. (3)
4.2	Form of Certificate for the 6.875% Series C Cumulative Redeemable Preferred Stock of STAG Industrial, Inc. (4)
4.3	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
10.1	Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P., dated as of April 20, 2011 (5)
10.2	First Amendment to the Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P., dated as of November 2, 2011 (6)
10.3	Second Amendment to the Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P., dated as of April 16, 2013 (7)
10.4	Third Amendment to the Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P., dated as of March 17, 2016 (8)
10.5	STAG Industrial, Inc. 2011 Equity Incentive Plan, effective April 1, 2011 (9)*
10.6	Amendment to the 2011 Equity Incentive Plan, dated as of May 6, 2013 (10)*
10.7	Second Amendment to the 2011 Equity Incentive Plan, dated as of February 20, 2015 (11)*
10.8	Amended and Restated STAG Industrial, Inc. 2011 Equity Incentive Plan, effective April 30, 2018 (2)*
10.9	Form of LTIP Unit Agreement (9)*
10.10	Form of Performance Award Agreement (12)*
10.11	Amended and Restated Executive Employment Agreement with Benjamin S. Butcher, dated May 4, 2015 (13)*
10.12	Executive Employment Agreement with William R. Crooker, dated February 25, 2016 (12)*
10.13	Executive Employment Agreement with Stephen C. Mecke, dated April 20, 2011 (5)*
10.14	Executive Employment Agreement with Jeffrey M. Sullivan, dated October 27, 2014 (14)*
10.15	Executive Employment Agreement with David G. King, dated April 20, 2011 (5)*
10.16	Form of Indemnification Agreement between STAG Industrial, Inc. and its directors and officers (15)*
10.17	Registration Rights Agreement, dated April 20, 2011, by and among STAG Industrial, Inc., STAG Industrial Operating Partnership, L.P. and the persons named therein (5)
10.18	Credit Agreement, dated as of July 26, 2018, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (16)

Exhibit Number	Description of Document
10.19	Second Amended and Restated Term Loan Agreement, dated as of December 20, 2016, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (17)
10.20	First Amendment to Second Amended and Restated Term Loan Agreement, dated as of July 28, 2017, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (18)
10.21	Second Amendment to Second Amended and Restated Term Loan Agreement, dated as of July 26, 2018, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (16)
10.22	Amended and Restated Term Loan Agreement, dated as of December 20, 2016, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (17)
10.23	First Amendment to Amended and Restated Term Loan Agreement, dated as of July 28, 2017, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (18)
10.24	Second Amendment to Amended and Restated Term Loan Agreement, dated as of July 26, 2018, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (16)
10.25	Term Loan Agreement, dated as of September 29, 2015, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (19)
10.26	Second Amendment to Term Loan Agreement, dated as of July 28, 2017, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (18)
10.27	Third Amendment to Term Loan Agreement, dated as of July 26, 2018, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (16)
10.28	Term Loan Agreement, dated as of July 28, 2017, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Bank of America, N.A., and the other lenders party thereto (18)
10.29	First Amendment to Term Loan Agreement, dated as of July 26, 2018, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Bank of America, N.A., and the other lenders party thereto (16)
10.30	Term Loan Agreement, dated as of July 26, 2018, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (16)
10.31	Term Loan Agreement, dated as of July 12, 2019, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (19)
10.32	Note Purchase Agreement, dated as of April 16, 2014, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the purchasers named therein (20)
10.33	First Amendment to Note Purchase Agreement, dated as of December 18, 2014, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (21)
10.34	Second Amendment to Note Purchase Agreement, dated as of December 1, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (22)
10.35	Third Amendment to Note Purchase Agreement, dated as of April 10, 2018, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (24)
10.36	Note Purchase Agreement, dated as of December 18, 2014, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the purchasers named therein (21)
10.37	First Amendment to Note Purchase Agreement, dated as of December 1, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (22)
10.38	Second Amendment to Note Purchase Agreement, dated as of April 10, 2018, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (24)
10.39	Note Purchase Agreement, dated as of December 1, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the purchasers named therein (22)
10.40	First Amendment to Note Purchase Agreement, dated as of April 10, 2018, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (24)
10.41	Note Purchase Agreement, dated as of April 10, 2018, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the purchasers named therein (24)
21.1	Subsidiaries of STAG Industrial, Inc.



Exhibit Number	Description of Document
23.1	Consent of PricewaterhouseCoopers LLP
24.1	Power of Attorney (included on signature page)
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 and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from STAG Industrial, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2019 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (vi) the Consolidated Statements of Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these consolidated financial statements.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

\* Represents management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on July 30, 2019.
- (2) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on May 1, 2018.
- (3) Incorporated by reference to the Registration Statement on Form S-11/A (File No. 333-168368) filed with the SEC on September 24, 2010.
- (4) Incorporated by reference to the Registration Statement on Form 8-A filed with the SEC on March 10, 2016.
- (5) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on April 21, 2011.
- (6) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on November 2, 2011.
- (7) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on April 16, 2013.
- (8) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on March 18, 2016.
- (9) Incorporated by reference to the Registration Statement on Form S-11/A (File No. 333-168368) filed with the SEC on April 5, 2011.
- (10) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on May 6, 2013.
- (11) Incorporated by reference to the Annual Report on Form 10-K filed with the SEC on February 23, 2015.
- (12) Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on May 3, 2016.
- (13) Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on July 23, 2015.
- (14) Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on October 31, 2014.
- (15) Incorporated by reference to the Registration Statement on Form S-11/A (File No. 333-168368) filed with the SEC on February 16, 2011.
- (16) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on July 31, 2018.
- (17) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on December 27, 2016.
- (18) Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on November 2, 2017.
- (19) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on July 30, 2019.
- (20) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on October 1, 2015.
- (21) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on April 22, 2014.
- (22) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on December 19, 2014.
- (23) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on December 4, 2015.
- (24) Incorporated by reference to the Current Report on Form 8-K filed with the SEC on April 13, 2018.

#### **Item 16. Form 10-K Summary**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 12, 2020

STAG INDUSTRIAL, INC.

By: /s/ Benjamin S. Butcher  
Benjamin S. Butcher  
*Chairman, Chief Executive Officer and President*

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of STAG Industrial, Inc., hereby severally constitute Benjamin S. Butcher and William R. Crooker, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Form 10-K filed herewith and any and all amendments to said Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable STAG Industrial, Inc. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and dates indicated.

<u>Date</u>	<u>Signature</u>	<u>Title</u>
February 12, 2020	<u>/s/ Benjamin S. Butcher</u> Benjamin S. Butcher	Chairman, Chief Executive Officer (principal executive officer) and President
February 12, 2020	<u>/s/ Jit Kee Chin</u> Jit Kee Chin	Director
February 12, 2020	<u>/s/ Virgis W. Colbert</u> Virgis W. Colbert	Director
February 12, 2020	<u>/s/ Michelle S. Dilley</u> Michelle S. Dilley	Director
February 12, 2020	<u>/s/ Jeffrey D. Furber</u> Jeffrey D. Furber	Director
February 12, 2020	<u>/s/ Larry T. Guillemette</u> Larry T. Guillemette	Director
February 12, 2020	<u>/s/ Francis X. Jacoby III</u> Francis X. Jacoby III	Director
February 12, 2020	<u>/s/ Christopher P. Marr</u> Christopher P. Marr	Director
February 12, 2020	<u>/s/ Hans S. Weger</u> Hans S. Weger	Director
February 12, 2020	<u>/s/ William R. Crooker</u> William R. Crooker	Chief Financial Officer, Executive Vice President and Treasurer (principal financial and accounting officer)

**STAG INDUSTRIAL, INC.**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of STAG Industrial, Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of STAG Industrial, Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedules listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### ***Purchase Price Accounting***

As described in Notes 2 and 3 to the consolidated financial statements, during 2019, the Company completed 69 property acquisitions for consideration of approximately \$1.2 billion, of which approximately \$96.4 million of land, \$899.1 million of buildings and improvements, \$205.7 million of net leasing intangibles, and \$2.7 million of other assets were recorded. Management allocates the purchase price of properties based upon the fair value of the assets acquired and liabilities assumed, which generally consist of land, buildings, tenant improvements, mortgage debt assumed, and deferred leasing intangibles, which includes in-place leases, above market and below market leases, and tenant relationships. The process for determining the allocation to these components requires estimates and assumptions, including rental rates, discount rates, exit capitalization rates, and land value per square foot.

The principal considerations for our determination that performing procedures relating to purchase price accounting is a critical audit matter are (i) there was significant judgment by management when developing the fair value measurement of the tangible and intangible assets acquired and liabilities assumed, which resulted in a high degree of auditor judgment and subjectivity in performing procedures relating to these estimates, (ii) significant audit effort was necessary in evaluating the significant assumptions, including rental rates, discount rates, exit capitalization rates, and land value per square foot, (iii) significant auditor judgment was necessary in evaluating audit evidence, and (iv) the audit effort included the involvement of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to purchase price accounting, including controls over the allocation of the purchase price to the assets acquired and liabilities assumed. These procedures also included, among others, testing management's process for estimating the fair value of assets acquired and liabilities assumed by (i) reading the purchase agreements and (ii) evaluating the appropriateness of methods and, for a sample of acquisitions, the reasonableness of significant assumptions used by management in developing the fair value measurement including rental rates, discount rates, exit capitalization rates, and land value per square foot. Evaluating these assumptions involved evaluating whether the assumptions used were reasonable considering past performance of the tangible and intangible assets acquired and liabilities assumed, consistency with external market and industry data, and considering whether the assumptions were consistent with evidence obtained in other areas of the audit. Procedures were also performed to test the completeness and accuracy of data provided by management. For certain acquisitions, professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of management's methods and evaluating the reasonableness of the assumptions related to the rental rates, discount rates, exit capitalization rates, and land value per square foot.

#### ***Rental Property and Deferred Leasing Intangible Liabilities Impairment Assessment***

As described in Note 3 to the consolidated financial statements, the Company's consolidated total rental property, net balance was \$3,998.5 million and deferred leasing intangible liabilities, net balance was \$26.7 million as of December 31, 2019. During 2019, the Company recognized an impairment loss of approximately \$9.8 million. Management evaluates the carrying value of all tangible and intangible rental property assets and deferred leasing intangible liabilities (collectively, the "property") held for use for possible impairment when an event or change in circumstance has occurred that indicates their carrying value may not be recoverable. The evaluation includes estimating and reviewing anticipated future undiscounted cash flows to be derived from the property. If such cash flows are less than the property's carrying value, an impairment charge is recognized to the extent by which the asset's carrying value exceeds the estimated fair value. Estimating future cash flows is highly subjective and is based in part on assumptions related to anticipated hold period, future occupancy, rental rates, capital requirements, and exit capitalization rates that could differ from actual results. The discount rate used to present value the cash flows for determining fair value is also subjective.

The principal considerations for our determination that performing procedures relating to the rental property and deferred leasing intangible liabilities impairment assessment is a critical audit matter are (i) there was significant judgment by management when developing the fair value measurement of the rental property and deferred leasing intangible liabilities, which resulted in a high degree of auditor judgment and subjectivity in performing procedures relating to these estimates, (ii) significant audit effort was necessary in evaluating the significant assumptions, including the anticipated hold period, rental rates, discount rates and exit capitalization rates, (iii) significant auditor judgment was necessary in evaluating audit evidence related to the fair value measurement of the rental property and deferred leasing intangible liabilities, and (iv) the audit effort included the involvement of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the impairment assessment of rental property and deferred leasing intangible liabilities, including controls over management's identification of events or changes in circumstances that indicate an impairment of rental property and deferred leasing intangible liabilities has occurred, and the development of significant assumptions used to determine the impairment loss. These procedures also included, among others, testing management's process for developing estimates of undiscounted cash flows related to rental property and deferred leasing intangible liabilities and estimates of the fair value of the rental property and deferred leasing intangible liabilities, including the appropriateness of the discounted cash flow model and the reasonableness of significant assumptions used by management in developing the fair value measurement including the anticipated hold period, rental rates, discount rates and exit capitalization rates. Evaluating these assumptions involved evaluating whether the assumptions used were reasonable considering past performance of the rental property and deferred leasing intangible liabilities, consistency with external market and industry data and considering whether the assumptions were consistent with evidence obtained in other areas of the audit. Procedures were also performed to test the completeness and accuracy of data provided by management. For certain impairment assessments, professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of management's discounted cash flow model and evaluating the reasonableness of the assumptions related to rental rates, discount rates, and exit capitalization rates used in the model.

/s/PricewaterhouseCoopers LLP  
Boston, Massachusetts  
February 12, 2020

We have served as the Company's or its predecessor's auditor since 2009.

**STAG Industrial, Inc.**  
**Consolidated Balance Sheets**  
(in thousands, except share data)

	December 31, 2019	December 31, 2018
<b>Assets</b>		
Rental Property:		
Land	\$ 435,923	\$ 364,023
Buildings and improvements, net of accumulated depreciation of \$387,633 and \$316,930, respectively	3,087,435	2,285,663
Deferred leasing intangibles, net of accumulated amortization of \$241,304 and \$246,502, respectively	475,149	342,015
Total rental property, net	3,998,507	2,991,701
Cash and cash equivalents	9,041	7,968
Restricted cash	2,823	14,574
Tenant accounts receivable	57,592	42,236
Prepaid expenses and other assets	38,231	36,902
Interest rate swaps	303	9,151
Operating lease right-of-use assets	15,129	—
Assets held for sale, net	43,019	—
<b>Total assets</b>	<b>\$ 4,164,645</b>	<b>\$ 3,102,532</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Unsecured credit facility	\$ 146,000	\$ 100,500
Unsecured term loans, net	871,375	596,360
Unsecured notes, net	572,883	572,488
Mortgage notes, net	54,755	56,560
Accounts payable, accrued expenses and other liabilities	53,737	45,507
Interest rate swaps	18,819	4,011
Tenant prepaid rent and security deposits	21,993	22,153
Dividends and distributions payable	17,465	13,754
Deferred leasing intangibles, net of accumulated amortization of \$12,064 and \$12,764, respectively	26,738	21,567
Operating lease liabilities	16,989	—
<b>Total liabilities</b>	<b>1,800,754</b>	<b>1,432,900</b>
Commitments and contingencies (Note 11)		
Equity:		
Preferred stock, par value \$0.01 per share, 20,000,000 and 15,000,000 shares authorized at December 31, 2019 and December 31, 2018, respectively,		
Series C, 3,000,000 shares (liquidation preference of \$25.00 per share) issued and outstanding at December 31, 2019 and December 31, 2018	75,000	75,000
Common stock, par value \$0.01 per share, 300,000,000 and 150,000,000 shares authorized at December 31, 2019 and December 31, 2018, respectively, 142,815,593 and 112,165,786 shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively		
	1,428	1,122
Additional paid-in capital	2,970,553	2,118,179
Cumulative dividends in excess of earnings	(723,027)	(584,979)
Accumulated other comprehensive income (loss)	(18,426)	4,481
Total stockholders' equity	2,305,528	1,613,803
Noncontrolling interest	58,363	55,829
<b>Total equity</b>	<b>2,363,891</b>	<b>1,669,632</b>
<b>Total liabilities and equity</b>	<b>\$ 4,164,645</b>	<b>\$ 3,102,532</b>

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

**STAG Industrial, Inc.**  
**Consolidated Statements of Operations**  
(in thousands, except share data)

	<b>Year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>			
Rental income	\$ 405,350	\$ 349,693	\$ 300,836
Other income	600	1,300	251
Total revenue	<u>405,950</u>	<u>350,993</u>	<u>301,087</u>
<b>Expenses</b>			
Property	75,179	69,021	57,701
General and administrative	35,946	34,052	33,349
Property acquisition costs	—	—	5,386
Depreciation and amortization	185,450	167,617	150,881
Loss on impairments	9,757	6,182	1,879
Gain on involuntary conversion	—	—	(325)
Other expenses	1,785	1,277	1,786
Total expenses	<u>308,117</u>	<u>278,149</u>	<u>250,657</u>
<b>Other income (expense)</b>			
Interest and other income	87	20	12
Interest expense	(54,647)	(48,817)	(42,469)
Loss on extinguishment of debt	—	(13)	(15)
Gain on the sales of rental property, net	7,392	72,211	24,242
Total other income (expense)	<u>(47,168)</u>	<u>23,401</u>	<u>(18,230)</u>
<b>Net income</b>	<b>\$ 50,665</b>	<b>\$ 96,245</b>	<b>\$ 32,200</b>
Less: income attributable to noncontrolling interest after preferred stock dividends	1,384	3,319	941
<b>Net income attributable to STAG Industrial, Inc.</b>	<b>\$ 49,281</b>	<b>\$ 92,926</b>	<b>\$ 31,259</b>
Less: preferred stock dividends	5,156	7,604	9,794
Less: redemption of preferred stock	—	2,661	—
Less: amount allocated to participating securities	314	276	334
<b>Net income attributable to common stockholders</b>	<b>\$ 43,811</b>	<b>\$ 82,385</b>	<b>\$ 21,131</b>
Weighted average common shares outstanding — basic	125,389	103,401	89,538
Weighted average common shares outstanding — diluted	<u>125,678</u>	<u>103,807</u>	<u>90,004</u>
<b>Net income per share — basic and diluted</b>			
Net income per share attributable to common stockholders — basic	\$ 0.35	\$ 0.80	\$ 0.24
Net income per share attributable to common stockholders — diluted	\$ 0.35	\$ 0.79	\$ 0.23

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



**STAG Industrial, Inc.**  
**Consolidated Statements of Comprehensive Income**  
(in thousands)

	<b>Year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net income</b>	<b>\$ 50,665</b>	<b>\$ 96,245</b>	<b>\$ 32,200</b>
Other comprehensive income (loss):			
Income (loss) on interest rate swaps	(23,625)	310	5,670
Other comprehensive income (loss)	(23,625)	310	5,670
<b>Comprehensive income</b>	<b>27,040</b>	<b>96,555</b>	<b>37,870</b>
Income attributable to noncontrolling interest after preferred stock dividends	(1,384)	(3,319)	(941)
Other comprehensive (income) loss attributable to noncontrolling interest	718	(12)	(238)
<b>Comprehensive income attributable to STAG Industrial, Inc.</b>	<b>\$ 26,374</b>	<b>\$ 93,224</b>	<b>\$ 36,691</b>

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

**STAG Industrial, Inc.**  
**Consolidated Statements of Equity**  
(in thousands, except share data)

	Common Stock							Total Stockholders' Equity	Noncontrolling Interest - Unit Holders in Operating Partnership	Total Equity
	Preferred Stock	Shares	Par Amount	Additional Paid-in Capital	Cumulative Dividends in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total			
<b>Balance, December 31, 2016</b>	<b>\$ 145,000</b>	<b>80,352,304</b>	<b>\$ 804</b>	<b>\$ 1,293,706</b>	<b>\$ (410,978)</b>	<b>\$ (1,496)</b>	<b>\$ 1,027,036</b>	<b>\$ 39,890</b>	<b>\$ 1,066,926</b>	
Proceeds from sales of common stock, net	—	16,262,375	163	421,326	—	—	421,489	—	421,489	
Dividends and distributions, net	—	—	—	—	(136,778)	—	(136,778)	(6,378)	(143,156)	
Non-cash compensation activity, net	—	46,604	—	4,138	(194)	—	3,944	4,676	8,620	
Redemption of common units to common stock	—	351,260	3	3,929	—	—	3,932	(3,932)	—	
Issuance of units	—	—	—	—	—	—	—	18,558	18,558	
Rebalancing of noncontrolling interest	—	—	—	2,726	—	—	2,726	(2,726)	—	
Other comprehensive income	—	—	—	—	—	5,432	5,432	238	5,670	
Net income	—	—	—	—	31,259	—	31,259	941	32,200	
<b>Balance, December 31, 2017</b>	<b>\$ 145,000</b>	<b>97,012,543</b>	<b>\$ 970</b>	<b>\$ 1,725,825</b>	<b>\$ (516,691)</b>	<b>\$ 3,936</b>	<b>\$ 1,359,040</b>	<b>\$ 51,267</b>	<b>\$ 1,410,307</b>	
Cash flow hedging instruments cumulative effect adjustment	—	—	—	—	(258)	247	(11)	11	—	
Proceeds from sales of common stock, net	—	14,724,614	148	385,951	—	—	386,099	—	386,099	
Redemption of preferred stock	(70,000)	—	—	5,141	(5,158)	—	(70,017)	—	(70,017)	
Dividends and distributions, net	—	—	—	—	(155,261)	—	(155,261)	(5,481)	(160,742)	
Non-cash compensation activity, net	—	76,574	1	3,194	(537)	—	2,658	4,772	7,430	
Redemption of common units to common stock	—	352,055	3	4,398	—	—	4,401	(4,401)	—	
Rebalancing of noncontrolling interest	—	—	—	(6,330)	—	—	(6,330)	6,330	—	
Other comprehensive income	—	—	—	—	—	298	298	12	310	
Net income	—	—	—	—	92,926	—	92,926	3,319	96,245	
<b>Balance, December 31, 2018</b>	<b>\$ 75,000</b>	<b>112,165,786</b>	<b>\$ 1,122</b>	<b>\$ 2,118,179</b>	<b>\$ (584,979)</b>	<b>\$ 4,481</b>	<b>\$ 1,613,803</b>	<b>\$ 55,829</b>	<b>\$ 1,669,632</b>	
Leases cumulative effect adjustment (Note 2)	—	—	—	—	(214)	—	(214)	—	(214)	
Proceeds from sales of common stock, net	—	29,836,706	299	852,031	—	—	852,330	—	852,330	
Dividends and distributions, net	—	—	—	—	(186,710)	—	(186,710)	(6,582)	(193,292)	
Non-cash compensation activity, net	—	132,964	1	3,715	(405)	—	3,311	5,084	8,395	
Redemption of common units to common stock	—	680,137	6	9,515	—	—	9,521	(9,521)	—	
Rebalancing of noncontrolling interest	—	—	—	(12,887)	—	—	(12,887)	12,887	—	
Other comprehensive loss	—	—	—	—	—	(22,907)	(22,907)	(718)	(23,625)	
Net income	—	—	—	—	49,281	—	49,281	1,384	50,665	
<b>Balance, December 31, 2019</b>	<b>\$ 75,000</b>	<b>142,815,593</b>	<b>\$ 1,428</b>	<b>\$ 2,970,553</b>	<b>\$ (723,027)</b>	<b>\$ (18,426)</b>	<b>\$ 2,305,528</b>	<b>\$ 58,363</b>	<b>\$ 2,363,891</b>	

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

**STAG Industrial, Inc.**  
**Consolidated Statements of Cash Flows**  
(in thousands)

	Year ended December 31,		
	2019	2018	2017
<b>Cash flows from operating activities:</b>			
Net income	\$ 50,665	\$ 96,245	\$ 32,200
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	185,450	167,617	150,881
Loss on impairments	9,757	6,182	1,879
Gain on involuntary conversion	—	—	(325)
Non-cash portion of interest expense	2,583	2,316	1,897
Amortization of above and below market leases, net	4,862	4,164	4,583
Straight-line rent adjustments, net	(11,774)	(11,163)	(7,475)
Dividends on forfeited equity compensation	38	15	2
Loss on extinguishment of debt	—	13	15
Gain on the sales of rental property, net	(7,392)	(72,211)	(24,242)
Non-cash compensation expense	9,888	8,922	9,547
Change in assets and liabilities:			
Tenant accounts receivable	(2,509)	(903)	(2,125)
Prepaid expenses and other assets	(8,480)	(8,921)	(9,103)
Accounts payable, accrued expenses and other liabilities	429	2,385	514
Tenant prepaid rent and security deposits	(160)	3,108	3,850
Total adjustments	182,692	101,524	129,898
<b>Net cash provided by operating activities</b>	<b>233,357</b>	<b>197,769</b>	<b>162,098</b>
<b>Cash flows from investing activities:</b>			
Acquisitions of land and buildings and improvements	(995,047)	(564,805)	(497,264)
Additions of land and building and improvements	(65,044)	(34,584)	(45,790)
Acquisitions of other assets	(2,736)	(794)	—
Proceeds from sales of rental property, net	42,028	207,943	65,075
Proceeds from insurance on involuntary conversion	—	—	1,796
Acquisitions of other liabilities	—	242	—
Acquisition deposits, net	3,846	(4,916)	255
Acquisitions of deferred leasing intangibles	(205,621)	(110,287)	(95,707)
<b>Net cash used in investing activities</b>	<b>(1,222,574)</b>	<b>(507,201)</b>	<b>(571,635)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from unsecured credit facility	1,568,000	894,500	677,500
Repayment of unsecured credit facility	(1,522,500)	(1,065,000)	(434,500)
Proceeds from unsecured term loans	275,000	150,000	—
Proceeds from unsecured notes	—	175,000	—
Repayment of mortgage notes	(1,926)	(1,843)	(105,470)
Redemption of preferred stock	—	(70,000)	—
Payment of loan fees and costs	(1,227)	(4,465)	(1,209)
Payment of loan prepayment fees and costs	—	—	(15)
Dividends and distributions	(189,581)	(158,869)	(141,006)
Proceeds from sales of common stock, net	852,375	386,046	421,530
Repurchase and retirement of share-based compensation	(1,602)	(1,524)	(969)
<b>Net cash provided by financing activities</b>	<b>978,539</b>	<b>303,845</b>	<b>415,861</b>
Increase (decrease) in cash and cash equivalents and restricted cash	(10,678)	(5,587)	6,324
Cash and cash equivalents and restricted cash—beginning of period	22,542	28,129	21,805
<b>Cash and cash equivalents and restricted cash—end of period</b>	<b>\$ 11,864</b>	<b>\$ 22,542</b>	<b>\$ 28,129</b>
<b>Supplemental disclosure:</b>			
Cash paid for interest, net of capitalized interest	\$ 51,490	\$ 46,364	\$ 40,685
<b>Supplemental schedule of non-cash investing and financing activities</b>			
Issuance of units for acquisitions of land and building and improvements and deferred leasing intangibles	\$ —	\$ —	\$ 18,558
Additions to building and other capital improvements	\$ (274)	\$ —	\$ (158)
Transfer of other assets to building and other capital improvements	\$ 274	\$ —	\$ 158
Acquisitions of land and buildings and improvements	\$ (469)	\$ (840)	\$ (17,461)
Acquisitions of deferred leasing intangibles	\$ (88)	\$ (48)	\$ (2,079)
Partial disposal of building due to involuntary conversion of building	\$ —	\$ —	\$ 363
Investing other receivables due to involuntary conversion of building	\$ —	\$ —	\$ (363)
Change in additions of land, building, and improvements included in accounts payable, accrued expenses, and other liabilities	\$ (8,278)	\$ 147	\$ (7,125)
Additions to building and other capital improvements from non-cash compensation	\$ (70)	\$ (25)	\$ (26)
Change in loan fees, costs, and offering costs included in accounts payable, accrued expenses, and other liabilities	\$ (45)	\$ 40	\$ (15)
Reclassification of preferred stock called for redemption to liability	\$ —	\$ 70,000	\$ —
Leases cumulative effect adjustment (Note 2)	\$ (214)	\$ —	\$ —
Dividends and distributions accrued	\$ 17,465	\$ 13,754	\$ 11,880

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

**STAG Industrial, Inc.**  
**Notes to Consolidated Financial Statements**

## **1. Organization and Description of Business**

STAG Industrial, Inc. (the “Company”) is an industrial real estate operating company focused on the acquisition, ownership, and operation of single-tenant, industrial properties throughout the United States. The Company was formed as a Maryland corporation and has elected to be treated and intends to continue to qualify as a real estate investment trust (“REIT”) under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”). The Company is structured as an umbrella partnership REIT, commonly called an UPREIT, and owns substantially all of its properties and conducts substantially all of its business through its operating partnership, STAG Industrial Operating Partnership, L.P., a Delaware limited partnership (the “Operating Partnership”). As of December 31, 2019 and 2018, the Company owned a 97.5% and 96.5%, respectively, common equity interest in the Operating Partnership. The Company, through its wholly owned subsidiary, is the sole general partner of the Operating Partnership. As used herein, the “Company” refers to STAG Industrial, Inc. and its consolidated subsidiaries and partnerships, including the Operating Partnership, except where context otherwise requires.

As of December 31, 2019, the Company owned 450 buildings in 38 states with approximately 91.4 million rentable square feet (square feet unaudited herein and throughout the Notes), consisting of 373 warehouse/distribution buildings, 69 light manufacturing buildings, and eight flex/office buildings.

## **2. Summary of Significant Accounting Policies**

### ***Basis of Presentation***

The Company’s consolidated financial statements include the accounts of the Company, the Operating Partnership and their subsidiaries. Interests in the Operating Partnership not owned by the Company are referred to as “Noncontrolling Common Units.” These Noncontrolling Common Units are held by other limited partners in the form of common units (“Other Common Units”) and long term incentive plan units (“LTIP units”) issued pursuant to the STAG Industrial, Inc. 2011 Equity Incentive Plan, as amended (the “2011 Plan”). All significant intercompany balances and transactions have been eliminated in the consolidation of entities. The financial statements of the Company are presented on a consolidated basis for all periods presented.

### ***New Accounting Standards and Reclassifications***

#### ***New Accounting Standards Adopted***

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, and various subsequent ASU’s, which set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). Topic 842 superseded the previous leases standard, Topic 840, *Leases*. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less are accounted for similar to the previous guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to the previous guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 impacted the Company’s consolidated financial statements as the Company has ground leases and its corporate office lease for which it is the lessee, which resulted in the recording of a right-of-use asset and the related lease liability.

The Company adopted ASU 2016-02 on January 1, 2019, using the modified retrospective transition method. The adoption of this standard resulted in a cumulative effect adjustment of approximately \$0.2 million recorded as an increase to cumulative dividends in excess of earnings as of January 1, 2019 in the accompanying Consolidated Statements of Equity. The cumulative effect adjustment related to initial direct costs of leases where the Company is the lessor and that, as of January 1, 2019, had not begun to amortize and are no longer allowed to be capitalized under the new standard. On January 1, 2019, the Company recognized operating lease right-of-use assets of approximately \$16.3 million and related operating lease liabilities of approximately \$18.0 million on the Consolidated Balance Sheets, related to the leases where the Company is the lessee. The Company adopted the new standard using the practical expedient package which allowed the Company to (i) not reassess whether any expired or existing contracts are or contain leases; (ii) not reassess the lease classification for any expired or existing leases; and (iii) not reassess initial direct costs for any existing leases. This practical expedient allowed the Company to continue to account for its ground

leases as operating leases. Prospectively, any new or modified ground leases may be classified as financing leases. The adoption of this standard by the Company has been applied as of January 1, 2019, and the comparative periods have not been restated.

### *Reclassifications*

Prior period amounts have been reclassified to conform to the current year presentation due to the adoption of ASU 2016-02. Amounts previously classified as rental income and tenant recoveries in the prior period are now classified as rental income on the accompanying Consolidated Statements of Operations, as the Company has made an accounting policy election to combine these amounts that are accounted for under the new leases standard.

Certain other prior period amounts have been reclassified to conform to the current year presentation.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *Rental Property and Deferred Leasing Intangibles*

Rental property is carried at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are expensed as incurred. Significant renovations and betterments that extend the economic useful lives of assets are capitalized.

The Company capitalizes costs directly and indirectly related to the development, pre-development, redevelopment, or improvement of rental property. Real estate taxes, compensation costs of development personnel, insurance, interest, and other directly related costs during construction periods are capitalized as incurred, with depreciation commencing with the date the property is substantially completed. Such costs begin to be capitalized to the development projects from the point the Company is undergoing the necessary activities to get the development project ready for its intended use and cease when the development projects are substantially completed and held available for occupancy. Interest is capitalized based on actual capital expenditures from the period when development or redevelopment commences until the asset is ready for its intended use, at the weighted average borrowing rate of the Company’s unsecured indebtedness during the period.

For properties classified as held for sale, the Company ceases depreciating and amortizing the rental property and values the rental property at the lower of depreciated and amortized cost or fair value less costs to dispose. The Company presents those properties classified as held for sale with any qualifying assets and liabilities associated with those properties as held for sale in the accompanying Consolidated Balance Sheets.

Using information available at the time of acquisition, the Company allocates the purchase price of properties acquired based upon the fair value of the assets acquired and liabilities assumed, which generally consist of land, buildings, tenant improvements, mortgage debt assumed, and deferred leasing intangibles, which includes in-place leases, above market and below market leases, and tenant relationships. The process for determining the allocation to these components requires estimates and assumptions, including rental rates, discount rates and exit capitalization rates, and land value per square foot, as well as available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant. The portion of the purchase price that is allocated to above and below market leases is valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease term plus the term of any bargain renewal options. The purchase price is further allocated to in-place lease values and tenant relationships based on the Company’s evaluation of the specific characteristics of each tenant’s lease and its overall relationship with the respective tenant.

The above and below market lease values are amortized into rental income over the remaining lease term. The value of in-place lease intangibles and tenant relationships are amortized over the remaining lease term (and expected renewal period of the respective lease for tenant relationships) as increases to depreciation and amortization expense. The remaining lease terms are adjusted for bargain renewal options or assumed exercises of early termination options, as applicable. If a tenant subsequently terminates its lease, any unamortized portion of above and below market leases is accelerated into rental income and the in-place lease value and tenant relationships are accelerated into depreciation and amortization expense over the shortened lease term.

The purchase price allocated to deferred leasing intangible assets are included in rental property, net on the accompanying Consolidated Balance Sheets and the purchase price allocated to deferred leasing intangible liabilities are included in deferred leasing intangibles, net on the accompanying Consolidated Balance Sheets under the liabilities section.

In determining the fair value of the debt assumed, the Company discounts the spread between the future contractual interest payments and hypothetical future interest payments on mortgage debt based on a current market rate. The associated fair market value debt adjustment is amortized through interest expense over the life of the debt on a basis which approximates the effective interest method.

The Company evaluates the carrying value of all tangible and intangible rental property assets and deferred leasing intangible liabilities (collectively, the “property”) held for use for possible impairment when an event or change in circumstance has occurred that indicates their carrying value may not be recoverable. The evaluation includes estimating and reviewing anticipated future undiscounted cash flows to be derived from the property. If such cash flows are less than the property’s carrying value, an impairment charge is recognized to the extent by which the property’s carrying value exceeds the estimated fair value. Estimating future cash flows is highly subjective and is based in part on assumptions regarding anticipated hold period, future occupancy, rental rates, capital requirements, and exit capitalization rates that could differ from actual results. The discount rate used to present value the cash flows for determining fair value is also subjective.

Depreciation expense is computed using the straight-line method based on the following estimated useful lives.

<b>Description</b>	<b>Estimated Useful Life</b>
Building	40 Years
Building and land improvements	Up to 20 years
Tenant improvements	Shorter of useful life or terms of related lease

Fully depreciated or amortized assets or liabilities and the associated accumulated depreciation or amortization are written-off. The Company wrote-off fully depreciated or amortized tenant improvements, deferred leasing intangible assets, and deferred leasing intangible liabilities of approximately \$22.8 million, \$87.7 million, \$5.5 million, respectively, for the year ended December 31, 2019 and approximately \$1.3 million, \$113.1 million, \$4.3 million, respectively, for the year ended December 31, 2018.

### ***Leases***

For leases in which the Company is the lessee, the Company recognizes a right-of-use asset and corresponding lease liability on the accompanying Consolidated Balance Sheets equal to the present value of the fixed lease payments. In determining the operating right-of-use asset and lease liability for the Company’s existing operating leases upon the adoption of the new lease guidance, the Company was required to estimate an appropriate incremental borrowing rate on a fully-collateralized basis for the terms of the leases. The Company utilized a market-based approach to estimate the incremental borrowing rate for each individual lease. Since the terms under the ground leases are significantly longer than the terms of borrowings available to the Company on a fully-collateralized basis, the estimate of this rate required significant judgment, and considered factors such as yields on outstanding public debt and other market based pricing on longer duration financing instruments.

### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less. The Company maintains cash and cash equivalents in United States banking institutions that may exceed amounts insured by the Federal Deposit Insurance Corporation. While the Company monitors the cash balances in its operating accounts, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Company has experienced no loss or lack of access to cash in its operating accounts, and mitigates this risk by using nationally recognized banking institutions.

### ***Restricted Cash***

Restricted cash may include tenant security deposits, cash held in escrow for real estate taxes and capital improvements as required in various mortgage note agreements, and cash held by the Company's transfer agent for preferred stock dividends that are distributed subsequent to period end. Restricted cash may also include cash held by qualified intermediaries to facilitate a like-kind exchange of real estate under Section 1031 of the Code.

The following table presents a reconciliation of cash and cash equivalents and restricted cash reported on the accompanying Consolidated Balance Sheets to amounts reported on the accompanying Consolidated Statements of Cash Flows.

<b>Reconciliation of cash and cash equivalents and restricted cash (in thousands)</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash and cash equivalents	\$ 9,041	\$ 7,968
Restricted cash	2,823	14,574
<b>Total cash and cash equivalents and restricted cash</b>	<b>\$ 11,864</b>	<b>\$ 22,542</b>

### ***Deferred Costs***

Deferred financing fees and debt issuance costs include costs incurred in obtaining debt that are capitalized and are presented as a direct deduction from the carrying amount of the associated debt liability that is not a line-of-credit arrangement on the accompanying Consolidated Balance Sheets. Deferred financing fees and debt issuance costs related to line-of-credit arrangements are presented as an asset in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets. The deferred financing fees and debt issuance costs are amortized through interest expense over the life of the respective loans on a basis which approximates the effective interest method. Any unamortized amounts upon early repayment of debt are written off in the period of repayment as a loss on extinguishment of debt. Fully amortized deferred financing fees and debt issuance costs are written off upon maturity of the underlying debt.

Leasing commissions include commissions and other direct and incremental costs incurred to obtain new tenant leases as well as to renew existing tenant leases, and are presented in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets. Leasing commissions are capitalized and amortized over the terms of the related leases (and bargain renewal terms or assumed exercise of early termination options) using the straight-line method. If a lease terminates prior to the expiration of its initial term, any unamortized costs related to the lease are accelerated into amortization expense. Changes in leasing commissions are presented in the cash flows from operating activities section of the accompanying Consolidated Statements of Cash Flows.

### ***Goodwill***

The excess of the cost of an acquired business over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Goodwill of the Company of approximately \$4.9 million represents amounts allocated to the assembled workforce from the acquired management company, and is presented in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets. The Company's goodwill has an indeterminate life and is not amortized, but is tested for impairment on an annual basis at December 31, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company takes a qualitative approach to consider whether an impairment of goodwill exists prior to quantitatively determining the fair value of the reporting unit in step one of the impairment test. The Company has recorded no impairments to goodwill through December 31, 2019.

### ***Use of Derivative Financial Instruments***

The Company records all derivatives on the accompanying Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

In accordance with fair value measurement guidance, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting arrangements on a net basis by counterparty portfolio. Credit risk is the risk of failure of the counterparty to perform under the terms of the contract. The Company minimizes the credit risk in its derivative financial instruments by entering into transactions with various high-quality counterparties. The Company's exposure to credit risk at any point is generally limited to amounts recorded as assets on the accompanying Consolidated Balance Sheets.

### ***Fair Value of Financial Instruments***

Financial instruments include cash and cash equivalents, restricted cash, tenant accounts receivable, interest rate swaps, accounts payable, accrued expenses, unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes. See Note 4 for the fair value of the Company's indebtedness. See Note 5 for the fair value of the Company's interest rate swaps.

The Company adopted fair value measurement provisions for its financial instruments recorded at fair value. The guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

### ***Offering Costs***

Underwriting commissions and direct offering costs have been reflected as a reduction of additional paid-in capital on the accompanying Consolidated Balance Sheets and Consolidated Statements of Equity. Indirect costs associated with equity offerings are expensed as incurred and included in general and administrative expenses on the accompanying Consolidated Statements of Operations.

### ***Dividends***

Earnings and profits, which determine the taxability of dividends to stockholders, will differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the treatment of gains on the sale of real property, revenue and expense recognition, and in the estimated useful lives and basis used to compute depreciation. In addition, the Company's distributions include a return of capital. To the extent that the Company makes distributions in excess of its current and accumulated earnings and profits, such distributions would generally be considered a return of capital for federal income tax purposes to the extent of the holder's adjusted tax basis in its shares. A return of capital may not be taxable. A return of capital has the effect of reducing the holder's adjusted tax basis in its investment, which may or may not be taxable to the holder.

The Company paid approximately \$2.4 million (\$0.87413 per share) of the 6.625% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock") dividends, of which \$0.71493 per share was treated as ordinary income for tax purposes, \$0.07521 per share was treated as unrecaptured section 1250 capital gain for tax purposes, and \$0.08399 per share was treated as other capital gain for income tax purposes for the year ended December 31, 2018. The Company paid approximately \$4.6 million (\$1.65625 per share) of the Series B Preferred Stock dividends for the year ended December 31, 2017, that were treated as ordinary income for tax purposes.

The Company paid approximately \$5.2 million (\$1.71875 per share) of the 6.875% Series C Cumulative Redeemable Preferred Stock ("Series C Preferred Stock") dividends for the year ended December 31, 2019, of which \$1.71441 that were treated as ordinary income for tax purposes and \$0.00434 that were treated as qualified dividends for tax purposes. The Company paid approximately \$5.2 million (\$1.71875 per share) of the Series C Preferred Stock dividends, of which \$1.40573 per share was treated as ordinary income for tax purposes, \$0.14789 per share was treated as unrecaptured section 1250 capital gain for tax purposes, and \$0.16513 per share was treated as other capital gain for income tax purposes for the year ended December 31, 2018. The Company paid approximately \$5.2 million (\$1.71875 per share) of the Series C Preferred Stock dividends for the year ended December 31, 2017, that were treated as ordinary income for tax purposes.



The following table summarizes the tax treatment of dividends per common share for federal income tax purposes.

Federal Income Tax Treatment of Dividends per Common Share	Year ended December 31,					
	2019		2018		2017	
	Per Share	%	Per Share	%	Per Share	%
Ordinary income	\$ 0.888657	62.2%	\$ 1.051783	74.1%	\$ 0.965483	68.8%
Return of capital	0.538270	37.7%	0.133170	9.4%	0.437852	31.2%
Unrecaptured section 1250 capital gain	—	—%	0.110647	7.8%	—	—%
Other capital gain	—	—%	0.123563	8.7%	—	—%
Qualified dividend	0.002243	0.1%	—	—%	—	—%
<b>Total <sup>(1)</sup></b>	<b>\$ 1.429170</b>	<b>100.0%</b>	<b>\$ 1.419163</b>	<b>100.0%</b>	<b>\$ 1.403335</b>	<b>100.0%</b>

(1) The December 2017 monthly common stock dividend of \$0.1175 per share was included in the stockholder's 2018 tax year. The December 2018 monthly common stock dividend of \$0.118333 per share was included in the stockholder's 2019 tax year. The December 2019 monthly common stock dividend of \$0.119167 per share will be included in the stockholder's 2020 tax year.

### ***Revenue Recognition***

All current leases are classified as operating leases and rental income is recognized on a straight-line basis over the term of the lease (and expected bargain renewal terms or assumed exercise of early termination options) when collectability is reasonably assured. Differences between rental income earned and amounts due under the lease are charged or credited, as applicable, to accrued rental income.

The Company determined that for all leases where the Company is the lessor, that the timing and pattern of transfer of the non-lease components and associated lease components are the same, and that the lease components, if accounted for separately, would be classified as an operating lease. Accordingly, the Company has made an accounting policy election to recognize the combined component in accordance with Topic 842 as rental income on the accompanying Consolidated Statements of Operations.

Rental income recognition commences when the tenant takes possession of or controls the physical use of the leased space and the leased space is substantially complete and ready for its intended use. In order to determine whether the leased space is substantially complete and ready for its intended use, the Company determines whether the Company or the tenant own the tenant improvements. When it is determined that the Company is the owner of the tenant improvements, rental income recognition begins when the tenant takes possession of or controls the physical use of the finished space, which is generally when the Company owned tenant improvements are completed. In instances when it is determined that the tenant is the owner of tenant improvements, rental income recognition begins when the tenant takes possession of or controls the physical use of the leased space.

When the Company is the owner of tenant improvements or other capital items, the cost to construct the tenant improvements or other capital items, including costs paid for or reimbursed by the tenants, is recorded as capital assets. For these tenant improvements or other capital items, the amount funded by or reimbursed by the tenants are recorded as deferred revenue, which is amortized on a straight-line basis as income over the shorter of the useful life of the capital asset or the term of the related lease.

Early lease termination fees are recorded in rental income on a straight-line basis from the notification date of such termination to the then remaining (not the original) lease term, if any, or upon collection if collection is not reasonably assured.

The Company evaluates cash basis versus accrual basis of rental income recognition based on the collectability of future lease payments. As of December 31, 2018, the Company had an allowance for doubtful accounts of approximately \$0.8 million included in tenant accounts receivable.

The Company earned revenue from asset management fees, which are included on the accompanying Consolidated Statements of Operations in other income. The Company recognized revenue from asset management fees when the related fees were earned and were realized or realizable. As of December 31, 2017, the Company no longer earned revenue from asset management fees.

### ***Gain on the Sales of Rental Property, net***

The timing of the derecognition of a rental property and the corresponding recognition of gain on the sales of rental property, net is measured by various criteria related to the terms of the sale transaction, and if the Company has lost control of the property and the acquirer has gained control of the property after the transaction. If the derecognition criteria is met, the full gain is recognized.

## ***Incentive and Equity-Based Employee Compensation Plans***

The Company grants equity-based compensation awards to its employees and directors in the form of restricted shares of common stock, LTIP units, and outperformance programs and performance units (outperformance programs and performance units are collectively, “Performance-based Compensation Plans”). See Notes 6, 7 and 8 for further discussion of restricted shares of common stock, LTIP units, and Performance-based Compensation Plans, respectively. The Company measures equity-based compensation expense based on the fair value of the awards on the grant date and recognizes the expense ratably over the vesting period, and forfeitures are recognized in the period in which they occur.

## ***Taxes***

### ***Federal Income Taxes***

The Company elected to be taxed as a REIT under the Code commencing with its taxable year ended December 31, 2011 and intends to continue to qualify as a REIT. As a REIT, the Company is generally not subject to corporate level federal income tax on the earnings distributed currently to its stockholders that it derives from its REIT qualifying activities. As a REIT, the Company is required to distribute at least 90% of its REIT taxable income to its stockholders and meet the various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership.

The Company will not be required to make distributions with respect to income derived from the activities conducted through subsidiaries that the Company elects to treat as taxable REIT subsidiaries (“TRS”) for federal income tax purposes, nor will it have to comply with income, assets, or ownership restrictions inside of the TRS. Certain activities that the Company undertakes must or should be conducted by a TRS, such as performing non-customary services for its tenants and holding assets that it cannot hold directly. A TRS is subject to federal and state income taxes. The Company’s TRS recognized a net income (loss) of approximately \$0.3 million, \$(0.1) million and \$(0.4) million, for the years ended December 31, 2019, 2018 and 2017, respectively, which has been included on the accompanying Consolidated Statements of Operations.

### ***State and Local Income, Excise, and Franchise Tax***

The Company and certain of its subsidiaries are subject to certain state and local income, excise and franchise taxes. Taxes in the amount of approximately \$1.2 million, \$0.9 million and \$1.0 million have been recorded in other expenses on the accompanying Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017, respectively.

### ***Uncertain Tax Positions***

Tax benefits of uncertain tax positions are recognized only if it is more likely than not that the tax position will be sustained based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The measurement of a tax benefit for an uncertain tax position that meets the “more likely than not” threshold is based on a cumulative probability model under which the largest amount of tax benefit recognized is the amount with a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority having full knowledge of all the relevant information. As of December 31, 2019, 2018 and 2017, there were no liabilities for uncertain tax positions.

## ***Earnings Per Share***

The Company uses the two-class method of computing earnings per common share, which is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Basic net income per common share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share is computed by dividing net income available to common stockholders by the sum of the weighted average number of common shares outstanding and any dilutive securities for the period.

## ***Segment Reporting***

The Company manages its operations on an aggregated, single segment basis for purposes of assessing performance and making operating decisions and, accordingly, has only one reporting and operating segment.

### ***Concentrations of Credit Risk***

Concentrations of credit risk relevant to the Company may arise when a number of financing arrangements, including revolving credit facilities or derivatives, are entered into with the same lenders or counterparties, and have similar economic features that would cause their inability to meet contractual obligations. The Company mitigates the concentration of credit risk as it relates to financing arrangements by entering into loan syndications with multiple, reputable financial institutions and diversifying its debt counterparties. The Company also reduces exposure by diversifying its derivatives across multiple counterparties who meet established credit and capital guidelines.

Concentrations of credit risk may also arise when the Company enters into leases with multiple tenants concentrated in the same industry, or into a significant lease or multiple leases with a single tenant, or tenants are located in the same geographic region, or have similar economic features that would cause their inability to meet contractual obligations, including those to the Company, to be similarly affected. The Company regularly monitors its tenant base to assess potential concentrations of credit risk through financial statement review, tenant management calls, and press releases. Management believes the current credit risk portfolio is reasonably well diversified and does not contain any unusual concentration of credit risk.

### **3. Rental Property**

The following table summarizes the components of rental property, net as of December 31, 2019 and 2018.

<b>Rental Property, net (in thousands)</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Land	\$ 435,923	\$ 364,023
Buildings, net of accumulated depreciation of \$254,458 and \$199,497, respectively	2,787,234	2,082,781
Tenant improvements, net of accumulated depreciation of \$21,487 and \$36,450, respectively	38,339	30,704
Building and land improvements, net of accumulated depreciation of \$111,688 and \$80,983, respectively	232,456	168,229
Construction in progress	29,406	3,949
Deferred leasing intangibles, net of accumulated amortization of \$241,304 and \$246,502, respectively	475,149	342,015
<b>Total rental property, net</b>	<b>\$ 3,998,507</b>	<b>\$ 2,991,701</b>

## Acquisitions

The following tables summarize the acquisitions of the Company during the years ended December 31, 2019 and 2018.

Year ended December 31, 2019				
Market <sup>(1)</sup>	Date Acquired	Square Feet	Buildings	Purchase Price (in thousands)
Cincinnati/Dayton, OH	January 24, 2019	176,000	1	\$ 9,965
Pittsburgh, PA	February 21, 2019	455,000	1	28,676
Boston, MA	February 21, 2019	349,870	1	26,483
Minneapolis/St Paul, MN	February 28, 2019	248,816	1	21,955
Greenville/Spartanburg, SC	March 7, 2019	331,845	1	24,536
Philadelphia, PA	March 7, 2019	148,300	1	10,546
Omaha/Council Bluffs, NE-IA	March 11, 2019	237,632	1	20,005
Houston, TX	March 28, 2019	132,000	1	17,307
Baltimore, MD	March 28, 2019	167,410	1	13,648
Houston, TX	March 28, 2019	116,750	1	12,242
<b>Three months ended March 31, 2019</b>		<b>2,363,623</b>	<b>10</b>	<b>185,363</b>
Minneapolis/St Paul, MN	April 2, 2019	100,600	1	9,045
West Michigan, MI	April 8, 2019	230,200	1	15,786
Greensboro/Winston-Salem, NC	April 12, 2019	129,600	1	7,771
Greenville/Spartanburg, SC	April 25, 2019	319,660	2	15,432
Charleston/N Charleston, SC	April 29, 2019	500,355	1	40,522
Houston, TX	April 29, 2019	128,136	1	13,649
Richmond, VA	May 16, 2019	109,520	1	9,467
Laredo, TX	June 6, 2019	213,982	1	18,972
Baton Rouge, LA	June 18, 2019	252,800	2	20,041
Philadelphia, PA	June 19, 2019	187,569	2	13,645
Columbus, OH	June 28, 2019	857,390	1	95,828
<b>Three months ended June 30, 2019</b>		<b>3,029,812</b>	<b>14</b>	<b>260,158</b>
Kansas City, MO	July 10, 2019	304,840	1	13,450
Houston, TX	July 22, 2019	199,903	1	11,287
Charleston/N Charleston, SC	July 22, 2019	88,583	1	7,166
Tampa, FL	August 5, 2019	78,560	1	8,168
Philadelphia, PA	August 6, 2019	120,000	1	10,880
Milwaukee/Madison, WI	August 16, 2019	224,940	3	13,981
Houston, TX	August 19, 2019	45,000	1	6,190
West Michigan, MI	August 19, 2019	210,120	1	10,407
Pittsburgh, PA	August 21, 2019	410,389	1	31,219
Boston, MA	August 22, 2019	80,100	1	14,253
Las Vegas, NV	August 27, 2019	80,422	2	12,602
Nashville, TN	August 29, 2019	348,880	1	20,267
Columbia, SC	August 30, 2019	200,000	1	13,670
Pittsburgh, PA	September 6, 2019	138,270	1	9,323
Omaha/Council Bluffs, NE-IA	September 11, 2019	128,200	2	8,509
Pittsburgh, PA	September 16, 2019	315,634	1	28,712
Memphis, TN	September 19, 2019	1,135,453	1	50,941
Memphis, TN	September 26, 2019	629,086	1	31,542
<b>Three months ended September 30, 2019</b>		<b>4,738,380</b>	<b>22</b>	<b>302,567</b>
Chicago, IL	October 10, 2019	105,925	1	11,621
Portland, OR	October 10, 2019	141,400	1	14,180
Jacksonville, FL	October 15, 2019	231,030	1	15,603
Indianapolis, IN	October 18, 2019	1,027,678	1	52,736
St. Louis, MO	October 21, 2019	127,464	1	12,055
Minneapolis/St Paul, MN	October 29, 2019	236,479	2	18,833
Minneapolis/St Paul, MN	November 4, 2019	276,550	1	23,598
Minneapolis/St Paul, MN	November 5, 2019	136,589	1	17,601
Chicago, IL	November 7, 2019	574,249	1	34,989
Milwaukee/Madison, WI	November 12, 2019	111,000	1	5,107
Knoxville, TN	November 21, 2019	227,150	1	10,089
Columbia, SC	November 21, 2019	464,206	1	35,050
Greenville/Spartanburg, SC	December 4, 2019	273,000	1	19,224
Houston, TX	December 5, 2019	90,000	1	11,276
Milwaukee/Madison, WI	December 16, 2019	192,800	1	18,750
Houston, TX	December 17, 2019	250,000	1	21,864
Denver, CO	December 18, 2019	132,194	1	15,749
Des Moines, IA	December 19, 2019	200,011	1	17,335
Indianapolis, IN	December 19, 2019	558,994	1	53,259
Northern New Jersey, NJ	December 23, 2019	113,973	1	14,784
Sacramento, CA	December 30, 2019	147,840	1	10,680
Kansas City, MO	December 31, 2019	230,116	1	21,490
<b>Three months ended December 31, 2019</b>		<b>5,848,648</b>	<b>23</b>	<b>\$ 455,873</b>
<b>Year ended December 31, 2019</b>		<b>15,980,463</b>	<b>69</b>	<b>\$ 1,203,961</b>

(1) As defined by CoStar Realty Information Inc. If the building is located outside of a CoStar defined market, the city and state is reflected.

**Year ended December 31, 2018**

<b>Market<sup>(1)</sup></b>	<b>Date Acquired</b>	<b>Square Feet</b>	<b>Buildings</b>	<b>Purchase Price (in thousands)</b>
Greenville/Spartanburg, SC	January 11, 2018	203,000	1	\$ 10,755
Minneapolis/St Paul, MN	January 26, 2018	145,351	1	13,538
Philadelphia, PA	February 1, 2018	278,582	1	18,277
Houston, TX	February 22, 2018	242,225	2	22,478
Greenville/Spartanburg, SC	March 30, 2018	222,710	1	13,773
<b>Three months ended March 31, 2018</b>		<b>1,091,868</b>	<b>6</b>	<b>78,821</b>
Chicago, IL	April 23, 2018	169,311	2	10,975
Milwaukee/Madison, WI	April 26, 2018	53,680	1	4,316
Pittsburgh, PA	April 30, 2018	175,000	1	15,380
Detroit, MI	May 9, 2018	274,500	1	19,328
Minneapolis/St Paul, MN	May 15, 2018	509,910	2	26,983
Cincinnati/Dayton, OH	May 23, 2018	158,500	1	7,317
Baton Rouge, LA	May 31, 2018	279,236	1	21,379
Las Vegas, NV	June 12, 2018	122,472	1	17,920
Greenville/Spartanburg, SC	June 15, 2018	131,805	1	5,621
Denver, CO	June 18, 2018	64,750	1	7,044
Cincinnati/Dayton, OH	June 25, 2018	465,136	1	16,421
Charlotte, NC	June 29, 2018	69,200	1	5,446
Houston, TX	June 29, 2018	252,662	1	27,170
<b>Three months ended June 30, 2018</b>		<b>2,726,162</b>	<b>15</b>	<b>185,300</b>
Knoxville, TN	July 10, 2018	106,000	1	6,477
Pittsburgh, PA	August 2, 2018	265,568	1	19,186
Raleigh/Durham, NC	August 2, 2018	365,000	1	21,067
Detroit, MI	August 6, 2018	439,150	1	21,077
Des Moines, IA	August 8, 2018	121,922	1	6,053
McAllen/Edinburg/Pharr, TX	August 9, 2018	270,084	1	18,523
Pittsburgh, PA	August 15, 2018	200,500	1	11,327
Minneapolis/St Paul, MN	August 24, 2018	120,606	1	8,422
Milwaukee/Madison, WI	September 28, 2018	100,800	1	7,484
Milwaukee/Madison, WI	September 28, 2018	174,633	2	13,288
Chicago, IL	September 28, 2018	105,637	1	6,368
Indianapolis, IN	September 28, 2018	478,721	1	29,085
Augusta/Richmond County, GA	September 28, 2018	203,726	1	9,379
Charlotte, NC	September 28, 2018	301,000	1	16,807
<b>Three months ended September 30, 2018</b>		<b>3,253,347</b>	<b>15</b>	<b>194,543</b>
Greensboro/Winston-Salem, NC	October 22, 2018	128,287	1	8,376
Minneapolis/St Paul, MN	October 22, 2018	109,444	1	8,064
Baltimore, MD	October 23, 2018	60,000	1	7,538
Greenville/Spartanburg, SC	November 7, 2018	210,891	1	11,289
Philadelphia, PA	November 19, 2018	101,869	1	7,074
Detroit, MI <sup>(2)</sup>	November 26, 2018	—	—	620
Milwaukee/Madison, WI	December 3, 2018	162,230	1	14,132
Pittsburgh, PA	December 11, 2018	119,161	1	15,502
Tucson, AZ	December 13, 2018	129,047	1	10,075
Detroit, MI	December 14, 2018	285,306	2	20,095
Greenville/Spartanburg, SC	December 17, 2018	726,500	1	28,995
Milwaukee/Madison, WI	December 18, 2018	288,201	2	14,586
Milwaukee/Madison, WI	December 19, 2018	112,144	1	5,349
Chicago, IL	December 19, 2018	195,415	1	16,134
Indianapolis, IN	December 20, 2018	446,500	1	33,314
Pittsburgh, PA	December 20, 2018	179,394	1	16,725
<b>Three months ended December 31, 2018</b>		<b>3,254,389</b>	<b>17</b>	<b>217,868</b>
<b>Year ended December 31, 2018</b>		<b>10,325,766</b>	<b>53</b>	<b>\$ 676,532</b>

(1) As defined by CoStar Realty Information Inc. If the building is located outside of a CoStar defined market, the city and state is reflected.

(2) The Company acquired a vacant land parcel.

The following table summarizes the allocation of the consideration paid at the date of acquisition during the years ended December 31, 2019 and 2018, for the acquired assets and liabilities in connection with the acquisitions identified in the tables above.

Acquired Assets and Liabilities	Year ended December 31, 2019		Year ended December 31, 2018	
	Purchase price (in thousands)	Weighted average amortization period (years) of intangibles at acquisition	Purchase price (in thousands)	Weighted average amortization period (years) of intangibles at acquisition
Land	\$ 96,379	N/A	\$ 59,974	N/A
Buildings	814,541	N/A	465,272	N/A
Tenant improvements	12,661	N/A	6,684	N/A
Building and land improvements	69,903	N/A	33,715	N/A
Construction in progress	2,032	N/A	—	N/A
Other assets	2,736	N/A	794	N/A
Deferred leasing intangibles - In-place leases	128,235	9.3	77,803	9.0
Deferred leasing intangibles - Tenant relationships	60,689	12.3	32,448	11.9
Deferred leasing intangibles - Above market leases	27,808	12.8	10,372	10.6
Deferred leasing intangibles - Below market leases	(11,023)	8.4	(10,110)	8.1
Deferred leasing intangibles - Above market ground leases	—	N/A	(178)	48.1
Other liabilities	—	N/A	(242)	N/A
<b>Total purchase price</b>	<b>\$ 1,203,961</b>		<b>\$ 676,532</b>	

The following table summarizes the results of operations for the years ended December 31, 2019 and 2018 for the properties acquired during the years ended December 31, 2019 and 2018, respectively, included in the Company's Consolidated Statements of Operations from the date of acquisition.

Results of Operations (in thousands)	Year ended December 31, 2019		Year ended December 31, 2018	
Total revenue	\$	35,042	\$	22,099
Net income	\$	6,302	\$	4,245

### Dispositions

During the year ended December 31, 2019, the Company sold nine buildings and two land parcels comprised of approximately 1.6 million square feet with a net book value of approximately \$34.6 million to third parties. These buildings contributed approximately \$0.8 million, \$8.5 million and \$9.0 million to revenue for the years ended December 31, 2019, 2018 and 2017, respectively. These buildings contributed approximately \$(2.5) million, \$1.6 million and \$3.4 million to net income (loss) (exclusive of loss on impairments, and gain on the sales of rental property, net) for the years ended December 31, 2019, 2018 and 2017, respectively. Net proceeds from the sales of rental property were approximately \$42.0 million and the Company recognized the full gain on the sales of rental property, net of approximately \$7.4 million for the year ended December 31, 2019. All of the dispositions were accounted for under the full accrual method.

During the year ended December 31, 2018, the Company sold 19 buildings comprised of approximately 3.9 million square feet with a net book value of approximately \$135.7 million to third parties. These buildings contributed approximately \$12.0 million and \$18.6 million to revenue for the years ended December 31, 2018 and 2017, respectively. These buildings contributed approximately \$3.7 million and \$5.0 million to net income (exclusive of gain on involuntary conversion, loss on impairments and gain on the sales of rental property, net) for the years ended December 31, 2018 and 2017, respectively. Net proceeds from the sales of rental property were approximately \$207.9 million and the Company recognized a gain on the sales of rental property, net of approximately \$72.2 million for the year ended December 31, 2018. All of the dispositions were accounted for under the full accrual method.

During the year ended December 31, 2017, the Company sold 11 buildings comprised of approximately 1.9 million square feet with a net book value of approximately \$40.9 million to third parties. These buildings contributed approximately \$3.8 million to revenue for the year ended December 31, 2017. These buildings contributed approximately \$1.5 million to net income (exclusive of loss on impairments and gain on the sales of rental property, net) for the year ended December 31, 2017. Net proceeds from the sales of rental property were approximately \$65.1 million and the Company recognized a gain on the sales of rental property, net of approximately \$24.2 million for the year ended December 31, 2017. All of the dispositions were accounted for under the full accrual method.

## Assets Held for Sale

As of December 31, 2019, the related land, building and improvements, net, and deferred leasing intangibles, net, of approximately \$15.2 million, \$27.8 million, and \$0, respectively, for two buildings located in Camarillo, CA were classified as assets held for sale, net on the accompanying Consolidated Balance Sheets. These buildings contributed approximately \$2.5 million, \$5.8 million and \$5.7 million to revenue for the years ended December 31, 2019, 2018 and 2017, respectively. These buildings contributed approximately \$0.7 million, \$0.6 million and \$1.1 million to net income for the year ended December 31, 2019, 2018 and 2017, respectively.

## Involuntary Conversion

During the year ended December 31, 2017, the Company wrote down a building in the amount of approximately \$0.8 million, related to an involuntary conversion event that occurred on September 1, 2016. The cumulative write down of the building since the involuntary conversion event was approximately \$1.5 million as of December 31, 2017. The Company recognized a gain on involuntary conversion of approximately \$0.3 million during the year ended December 31, 2017.

## Loss on Impairments

The following table summarizes the Company's loss on impairments for assets held and used during the year ended December 31, 2019, 2018 and 2017.

Market <sup>(1)</sup>	Buildings	Event or Change in Circumstance Leading to Impairment Evaluation <sup>(2)</sup>	Valuation technique utilized to estimate fair value	Fair Value <sup>(3)</sup>	Loss on Impairments
				(in thousands)	
Rapid City, SD <sup>(4)</sup>	1	Change in estimated hold period <sup>(5)</sup>	Discounted cash flows <sup>(6)</sup>		
<b>Three months ended March 31, 2019</b>				<b>\$ 4,373</b>	<b>\$ 5,344</b>
Belfast, ME <sup>(4)</sup>	5	Market leasing conditions	Discounted cash flows <sup>(7)</sup>		
<b>Three months ended September 30, 2019</b>				<b>\$ 5,950</b>	<b>\$ 4,413</b>
<b>Year ended December 31, 2019</b>					<b>\$ 9,757</b>
Buena Vista, VA	1	Change in estimated hold period <sup>(8)</sup>	Discounted cash flows <sup>(9)</sup>		
Sergeant Bluff, IA <sup>(4)</sup>	1	Change in estimated hold period <sup>(8)</sup>	Discounted cash flows <sup>(9)</sup>		
<b>Three months ended March 31, 2018</b>				<b>\$ 3,176</b>	<b>\$ 2,934</b>
Chicago, IL	1	Change in estimated hold period <sup>(5)</sup>	Discounted cash flows <sup>(10)</sup>		
Cleveland, OH	1	Change in estimated hold period <sup>(5)</sup>	Discounted cash flows <sup>(10)</sup>		
<b>Three months ended December 31, 2018</b>				<b>\$ 4,322</b>	<b>\$ 3,248</b>
<b>Year ended December 31, 2018</b>					<b>\$ 6,182</b>
Cincinnati/Dayton, OH <sup>(4)</sup>	1	Market leasing conditions <sup>(8)</sup>	Discounted cash flows <sup>(11)</sup>		
<b>Three months ended December 31, 2017</b>				<b>\$ 1,543</b>	<b>\$ 1,879</b>
<b>Year ended December 31, 2017</b>					<b>\$ 1,879</b>

(1) As defined by CoStar. If the building is located outside of a CoStar defined market, the city and state is reflected.

(2) The Company tested the asset group for impairment utilizing a probability weighted recovery analysis of certain scenarios, and it was determined that the carrying value of the property and intangibles were not recoverable from the estimated future undiscounted cash flows.

(3) The estimated fair value of the property is based on Level 3 inputs and is a non-recurring fair value measurement.

(4) Flex/office buildings.

(5) This property was sold during the year ended December 31, 2019.

(6) Level 3 inputs used to determine fair value for the property impaired for the three months ended March 31, 2019: discount rate of 12.0% and exit capitalization rate of 12.0%.

(7) Level 3 inputs used to determine fair value for the property impaired for the three months ended September 30, 2019: discount rate of 13.0% and exit capitalization rate of 12.0%.

(8) This property was sold during the year ended December 31, 2018.

(9) Level 3 inputs used to determine fair value for the properties impaired for the three months ended March 31, 2018: discount rates ranged from 11.0% to 14.5% and exit capitalization rates ranged from 11.0% to 13.0%.

(10) Level 3 inputs used to determine fair value for the properties impaired for the three months ended December 31, 2018: discount rate of 12.0% and exit capitalization rates ranged from 8.3% to 12.0%.

(11) Level 3 inputs used to determine fair value for the property impaired for the three months ended December 31, 2017: discount rate of 10.0% and exit capitalization rate of 10.0%.

### Deferred Leasing Intangibles

The following table summarizes the deferred leasing intangibles on the accompanying Consolidated Balance Sheets as of December 31, 2019 and 2018.

Deferred Leasing Intangibles (in thousands)	December 31, 2019			December 31, 2018		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Above market leases	\$ 92,607	\$ (32,115)	\$ 60,492	\$ 73,122	\$ (31,059)	\$ 42,063
Other intangible lease assets	623,846	(209,189)	414,657	515,395	(215,443)	299,952
<b>Total deferred leasing intangible assets</b>	<b>\$ 716,453</b>	<b>\$ (241,304)</b>	<b>\$ 475,149</b>	<b>\$ 588,517</b>	<b>\$ (246,502)</b>	<b>\$ 342,015</b>
Below market leases	\$ 38,802	\$ (12,064)	\$ 26,738	\$ 34,331	\$ (12,764)	\$ 21,567
<b>Total deferred leasing intangible liabilities</b>	<b>\$ 38,802</b>	<b>\$ (12,064)</b>	<b>\$ 26,738</b>	<b>\$ 34,331</b>	<b>\$ (12,764)</b>	<b>\$ 21,567</b>

The following table summarizes the amortization expense and the net decrease to rental income for the amortization of deferred leasing intangibles during the years ended December 31, 2019, 2018 and 2017.

Deferred Leasing Intangibles Amortization (in thousands)	Year ended December 31,		
	2019	2018	2017
Net decrease to rental income related to above and below market lease amortization	\$ 4,884	\$ 4,164	\$ 4,583
Amortization expense related to other intangible lease assets	\$ 73,726	\$ 74,370	\$ 72,936

The following table summarizes the amortization of deferred leasing intangibles over the next five calendar years as of December 31, 2019.

Year	Amortization Expense Related to Other Intangible Lease Assets (in thousands)	Net Decrease to Rental Income Related to Above and Below Market Lease Amortization (in thousands)
2020	\$ 74,061	\$ 4,321
2021	\$ 62,310	\$ 3,202
2022	\$ 53,048	\$ 2,421
2023	\$ 44,857	\$ 2,494
2024	\$ 36,182	\$ 2,869



#### 4. Debt

The following table summarizes the Company's outstanding indebtedness, including borrowings under the Company's unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes as of December 31, 2019 and 2018.

Loan	Principal Outstanding as of December 31, 2019 (in thousands)	Principal Outstanding as of December 31, 2018 (in thousands)	Interest Rate <sup>(1)(2)</sup>	Maturity Date	Prepayment Terms <sup>(3)</sup>
<b>Unsecured credit facility:</b>					
Unsecured Credit Facility <sup>(4)</sup>	\$ 146,000	\$ 100,500	L + 0.90%	January 15, 2023	i
<b>Total unsecured credit facility</b>	<b>146,000</b>	<b>100,500</b>			
<b>Unsecured term loans:</b>					
Unsecured Term Loan C	150,000	150,000	2.39%	September 29, 2020	i
Unsecured Term Loan B	150,000	150,000	3.05%	March 21, 2021	i
Unsecured Term Loan A	150,000	150,000	2.70%	March 31, 2022	i
Unsecured Term Loan D	150,000	150,000	2.85%	January 4, 2023	i
Unsecured Term Loan E	175,000	—	3.92%	January 15, 2024	i
Unsecured Term Loan F <sup>(5)</sup>	100,000	—	L + 1.00%	January 12, 2025	i
Total unsecured term loans	875,000	600,000			
Less: Total unamortized deferred financing fees and debt issuance costs	(3,625)	(3,640)			
<b>Total carrying value unsecured term loans, net</b>	<b>871,375</b>	<b>596,360</b>			
<b>Unsecured notes:</b>					
Series F Unsecured Notes	100,000	100,000	3.98%	January 5, 2023	ii
Series A Unsecured Notes	50,000	50,000	4.98%	October 1, 2024	ii
Series D Unsecured Notes	100,000	100,000	4.32%	February 20, 2025	ii
Series G Unsecured Notes	75,000	75,000	4.10%	June 13, 2025	ii
Series B Unsecured Notes	50,000	50,000	4.98%	July 1, 2026	ii
Series C Unsecured Notes	80,000	80,000	4.42%	December 30, 2026	ii
Series E Unsecured Notes	20,000	20,000	4.42%	February 20, 2027	ii
Series H Unsecured Notes	100,000	100,000	4.27%	June 13, 2028	ii
Total unsecured notes	575,000	575,000			
Less: Total unamortized deferred financing fees and debt issuance costs	(2,117)	(2,512)			
<b>Total carrying value unsecured notes, net</b>	<b>572,883</b>	<b>572,488</b>			
<b>Mortgage notes (secured debt):</b>					
Wells Fargo Bank, National Association CMBS Loan	51,406	53,216	4.31%	December 1, 2022	iii
Thrivent Financial for Lutherans	3,679	3,795	4.78%	December 15, 2023	iv
Total mortgage notes	55,085	57,011			
Add: Total unamortized fair market value premiums	39	50			
Less: Total unamortized deferred financing fees and debt issuance costs	(369)	(501)			
<b>Total carrying value mortgage notes, net</b>	<b>54,755</b>	<b>56,560</b>			
<b>Total / weighted average interest rate <sup>(6)</sup></b>	<b>\$ 1,645,013</b>	<b>\$ 1,325,908</b>	<b>3.48%</b>		

- (1) Interest rate as of December 31, 2019. At December 31, 2019, the one-month LIBOR ("L") was 1.7625%. The interest rate is not adjusted to include the amortization of deferred financing fees or debt issuance costs incurred in obtaining debt or any unamortized fair market value premiums. The spread over the applicable rate for the Company's unsecured credit facility and unsecured term loans is based on the Company's debt rating, as defined in the respective loan agreements.
- (2) The unsecured term loans have a stated interest rate of one-month LIBOR plus a spread of 1.0%. As of December 31, 2019, one-month LIBOR for the Unsecured Term Loans A, B, C, D, and E was swapped to a fixed rate of 1.70%, 2.05%, 1.39%, 1.85%, and 2.92%, respectively. One-month LIBOR for the Unsecured Term Loan F will be swapped to a fixed rate of 2.11% effective July 15, 2020.
- (3) Prepayment terms consist of (i) pre-payable with no penalty; (ii) pre-payable with penalty; (iii) pre-payable without penalty three months prior to the maturity date, however can be defeased; and (iv) pre-payable without penalty three months prior to the maturity date.
- (4) The capacity of the unsecured credit facility is \$500.0 million. Deferred financing fees and debt issuance costs, net of accumulated amortization related to the unsecured credit facility of approximately \$2.4 million and \$3.2 million are included in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets as of December 31, 2019 and 2018, respectively.
- (5) The remaining capacity is \$100.0 million as of December 31, 2019, which the Company has until July 12, 2020 to draw.
- (6) The weighted average interest rate was calculated using the fixed interest rate swapped on the current notional amount of \$775.0 million of debt, and was not adjusted to include the amortization of deferred financing fees or debt issuance costs incurred in obtaining debt or any unamortized fair market value premiums.

The aggregate undrawn nominal commitment on the unsecured credit facility and unsecured term loans as of December 31, 2019 was approximately \$451.0 million, including issued letters of credit. The Company's actual borrowing capacity at any given point in time may be less and is restricted to a maximum amount based on the Company's debt covenant compliance. Total accrued interest for the Company's indebtedness was approximately \$6.3 million and \$5.9 million as of December 31, 2019 and 2018,

respectively, and is included in accounts payable, accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets.

The following table summarizes the costs included in interest expense related to the Company's debt arrangements on the accompanying Consolidated Statement of Operations for the years ended December 31, 2019, 2018 and 2017.

Costs Included in Interest Expense (in thousands)	Year ended December 31,		
	2019	2018	2017
Amortization of deferred financing fees and debt issuance costs and fair market value premiums	\$ 2,583	\$ 2,316	\$ 2,087
Facility, unused, and other fees	\$ 1,513	\$ 1,246	\$ 1,169

#### *2019 Debt Activity*

On July 25, 2019, the Company drew \$175.0 million of the \$175.0 million Unsecured Term Loan E that was entered into on July 26, 2018.

On July 12, 2019, the Company entered into the \$200.0 million Unsecured Term Loan F. As of December 31, 2019, the interest rate on the Unsecured Term Loan F was LIBOR plus a spread of 1.00% based on the Company's debt rating, as defined in the loan agreement. Unless otherwise terminated pursuant to the loan agreement, the Unsecured Term Loan F will mature on January 12, 2025. The Unsecured Term Loan F has a feature that allows the Company to request an increase in the aggregate size of the unsecured term loan of up to \$400.0 million, subject to the satisfaction of certain conditions and lender consents. The agreement includes a delayed draw feature that allows the Company to draw up to six advances of at least \$25.0 million each until July 12, 2020. To the extent that the Company does not request advances of the \$200.0 million of aggregate commitments by July 12, 2020, the unadvanced commitments terminate. The Unsecured Term Loan F has an unused commitment fee equal to 0.15% of its unused commitments, which began to accrue on October 10, 2019 and is due and payable monthly until the earlier of (i) the date that aggregate commitments of \$200.0 million have been fully advanced, (ii) July 12, 2020, and (iii) the date that aggregate commitments have been reduced to zero pursuant to the terms of the agreement. The Company is required to pay an annual administrative agent fee of \$35,000. The Company and certain wholly owned subsidiaries of the Operating Partnership are guarantors of the Unsecured Term Loan F. The agreement also contains financial and other covenants substantially similar to the covenants in the Company's unsecured credit facility. On December 18, 2019, the Company drew 100.0 million of the \$200.0 million Unsecured Term Loan F.

#### *2018 Debt Activity*

On December 20, 2018, upon the Company obtaining its second investment grade rating, the spread over the applicable rate on the Company's unsecured credit facility and unsecured term loans changed from being based upon the Company's consolidated leverage ratio, as defined in the respective loan agreements, to being based upon the Company's debt rating, as defined in the respective loan agreements.

On July 26, 2018, the Company closed on the refinancing of its unsecured credit facility. The refinancing transaction included extending the maturity date to January 15, 2023, increasing the capacity to \$500.0 million, and reducing the annual interest rate. As of December 31, 2019, the interest rate on the unsecured credit facility was LIBOR plus a spread of 0.90% based on the Company's debt rating, as defined in the credit agreement. The Company recognized a loss of approximately \$13,000 as a result of the acceleration of unamortized deferred financing fees, which is included in loss on extinguishment of debt in the accompanying Consolidated Statements of Operations. The remaining unamortized deferred financing fees were carried over and are being amortized with new deferred financing fees through the new maturity date of the unsecured credit facility. As of December 31, 2019, the unsecured credit facility has an annual facility fee of 0.20% based on the Company's debt rating, as defined in the credit agreement, of total commitments that is due and payable quarterly. The Company is required to pay an annual fee of \$50,000.

On July 26, 2018, the Company entered into the \$175.0 million Unsecured Term Loan E. As of December 31, 2019, the interest rate on the Unsecured Term Loan E was LIBOR plus a spread of 1.00% based on the Company's debt rating, as defined in the loan agreement. Unless otherwise terminated pursuant to the loan agreement, the Unsecured Term Loan E will mature on January 15, 2024. The Unsecured Term Loan E has an accordion feature that allows the Company to increase its borrowing capacity to \$350.0 million, subject to the satisfaction of certain conditions and lender consents. The agreement includes a delayed draw feature that allows the Company to draw up to six advances of at least \$25.0 million each until July 25, 2019. To the extent that the Company does not request advances of the \$175.0 million of aggregate commitments by July 25, 2019, the unadvanced commitments terminate. The Unsecured Term Loan E has an unused commitment fee equal to 0.15% of its unused commitments, which began to accrue on October 24, 2018 and is due and payable monthly until the earlier of (i) the date that commitments of \$175.0 million have been fully advanced, (ii) July 26, 2019, and (iii) the date that commitments of \$175.0 million have been reduced to zero

pursuant to the terms of the agreement. The Company is required to pay an annual fee of \$35,000. The Company and certain wholly owned subsidiaries of the Operating Partnership are guarantors of the Unsecured Term Loan E. The agreement also contains financial and other covenants substantially similar to the covenants in the Company's unsecured credit facility.

On July 26, 2018, the Company entered into amendments to its unsecured term loan agreements to conform certain provisions to the Unsecured Term Loan E agreement and the new unsecured credit facility agreement.

On April 10, 2018, the Company entered into a note purchase agreement ("NPA") for the private placement by the Operating Partnership of the \$75.0 million Series G Unsecured Notes maturing June 13, 2025 with a fixed annual interest rate of 4.10%, and the \$100.0 million Series H Unsecured Notes maturing June 13, 2028 with a fixed annual interest rate of 4.27%. The NPA contains a number of financial covenants substantially similar to the financial covenants contained in the Company's unsecured credit facility and other unsecured notes. The Operating Partnership issued the Series G Unsecured Notes and the Series H Unsecured Notes on June 13, 2018. In addition, on April 10, 2018, the Company entered into amendments to the note purchase agreements related to the Company's outstanding unsecured notes to conform certain provisions in the agreements to the provisions in the NPA. The Company and certain wholly owned subsidiaries of the Operating Partnership are guarantors of the unsecured notes.

On March 28, 2018, the Company drew \$75.0 million of the \$150.0 million Unsecured Term Loan D that was entered into on July 28, 2017. On July 27, 2018, the Company drew the remaining \$75.0 million of the Unsecured Term Loan D.

#### *Financial Covenant Considerations*

The Company's ability to borrow under the unsecured credit facility, unsecured term loans, and unsecured notes are subject to its ongoing compliance with a number of customary financial covenants, including:

- a maximum consolidated leverage ratio of not greater than 0.60:1.00;
- a maximum secured leverage ratio of not greater than 0.40:1.00;
- a maximum unencumbered leverage ratio of not greater than 0.60:1.00;
- a minimum fixed charge ratio of not less than or equal to 1.50:1.00; and
- a minimum unsecured interest coverage ratio of not less than or equal to 1.75:1.00.

The unsecured notes are also subject to a minimum interest coverage ratio of not less than 1.50:1.00. The Company was in compliance with all such applicable restrictions and financial covenants as of December 31, 2019 and 2018. In the event of a default under the unsecured credit facility or the unsecured term loans, the Company's dividend distributions are limited to the minimum amount necessary for the Company to maintain its status as a REIT.

Each of the Company's mortgage notes has specific properties and assignments of rents and leases that are collateral for these loans. These debt facilities contain certain financial and other covenants. The Company was in compliance with all such applicable restrictions and financial covenants as of December 31, 2019 and 2018. The real estate net book value of the properties that are collateral for the Company's mortgage notes was approximately \$85.5 million and \$88.2 million at December 31, 2019 and 2018, respectively, and is limited to senior, property-level secured debt financing arrangements.

#### *Fair Value of Debt*

The following table summarizes the aggregate principal outstanding of the Company's debt and the corresponding estimate of fair value as of December 31, 2019 and 2018. The fair value of the Company's debt is based on Level 3 inputs.

Indebtedness (in thousands)	December 31, 2019		December 31, 2018	
	Principal Outstanding	Fair Value	Principal Outstanding	Fair Value
Unsecured credit facility	\$ 146,000	\$ 146,000	\$ 100,500	\$ 100,500
Unsecured term loans	875,000	875,000	600,000	600,000
Unsecured notes	575,000	614,493	575,000	585,292
Mortgage notes	55,085	56,021	57,011	57,289
<b>Total principal amount</b>	<b>1,651,085</b>	<b>\$ 1,691,514</b>	<b>1,332,511</b>	<b>\$ 1,343,081</b>
Add: Total unamortized fair market value premiums	39		50	
Less: Total unamortized deferred financing fees and debt issuance costs	(6,111)		(6,653)	
<b>Total carrying value</b>	<b>\$ 1,645,013</b>		<b>\$ 1,325,908</b>	

## Future Principal Payments of Debt

The following table summarizes the Company's aggregate future principal payments of the Company's debt at December 31, 2019

Year	Future Principal Payments of Debt (in thousands)
2020	\$ 152,006
2021	152,103
2022	197,681
2023	399,295
2024	225,000
Thereafter	525,000
<b>Total aggregate principal payments</b>	<b>\$ 1,651,085</b>

## 5. Derivative Financial Instruments

### Risk Management Objective of Using Derivatives

The Company's use of derivative instruments is limited to the utilization of interest rate swaps to manage interest rate risk exposure on existing and future liabilities and not for speculative purposes. The principal objective of such arrangements is to minimize the risks and related costs associated with the Company's operating and financial structure.

The following table summarizes the Company's outstanding interest rate swaps as of December 31, 2019. All of the Company's interest rate swaps are designated as qualifying cash flow hedges.

Interest Rate Derivative Counterparty	Trade Date	Effective Date	Notional Amount (in thousands)	Fair Value (in thousands)	Pay Fixed Interest Rate	Receive Variable Interest Rate	Maturity Date
Regions Bank	Mar-01-2013	Mar-01-2013	\$ 25,000	\$ 13	1.3300%	One-month L	Feb-14-2020
Capital One, N.A.	Jun-13-2013	Jul-01-2013	\$ 50,000	\$ 5	1.6810%	One-month L	Feb-14-2020
Capital One, N.A.	Jun-13-2013	Aug-01-2013	\$ 25,000	\$ 2	1.7030%	One-month L	Feb-14-2020
Regions Bank	Sep-30-2013	Feb-03-2014	\$ 25,000	\$ (7)	1.9925%	One-month L	Feb-14-2020
The Toronto-Dominion Bank	Oct-14-2015	Sep-29-2016	\$ 25,000	\$ 48	1.3830%	One-month L	Sep-29-2020
PNC Bank, N.A.	Oct-14-2015	Sep-29-2016	\$ 50,000	\$ 94	1.3906%	One-month L	Sep-29-2020
Regions Bank	Oct-14-2015	Sep-29-2016	\$ 35,000	\$ 67	1.3858%	One-month L	Sep-29-2020
U.S. Bank, N.A.	Oct-14-2015	Sep-29-2016	\$ 25,000	\$ 46	1.3950%	One-month L	Sep-29-2020
Capital One, N.A.	Oct-14-2015	Sep-29-2016	\$ 15,000	\$ 28	1.3950%	One-month L	Sep-29-2020
Royal Bank of Canada	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ (37)	1.7090%	One-month L	Mar-21-2021
The Toronto-Dominion Bank	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ (38)	1.7105%	One-month L	Mar-21-2021
The Toronto-Dominion Bank	Jan-08-2015	Sep-10-2017	\$ 100,000	\$ (778)	2.2255%	One-month L	Mar-21-2021
Wells Fargo, N.A.	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ (162)	1.8280%	One-month L	Mar-31-2022
The Toronto-Dominion Bank	Jan-08-2015	Feb-14-2020	\$ 25,000	\$ (490)	2.4535%	One-month L	Mar-31-2022
Regions Bank	Jan-08-2015	Feb-14-2020	\$ 50,000	\$ (1,003)	2.4750%	One-month L	Mar-31-2022
Capital One, N.A.	Jan-08-2015	Feb-14-2020	\$ 50,000	\$ (1,061)	2.5300%	One-month L	Mar-31-2022
The Toronto-Dominion Bank	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ (229)	1.8485%	One-month L	Jan-04-2023
Royal Bank of Canada	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ (230)	1.8505%	One-month L	Jan-04-2023
Wells Fargo, N.A.	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ (230)	1.8505%	One-month L	Jan-04-2023
PNC Bank, N.A.	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ (229)	1.8485%	One-month L	Jan-04-2023
PNC Bank, N.A.	Jul-20-2017	Oct-30-2017	\$ 50,000	\$ (456)	1.8475%	One-month L	Jan-04-2023
The Toronto-Dominion Bank	Jul-24-2018	Jul-26-2019	\$ 50,000	\$ (2,663)	2.9180%	One-month L	Jan-12-2024
PNC Bank, N.A.	Jul-24-2018	Jul-26-2019	\$ 50,000	\$ (2,665)	2.9190%	One-month L	Jan-12-2024
Bank of Montreal	Jul-24-2018	Jul-26-2019	\$ 50,000	\$ (2,665)	2.9190%	One-month L	Jan-12-2024
U.S. Bank, N.A.	Jul-24-2018	Jul-26-2019	\$ 25,000	\$ (1,332)	2.9190%	One-month L	Jan-12-2024
Wells Fargo, N.A.	May-02-2019	Jul-15-2020	\$ 50,000	\$ (1,422)	2.2460%	One-month L	Jan-15-2025
U.S. Bank, N.A.	May-02-2019	Jul-15-2020	\$ 50,000	\$ (1,421)	2.2459%	One-month L	Jan-15-2025
Regions Bank	May-02-2019	Jul-15-2020	\$ 50,000	\$ (1,425)	2.2459%	One-month L	Jan-15-2025
Bank of Montreal	Jul-16-2019	Jul-15-2020	\$ 50,000	\$ (276)	1.7165%	One-month L	Jan-15-2025

The following table summarizes the fair value of the interest rate swaps outstanding as of December 31, 2019 and 2018.

Balance Sheet Line Item (in thousands)	Notional Amount December 31, 2019	Fair Value December 31, 2019	Notional Amount December 31, 2018	Fair Value December 31, 2018
Interest rate swaps-Asset	\$ 250,000	\$ 303	\$ 600,000	\$ 9,151
Interest rate swaps-Liability	\$ 850,000	\$ (18,819)	\$ 300,000	\$ (4,011)

#### *Cash Flow Hedges of Interest Rate Risk*

The Company's objectives in using interest rate swaps are to add stability to interest expense and to manage its exposure to interest rate movements. The Company uses interest rate swaps to fix the rate of its long term variable rate debt. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings.

Amounts reported in accumulated other comprehensive income (loss) related to derivatives designated as qualifying cash flow hedges will be reclassified to interest expense as interest payments are made on the Company's variable rate debt. The Company estimates that approximately \$4.7 million will be reclassified from accumulated other comprehensive income as an increase to interest expense over the next 12 months.

The following table summarizes the effect of cash flow hedge accounting and the location in the consolidated financial statements for the years ended December 31, 2019, 2018 and 2017.

Effect of Cash Flow Hedge Accounting (in thousands)	Year ended December 31,		
	2019	2018	2017
Income (loss) recognized in accumulated other comprehensive income (loss) on interest rate swaps	\$ (21,248)	\$ 1,687	\$ 3,597
Income (loss) reclassified from accumulated other comprehensive income (loss) into income as interest expense	\$ 2,377	\$ 1,377	\$ (2,073)
Total interest expense presented in the Consolidated Statements of Operations in which the effects of cash flow hedges are recorded	\$ 54,647	\$ 48,817	\$ 42,469

#### *Credit-risk-related Contingent Features*

The Company has agreements with each of its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness. As of December 31, 2019, the Company had not breached the provisions of these agreements and has not posted any collateral related to these agreements. If the Company had breached any of its provisions at December 31, 2019, it could have been required to settle its obligations under the agreement of the interest rate swaps in a net liability position by counterparty plus accrued interest for approximately \$18.7 million.

#### *Fair Value of Interest Rate Swaps*

The Company's valuation of the interest rate swaps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs including interest rate curves. The fair values of interest rate swaps are determined by using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2019 and 2018,

the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following tables summarize the Company's financial instruments that are accounted for at fair value on a recurring basis as of December 31, 2019 and 2018.

Balance Sheet Line Item (in thousands)	Fair Value December 31, 2019	Fair Value Measurements as of December 31, 2019		
		Level 1	Level 2	Level 3
Interest rate swaps-Asset	\$ 303	\$ —	\$ 303	\$ —
Interest rate swaps-Liability	\$ (18,819)	\$ —	\$ (18,819)	\$ —

Balance Sheet Line Item (in thousands)	Fair Value December 31, 2018	Fair Value Measurements as of December 31, 2018		
		Level 1	Level 2	Level 3
Interest rate swaps-Asset	\$ 9,151	\$ —	\$ 9,151	\$ —
Interest rate swaps-Liability	\$ (4,011)	\$ —	\$ (4,011)	\$ —

## 6. Equity

### *Preferred Stock*

On June 11, 2018, the Company gave notice to redeem all 2,800,000 issued and outstanding shares of the Series B Preferred Stock. The Company recognized a deemed dividend to the holders of the Series B Preferred Stock of approximately \$2.7 million on the accompanying Consolidated Statements of Operations for the year ended December 31, 2018 related to redemption costs and the original issuance costs of the Series B Preferred Stock. On July 11, 2018, the Company redeemed all of the Series B Preferred Stock.

The following table summarizes the Company's outstanding preferred stock issuances as of December 31, 2019.

Preferred Stock Issuances	Issuance Date	Number of Shares	Liquidation Value Per Share	Interest Rate
6.875% Series C Cumulative Redeemable Preferred Stock	March 17, 2016	3,000,000	\$ 25.00	6.875%

Dividends on the Series C Preferred Stock are payable quarterly in arrears on or about the last day of March, June, September, and December of each year. The Series C Preferred Stock ranks senior to the Company's common stock with respect to dividend rights and rights upon the liquidation, dissolution or winding up of the Company. The Series C Preferred Stock has no stated maturity date and is not subject to mandatory redemption or any sinking fund. Generally, the Company is not permitted to redeem the Series C Preferred Stock prior to March 17, 2021, except in limited circumstances relating to the Company's ability to qualify as a REIT and in certain other circumstances related to a change of control.

The following tables summarize the dividends attributable to the Company's preferred stock issuances during the years ended December 31, 2019 and 2018.

Quarter Ended 2019	Declaration Date	Series C Preferred Stock Per Share	Payment Date
December 31	October 15, 2019	\$ 0.4296875	December 31, 2019
September 30	July 15, 2019	0.4296875	September 30, 2019
June 30	April 9, 2019	0.4296875	July 1, 2019
March 31	January 10, 2019	0.4296875	April 1, 2019
<b>Total</b>		<b>\$ 1.7187500</b>	

Quarter Ended 2018	Declaration Date	Series B Preferred Stock Per Share	Series C Preferred Stock Per Share	Payment Date
December 31	October 10, 2018	\$ —	\$ 0.4296875	December 31, 2018
September 30	July 11, 2018	0.0460069 <sup>(1)</sup>	0.4296875	October 1, 2018
June 30	April 10, 2018	0.4140625	0.4296875	July 2, 2018
March 31	February 14, 2018	0.4140625	0.4296875	April 2, 2018
<b>Total</b>		<b>\$ 0.8741319</b>	<b>\$ 1.7187500</b>	

(1) On June 11, 2018, the Company gave notice to redeem all 2,800,000 issued and outstanding shares of the Series B Preferred Stock. On July 11, 2018, the Company redeemed all of the Series B Preferred Stock at a cash redemption price of \$25.00 per share, plus accrued and unpaid dividends to but excluding the redemption date, without interest.

On January 8, 2020, the Company's board of directors declared the Series C Preferred Stock dividend for the quarter ending March 31, 2020 at a quarterly rate of \$0.4296875 per share.

### Common Stock

The following table summarizes the terms of the Company's at-the market ("ATM") common stock offering program as of December 31, 2019.

ATM Common Stock Offering Program	Date	Maximum Aggregate Offering Price (in thousands)	Aggregate Common Stock Available as of December 31, 2019 (in thousands)
2019 \$600 million ATM	February 14, 2019	\$ 600,000	\$ 318,248

The following tables summarize the activity for the ATM common stock offering programs during the years ended December 31, 2019 and 2018 (in thousands, except share data).

ATM Common Stock Offering Program	Year ended December 31, 2019		
	Shares Sold	Weighted Average Price Per Share	Net Proceeds
2019 \$600 million ATM	9,711,706	\$ 29.01	\$ 279,156
<b>Total/weighted average</b>	<b>9,711,706</b>	<b>\$ 29.01</b>	<b>\$ 279,156</b>
ATM Common Stock Offering Program	Year ended December 31, 2018		
	Shares Sold	Weighted Average Price Per Share	Net Proceeds
2017 \$500 million ATM <sup>(1)</sup>	14,724,614	\$ 26.52	\$ 386,407
<b>Total/weighted average</b>	<b>14,724,614</b>	<b>\$ 26.52</b>	<b>\$ 386,407</b>

(1) This program ended in February 2019.

Subsequent to December 31, 2019, on January 13, 2020, the Company completed an underwritten public offering of an aggregate 10,062,500 shares of common stock; refer to Note 14 for details.

On September 24, 2019, the Company completed an underwritten public offering of an aggregate 12,650,000 shares of common stock at a price to the underwriters of \$28.60 per share, consisting of (i) 5,500,000 shares offered directly by the Company and (ii) 7,150,000 shares offered by the forward dealer in connection with certain forward sale agreements (including 1,650,000 shares offered pursuant to the underwriters' option to purchase additional shares, which option was exercised in full). The offering closed on September 27, 2019 and the Company received net proceeds from the sale of shares offered directly by the Company of \$157.3 million. On December 26, 2019, the Company physically settled the forward sales agreements in full by issuing 7,150,000 shares of common stock and received net proceeds of approximately \$202.3 million.

On April 1, 2019, the Company completed an underwritten public offering of 7,475,000 shares of common stock (including 975,000 shares issued pursuant to the underwriters' option to purchase additional shares, which option was exercised in full) at a price to the underwriters of \$28.72 per share. The offering closed on April 4, 2019 and the Company received net proceeds of approximately \$214.7 million.

### **Dividends**

The following tables summarize the dividends attributable to the Company's outstanding shares of common stock that were declared during the years ended December 31, 2019 and 2018. The Company's board of directors may alter the amounts of dividends paid or suspend dividend payments at any time and therefore dividend payments are not assured.

<b>Month Ended 2019</b>	<b>Declaration Date</b>	<b>Record Date</b>	<b>Per Share</b>	<b>Payment Date</b>
December 31	October 15, 2019	December 31, 2019	\$ 0.119167	January 15, 2020
November 30	October 15, 2019	November 29, 2019	0.119167	December 16, 2019
October 31	October 15, 2019	October 31, 2019	0.119167	November 15, 2019
September 30	July 15, 2019	September 30, 2019	0.119167	October 15, 2019
August 31	July 15, 2019	August 30, 2019	0.119167	September 16, 2019
July 31	July 15, 2019	July 31, 2019	0.119167	August 15, 2019
June 30	April 9, 2019	June 28, 2019	0.119167	July 15, 2019
May 31	April 9, 2019	May 31, 2019	0.119167	June 17, 2019
April 30	April 9, 2019	April 30, 2019	0.119167	May 15, 2019
March 31	January 10, 2019	March 29, 2019	0.119167	April 15, 2019
February 28	January 10, 2019	February 28, 2019	0.119167	March 15, 2019
January 31	January 10, 2019	January 31, 2019	0.119167	February 15, 2019
<b>Total</b>			<b>\$ 1.430004</b>	

<b>Month Ended 2018</b>	<b>Declaration Date</b>	<b>Record Date</b>	<b>Per Share</b>	<b>Payment Date</b>
December 31	October 10, 2018	December 31, 2018	\$ 0.118333	January 15, 2019
November 30	October 10, 2018	November 30, 2018	0.118333	December 17, 2018
October 31	October 10, 2018	October 31, 2018	0.118333	November 15, 2018
September 30	July 11, 2018	September 28, 2018	0.118333	October 15, 2018
August 31	July 11, 2018	August 31, 2018	0.118333	September 17, 2018
July 31	July 11, 2018	July 31, 2018	0.118333	August 15, 2018
June 30	April 10, 2018	June 29, 2018	0.118333	July 16, 2018
May 31	April 10, 2018	May 31, 2018	0.118333	June 15, 2018
April 30	April 10, 2018	April 30, 2018	0.118333	May 15, 2018
March 31	November 2, 2017	March 29, 2018	0.118333	April 16, 2018
February 28	November 2, 2017	February 28, 2018	0.118333	March 15, 2018
January 31	November 2, 2017	January 31, 2018	0.118333	February 15, 2018
<b>Total</b>			<b>\$ 1.419996</b>	

On January 8, 2020, the Company's board of directors declared the common stock dividends for the months ending January 31, 2020, February 29, 2020 and March 31, 2020 at a monthly rate of \$0.12 per share of common stock.

### **Restricted Stock-Based Compensation**

Pursuant to the 2011 Plan, the Company grants restricted shares of common stock to certain employees of the Company. The restricted shares of common stock are subject to time-based vesting. Restricted shares of common stock granted on January 7, 2019, January 5, 2018, and January 6, 2017, subject to the recipient's continued employment, will vest in four equal installments on January 1 of each year beginning in 2020, 2019, and 2018, respectively. Refer to Note 8 for details on restricted shares of common stock granted on January 8, 2020. Holders of restricted shares of common stock have voting rights and rights to receive dividends. Restricted shares of common stock may not be sold, assigned, transferred, pledged or otherwise disposed of and are subject to a risk of forfeiture prior to the expiration of the applicable vesting period.



The following table summarizes activity related to the Company's unvested restricted shares of common stock for the years ended December 31, 2019, 2018 and 2017.

Unvested Restricted Shares of Common Stock	Shares
<b>Balance at December 31, 2016</b>	<b>272,337</b>
Granted	75,001 <sup>(1)</sup>
Vested	(109,209) <sup>(2)</sup>
Forfeited	(922)
<b>Balance at December 31, 2017</b>	<b>237,207</b>
Granted	76,659 <sup>(1)</sup>
Vested	(112,405) <sup>(2)</sup>
Forfeited	(10,999)
<b>Balance at December 31, 2018</b>	<b>190,462</b>
Granted	110,830 <sup>(1)</sup>
Vested	(101,109) <sup>(2)</sup>
Forfeited	(7,138)
<b>Balance at December 31, 2019</b>	<b>193,045</b> <sup>(3)</sup>

- (1) The fair value per share on the grant date of January 7, 2019, January 5, 2018, and January 6, 2017 was \$24.85, \$26.40, and \$24.41, respectively.
- (2) The Company repurchased and retired 58,697, 41,975, and 40,836 restricted shares of common stock that vested during the years ended December 31, 2019, 2018, and 2017, respectively.
- (3) The weighted average grant date fair value of unvested restricted shares of common stock was \$23.10 per share at January 1, 2019, \$24.85 per share granted during the year ended December 31, 2019, \$22.52 per share vested during the year ended December 31, 2019, \$23.78 per share forfeited during the year ended December 31, 2019, and \$24.38 per share at December 31, 2019.

The unrecognized compensation expense associated with the Company's restricted shares of common stock at December 31, 2019 was approximately \$2.9 million and is expected to be recognized over a weighted average period of approximately 2.4 years.

The following table summarizes the fair value at vesting date for the restricted shares of common stock vested during the years ended December 31, 2019, 2018 and 2017.

Vested Restricted Shares of Common Stock	Year ended December 31,		
	2019	2018	2017
Vested restricted shares of common stock	101,109	112,405	109,209
Fair value of vested restricted shares of common stock (in thousands)	\$ 2,658	\$ 3,002	\$ 2,591

## 7. Noncontrolling Interest

The following table summarizes the activity for noncontrolling interest in the Company for the years ended December 31, 2019, 2018 and 2017.

Noncontrolling Interest	LTIP Units	Other Common Units	Total Noncontrolling Common Units	Noncontrolling Interest Percentage
<b>Balance at December 31, 2016</b>	<b>1,576,516</b>	<b>2,057,365</b>	<b>3,633,881</b>	<b>4.3%</b>
Granted/Issued	126,239	687,827	814,066	N/A
Forfeited	—	—	—	N/A
Conversions from LTIP units to Other Common Units	(245,685)	245,685	—	N/A
Redemptions from Other Common Units to common stock	—	(351,260)	(351,260)	N/A
<b>Balance at December 31, 2017</b>	<b>1,457,070</b>	<b>2,639,617</b>	<b>4,096,687</b>	<b>4.1%</b>
Granted/Issued	324,802	—	324,802	N/A
Forfeited	—	—	—	N/A
Conversions from LTIP units to Other Common Units	(165,672)	165,672	—	N/A
Redemptions from Other Common Units to common stock	—	(352,055)	(352,055)	N/A
<b>Balance at December 31, 2018</b>	<b>1,616,200</b>	<b>2,453,234</b>	<b>4,069,434</b>	<b>3.5%</b>
Granted/Issued	364,173	—	364,173	N/A
Forfeited	(16,618)	—	(16,618)	N/A
Conversions from LTIP units to Other Common Units	(266,397)	266,397	—	N/A
Redemptions from Other Common Units to common stock	—	(680,137)	(680,137)	N/A
<b>Balance at December 31, 2019</b>	<b>1,697,358</b>	<b>2,039,494</b>	<b>3,736,852</b>	<b>2.5%</b>

The weighted average grant date fair value of outstanding LTIP units was \$20.50 per unit at January 1, 2019, \$23.51 per unit granted during the year ended December 31, 2019, \$23.92 per unit forfeited during the year ended December 31, 2019, \$17.11 per unit converted during the year ended December 31, 2019, and \$21.64 per unit at December 31, 2019.

The Company adjusts the carrying value of noncontrolling interest to reflect its share of the book value of the Operating Partnership when there has been a change in the Company's ownership of the Operating Partnership. Such adjustments are recorded to additional paid-in capital as a rebalancing of noncontrolling interest on the accompanying Consolidated Statements of Equity.

### ***LTIP Units***

LTIP units are granted to certain executive officers and senior employees of the Company as part of their compensation, and to independent directors for their service. LTIP units are valued by reference to the value of the Company's common stock and are subject to such conditions and restrictions as the compensation committee of the board of directors may determine, including continued employment or service. Vested LTIP units can be converted to Other Common Units on a one-for-one basis once a material equity transaction has occurred that results in the accretion of the member's capital account to the economic equivalent of an Other Common Unit. All LTIP units, whether vested or not, will receive the same monthly per unit distributions as Other Common Units, which equal per share dividends on common stock.

LTIP units granted on January 7, 2019, January 5, 2018, and January 6, 2017 to certain senior executive officers and senior employees, subject to the recipient's continued employment, will vest quarterly over four years, with the first vesting date having been March 31, 2019, March 31, 2018, and March 31, 2017, respectively. LTIP units granted on January 7, 2019, January 5, 2018, and January 6, 2017 to independent directors, subject to the recipient's continued service, vested on January 1, 2020, January 1, 2019, and January 1, 2018, respectively. On March 12, 2018, the Company's board of directors appointed Michelle Dilley to serve as director of the Company. On March 12, 2018, Ms. Dilley was granted 3,930 LTIP units which vested on January 1, 2019.

Refer to Note 8 for a discussion of the LTIP units granted on January 8, 2020, January 7, 2019, and January 5, 2018, pursuant to the January 6, 2017 performance units, the March 8, 2016 performance units, and the 2015 Outperformance Program (the "2015 OPP"), respectively.

The fair value of the LTIP units at the date of grant was determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation. The fair value of the LTIP units are based on Level 3 inputs and are non-recurring fair value measurements. The following table summarizes the assumptions used in valuing such LTIP units granted during years ended December 31, 2019, 2018 and 2017 (excluding those LTIP units granted pursuant to the March 8, 2016 performance units and those LTIP units granted pursuant to the 2015 OPP; refer to Note 8 for details).

#### **LTIP Units**

Grant date	January 7, 2019	March 12, 2018	January 5, 2018	January 6, 2017
Expected term (years)	10	10	10	10
Expected volatility	19.0%	22.0%	22.0%	23.0%
Expected dividend yield	6.0%	6.0%	6.0%	6.0%
Risk-free interest rate	2.57%	2.46%	2.09%	1.61%
Fair value of LTIP units at issuance (in thousands)	\$ 3,636	\$ 90	\$ 3,447	\$ 2,924
LTIP units at issuance	154,649	3,930	137,616	126,239
Fair value unit price per LTIP unit at issuance	\$ 23.51	\$ 22.90	\$ 25.05	\$ 23.16

The following table summarizes activity related to the Company's unvested LTIP units for the years ended December 31, 2019, 2018 and 2017.

<b>Unvested LTIP Units</b>	<b>Units</b>
<b>Balance at December 31, 2016</b>	<b>403,423</b>
Granted	126,239
Vested	(229,355)
Forfeited	—
<b>Balance at December 31, 2017</b>	<b>300,307</b>
Granted	324,802
Vested	(373,893)
Forfeited	—
<b>Balance at December 31, 2018</b>	<b>251,216</b>
Granted	364,173
Vested	(371,423)
Forfeited	(16,618)
<b>Balance at December 31, 2019</b>	<b>227,348</b>

The weighted average grant date fair value of unvested LTIP units was \$22.52 per unit at January 1, 2019, \$23.51 per unit granted during the year ended December 31, 2019, \$22.91 per unit vested during the year ended December 31, 2019, \$23.92 per unit forfeited during the year ended December 31, 2019, and \$23.37 per unit at December 31, 2019.

The unrecognized compensation expense associated with the Company's LTIP units at December 31, 2019 was approximately \$4.5 million and is expected to be recognized over a weighted average period of approximately 2.3 years.

The following table summarizes the fair value at vesting date for the LTIP units vested during years ended December 31, 2019, 2018 and 2017.

<b>Vested LTIP units</b>	<b>Year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Vested LTIP units	371,423	373,893	229,355
Fair value of vested LTIP units (in thousands)	\$ 10,620	\$ 9,772	\$ 6,101

### ***Other Common Units***

Other Common Units and shares of the Company's common stock have essentially the same economic characteristics in that Other Common Units directly, and shares of the Company's common stock indirectly, through the Company's interest in the Operating Partnership, share equally in the total net income or loss distributions of the Operating Partnership. Subject to certain restrictions, investors who own Other Common Units have the right to cause the Operating Partnership to redeem any or all of their Other Common Units for cash equal to the then-current value of one share of the Company's common stock, or, at the Company's election, shares of common stock on a one-for-one basis. When redeeming the Other Common Unit for cash, the value of a share of common stock is calculated as the average common stock closing price on the NYSE for the 10 trading days immediately preceding the redemption notice date. Each Other Common Unit receives the same monthly distribution as a share of common stock.

As partial consideration for a property acquired on May 31, 2017, the Company granted 687,827 Other Common Units with a fair value of approximately \$18.6 million. The number of Other Common Units granted was calculated based on the trailing five-day average common stock closing price ending on the second business day that immediately preceded the grant date. The fair value of the shares of the Other Common Units granted was calculated based on the closing stock price per the NYSE on the grant date multiplied by the number of Other Common Units granted. The issuance of the Other Common Units was effected in reliance upon an exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amended. The Company relied on the exemption based on representations given by the holders of the Other Common Units.

## **8. Equity Incentive Plan**

The 2011 Plan provides for the issuance of equity-based awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, unrestricted stock awards and other awards based on shares of the Company's common stock, such as LTIP units in the Operating Partnership, that may be made by the Company directly to the executive officers, directors, employees, and other individuals providing bona fide services to or for the Company.

Subject to certain adjustments identified within the 2011 Plan, the aggregate number of shares of the Company's common stock that may be awarded under the 2011 Plan is 6,642,461 shares. Under the 2011 Plan, each LTIP unit awarded will be equivalent to an award of one share of common stock reserved under the 2011 Plan, thereby reducing the number of shares of common stock available for other equity awards on a one-for-one basis.

The 2011 Plan may be terminated, amended, modified or suspended at any time by the board of directors, subject to stockholder approval as required by law or stock exchange rules. The 2011 Plan expires on March 31, 2021.

Under the 2011 Plan the Company grants performance units to certain key employees of the Company. The ultimate value of the performance units depends on the Company's total stockholder return ("TSR") over a three-year period (the "measuring period"). At the end of the measuring period, the performance units convert into shares of common stock, or, at the Company's election and with the award recipient's consent, LTIP units or other securities ("Award Shares"), at a rate depending on the Company's TSR over the measuring period as compared to three different benchmarks and on the absolute amount of the Company's TSR. A recipient of performance units may receive as few as zero shares or as many as 250% of the number of target units, plus deemed dividends. The target amount of the performance units is nominally allocated as: (i) 25% to the Company's TSR compared to the TSR of an industry peer group; (ii) 25% to the Company's TSR compared to the TSR of a size-based peer group; and (iii) 50% to the Company's TSR compared to the TSR of the companies in the MSCI US REIT index.

No dividends are paid to the recipient during the measuring period. At the end of the measuring period, if the Company's TSR is such that the recipient earns Award Shares, the recipient will receive additional Award Shares relating to dividends deemed to have been paid and reinvested on the Award Shares. The Company, in the discretion of the compensation committee of the board of directors, may pay the cash value of the deemed dividends instead of issuing additional Award Shares.

On January 7, 2019, January 5, 2018, and January 6, 2017, the Company granted performance units approved by the compensation committee of the board of directors, under the 2011 Plan to certain key employees of the Company. The measuring period commenced on January 1, 2019, 2018, and 2017, respectively, and ends on December 31, 2021, 2020, and 2019, respectively. For the 2019 performance units, the Award Shares are immediately vested at the end of the measuring period. For the 2018 and 2017 performance units, one-half of the Award Shares and all dividend shares vest immediately. The other one-half of the Award Shares will be restricted (subject to forfeiture) and vest one year after the end of the measuring period.

The fair value of the performance units at the date of grant was determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation. The fair value of the performance units are based on Level 3 inputs and are non-recurring fair value measurements. The performance unit equity compensation expense is recognized into earnings ratably from the grant date over the respective vesting periods. The following table summarizes the assumptions used in valuing the performance units granted during the years ended December 31, 2019, 2018 and 2017.

Performance Units	Assumptions		
	January 7, 2019	January 5, 2018	January 6, 2017
Grant date			
Expected volatility	20.7%	22.0%	23.0%
Expected dividend yield	6.0%	6.0%	6.0%
Risk-free interest rate	2.56%	2.09%	1.61%
Fair value of performance units grant (in thousands)	\$ 5,620	\$ 5,456	\$ 2,882

On December 31, 2019 the measuring period pursuant to the January 6, 2017 performance units concluded and it was determined that the Company's TSR exceeded the threshold percentage and return hurdle. Subsequent to December 31, 2019, the compensation committee of the board of directors approved the issuance of 76,096 vested LTIP units and 46,376 vested shares of common stock to the participants, which were issued on January 8, 2020. The compensation committee of the board of directors also approved the issuance of 65,969 LTIP units and 3,398 restricted shares of common stock that will vest on December 31, 2020, which were issued on January 8, 2020.

On December 31, 2018, the measuring period pursuant to the March 8, 2016 performance units concluded and it was determined that the Company's total stockholder return exceeded the threshold percentage and return hurdle. The compensation committee of the board of directors approved the issuance of 102,216 vested LTIP units and 74,032 vested shares of common stock (of which 30,193 shares of common stock were repurchased and retired) to the participants, which were issued on January 7, 2019. The compensation committee of the board of directors also approved the issuance of 107,308 LTIP units and 22,678 restricted shares of common stock that vested on December 31, 2019, which were issued on January 7, 2019.

On January 1, 2018, the measuring period pursuant to the 2015 OPP concluded and it was determined that the Company's total stockholder return exceeded the threshold percentage and return hurdle and a pool of approximately \$6.2 million was awarded to the participants. The compensation committee of the board of directors approved the issuance of 183,256 vested LTIP units and 53,722 vested shares of common stock (of which 15,183 shares of common stock were repurchased and retired) to the participants, all of which were issued on January 5, 2018.

The unrecognized compensation expense associated with the Company's performance units at December 31, 2019 was approximately \$5.9 million and is expected to be recognized over a weighted average period of approximately 1.8 years.

At December 31, 2019 and 2018, the number of shares available for issuance under the 2011 Plan were 2,851,304 and 3,276,125, respectively. The number of shares available for issuance under the 2011 Plan as of December 31, 2019 do not include an allocation for the January 7, 2019 and January 5, 2018 performance units as the awards were not determinable as of December 31, 2019. The number of shares available for issuance under the 2011 Plan as December 31, 2018 do not include an allocation for the January 5, 2018 and January 6, 2017 performance units as the awards were not determinable as of December 31, 2018.

### *Non-cash Compensation Expense*

The following table summarizes the amounts recorded in general and administrative expenses in the accompanying Consolidated Statements of Operations for the amortization of restricted shares of common stock, LTIP units, Performance-based Compensation Plans, and the Company's director compensation for the years ended December 31, 2019, 2018 and 2017.

<b>Non-Cash Compensation Expense (in thousands)</b>	<b>Year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Restricted shares of common stock	\$ 1,732	\$ 1,698	\$ 2,373
LTIP units	3,583	3,546	4,675
Performance-based Compensation Plans	4,169	3,298	2,147
Directors compensation <sup>(1)</sup>	404	380	352
<b>Total non-cash compensation expense</b>	<b>\$ 9,888</b>	<b>\$ 8,922</b>	<b>\$ 9,547</b>

(1) All of the Company's independent directors elected to receive shares of common stock in lieu of cash for their service during the years ended December 31, 2019, 2018 and 2017. The number of shares of common stock granted is calculated based on the trailing 10 days average common stock price ending on the third business day preceding the grant date.

## **9. Leases**

### *Lessor Leases*

The Company has operating leases in which it is the lessor for its rental property. Certain leases contain variable lease payments based upon changes in the Consumer Price Index ("CPI"). Certain leases contain options to renew or terminate the lease, and options for the lessee to purchase the rental property, all of which are predominately at the sole discretion of the lessee.

The following table summarizes the components of rental income recognized during the year ended December 31, 2019 included in the accompanying Consolidated Statements of Operations.

<b>Rental Income (in thousands)</b>	<b>Year ended December 31,</b>	
	<b>2019</b>	
Fixed lease payments	\$	313,426
Variable lease payments		84,927
Straight-line rental income		11,881
Net decrease to rental income related to above and below market lease amortization		(4,884)
<b>Total rental income</b>	<b>\$</b>	<b>405,350</b>

As of December 31, 2019, the Company had accrued rental income of approximately \$44.3 million included in tenant accounts receivable on the accompanying Consolidated Balance Sheets. As of December 31, 2018, the Company had accrued rental income of approximately \$32.4 million included in tenant accounts receivable on the accompanying Consolidated Balance Sheets.

As of December 31, 2019 and December 31, 2018, the Company had approximately \$22.6 million and \$18.3 million, respectively, of total lease security deposits available in the form of existing letters of credit, which are not reflected on the accompanying Consolidated Balance Sheets. As of December 31, 2019 and December 31, 2018, the Company had approximately \$0.7 million and \$0.7 million, respectively, of lease security deposits available in cash, which are included in restricted cash on the accompanying Consolidated Balance Sheets. The Company's remaining lease security deposits are commingled in cash and cash equivalents.

These funds may be used to settle tenant accounts receivables in the event of a default under the related lease. As of December 31, 2019 and December 31, 2018, the Company's total liability associated with these lease security deposits was approximately \$9.8 million and \$8.4 million, respectively, and is included in tenant prepaid rent and security deposits on the accompanying Consolidated Balance Sheets.

The Company estimates that billings for real estate taxes, which are the responsibility of certain tenants under the terms of their leases and are not reflected on the Company's consolidated financial statements, was approximately \$19.1 million, \$15.0 million and \$12.4 million for the years ended December 31, 2019, 2018 and 2017, respectively. These amounts would have been the maximum real estate tax expense of the Company, excluding any penalties or interest, had the tenants not met their contractual obligations for these periods.

On December 21, 2016, the tenant at the Golden, CO property exercised its early lease termination option per the terms of the lease agreement. The option provided that the tenant's lease terminate effective December 31, 2017 and required the tenant to pay a termination fee of approximately \$0.9 million. The termination fee was recognized on a straight-line basis from December 21, 2016 through the relinquishment of the space on December 31, 2017. The termination fee income of approximately \$0.8 million is included in rental income on the accompanying Consolidated Statements of Operations for the year ended December 31, 2017.

The following table summarizes the maturity of fixed lease payments under the Company's leases as of December 31, 2019.

Year (as of December 31, 2019)	Maturity of Fixed Lease Payments (in thousands)	
2020	\$	355,563
2021	\$	319,843
2022	\$	283,526
2023	\$	242,305
2024	\$	200,527
Thereafter	\$	758,401

The following table summarizes the minimum contractual lease payments under the superseded leases standard, Topic 840, as of December 31, 2018.

Year (as of December 31, 2018)	Future Minimum Rents (in thousands)	
2019	\$	299,978
2020	\$	271,936
2021	\$	226,970
2022	\$	188,707
2023	\$	152,814
Thereafter	\$	535,192

### *Lessee Leases*

The Company has operating leases in which it is the lessee for ground leases and its corporate office lease. These leases have remaining lease terms of approximately 1.2 years to 47.0 years. Certain ground leases contain options to extend the leases for ten years to 20 years, all of which are reasonably certain to be exercised, and are included in the computation of the Company's right-of-use assets and operating lease liabilities.

The following table summarizes supplemental information related to operating lease right-of-use assets and operating lease liabilities recognized in the Company's Consolidated Balance Sheets as of December 31, 2019.

Operating Lease Term and Discount Rate	December 31, 2019
Weighted average remaining lease term (years)	36.0
Weighted average discount rate	7.1%

The following table summarizes the operating lease cost recognized during the year ended December 31, 2019 included in the Company's Consolidated Statements of Operations.

Operating Lease Cost (in thousands)	Year ended December 31,	
	2019	
Operating lease cost included in property expense attributable to ground leases	\$	1,324
Operating lease cost included in general and administrative expense attributable to corporate office lease		1,065
<b>Total operating lease cost</b>	<b>\$</b>	<b>2,389</b>

The following table summarizes supplemental cash flow information related to operating leases recognized during the year ended December 31, 2019 in the Company's Consolidated Statements of Cash Flows.

Operating Leases (in thousands)	Year ended December 31,	
	2019	
Cash paid for amounts included in the measurement of lease liabilities (operating cash flows)	\$	2,282

The following table summarizes the maturity of operating lease liabilities under the Company's ground leases and corporate office lease as of December 31, 2019.

Year (as of December 31, 2019)	Maturity of Operating Lease Liabilities <sup>(1)</sup> (in thousands)	
2020	\$	2,294
2021		1,400
2022		1,107
2023		1,116
2024		1,121
Thereafter		47,035
Total lease payments		54,073
Less: Imputed interest		(37,084)
<b>Present value of operating lease liabilities</b>	<b>\$</b>	<b>16,989</b>

(1) Operating lease liabilities do not include estimates of CPI rent changes required by certain ground lease agreements. Therefore, actual payments may differ than those presented.

The following table summarizes the minimum contractual lease payments under the superseded leases standard, Topic 840, as of December 31, 2018.

Year (as of December 31, 2018)	Future Minimum Rental Payments <sup>(1)</sup> (in thousands)	
2019	\$	2,110
2020	\$	2,122
2021	\$	1,227
2022	\$	935
2023	\$	944
Thereafter	\$	45,580

(1) Future minimum rental payments do not include estimates of CPI rent changes required by certain lease agreements. Therefore, actual minimum rental payments may differ than those presented.

## 10. Earnings Per Share

The Company uses the two-class method of computing earnings per common share, which is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Basic net income per common share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share is computed by dividing net income available to common stockholders by the sum of the weighted average number of common shares outstanding and any dilutive securities for the period.

Restricted shares of common stock are considered participating securities as these stock-based awards contain non-forfeitable rights to dividends, unless and until a forfeiture occurs, and these awards must be included in the computation of earnings per share pursuant to the two-class method. During the years ended December 31, 2019, 2018 and 2017, there were 217,623, 195,281 and 237,896, respectively, unvested shares of restricted stock on a weighted average basis that were considered participating securities. Participating securities are included in the computation of diluted EPS using the treasury stock method if the impact is

dilutive. Other potentially dilutive common shares from the Company's Performance-based Compensation Plans are considered when calculating diluted EPS.

The following table reconciles the numerators and denominators in the computation of basic and diluted earnings per common share for the years ended December 31, 2019, 2018 and 2017.

Earnings Per Share (in thousands, except per share data)	Year ended December 31,		
	2019	2018	2017
<b>Numerator</b>			
Net income attributable to common stockholders	\$ 43,811	\$ 82,385	\$ 21,131
<b>Denominator</b>			
Weighted average common shares outstanding — basic	125,389	103,401	89,538
<b>Effect of dilutive securities<sup>(1)</sup></b>			
Share-based compensation	284	406	466
Shares issueable under forward sales agreements	5	—	—
Weighted average common shares outstanding — diluted	125,678	103,807	90,004
<b>Net income per share — basic and diluted</b>			
Net income per share attributable to common stockholders — basic	\$ 0.35	\$ 0.80	\$ 0.24
Net income per share attributable to common stockholders — diluted	\$ 0.35	\$ 0.79	\$ 0.23

(1) During the years ended December 31, 2019, 2018, and 2017, there were 218, 195, and 238, unvested shares of restricted common stock, respectively, on a weighted average basis that were not included in the computation of diluted earnings per share because the allocation of income under the two-class method was more dilutive.

## 11. Commitments and Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance subject to deductible requirements. Management believes that the ultimate settlement of these actions will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

On April 18, 2012, the Company entered into an agreement with affiliates of Columbus Nova Real Estate Acquisition Group, Inc. ("Columbus Nova") to source sale leaseback transactions for potential acquisitions by the Company. The agreement called for various fees to be paid to Columbus Nova for its services including acquisition fees, credit monitoring fees, and a one-time incentive fee if certain performance thresholds were met. The measurement period for the incentive fee ended on May 31, 2017. The incentive fee was settled in cash during the year ended December 31, 2017 and an incentive fee loss of approximately \$0.7 million for the year ended December 31, 2017 is included in other expenses on the accompanying Consolidated Statements of Operations.

The Company has letters of credit of approximately \$3.0 million as of December 31, 2019 related to construction projects and certain other agreements.

## 12. Employee Benefit Plans

Effective April 20, 2011, the Company adopted a 401(k) Defined Contribution Savings Plan (the "Plan") for its employees. Under the Plan, as amended, employees, as defined, are eligible to participate in the Plan after they have completed three months of service. The Company provides a discretionary match of 50% of the employee's contributions annually up to 6.0% of the employee's annual compensation, subject to a cap imposed by federal tax law. The Company's aggregate matching contribution for the years ended December 31, 2019, 2018 and 2017 was approximately \$0.4 million, \$0.3 million and \$0.3 million, respectively. The Company's contribution is subject to a three year vesting schedule, such that employees who have been with the Company for three years are fully vested in past and future contributions.

## 13. Related-Party Transactions

STAG Industrial Management, LLC ("Manager"), a wholly owned subsidiary of the Company, was performing certain asset management services for STAG Investments II, LLC ("Fund II"), a private, fully-invested fund that was an affiliate of the Company, that as of December 31, 2017 was legally dissolved. Before dissolution, the Manager was paid an annual asset management fee based on the equity investment in the Fund II assets, which was 1.25% of the equity investment. In June 2013, Fund II and the Company amended the service agreement to exclude disposition services from the asset management services to be performed by the Company and results in a concomitant reduction in the asset management fee. The Company recognized asset management fee income of approximately \$0.1 million for the year ended December 31, 2017, which is included in other income on the accompanying Consolidated Statements of Operations.



## 14. Subsequent Events

GAAP requires an entity to disclose certain events that occur after the balance sheet date but before financial statements are issued or are available to be issued (“subsequent events”). There are two types of subsequent events. The first type consists of events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements (“recognized subsequent events”). No significant recognized subsequent events were noted.

The second type consists of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date (“non-recognized subsequent events”). The following non-recognized subsequent events are noted.

On January 27, 2020, the Company sold two buildings located in Camarillo, CA to a third party for a contractual purchase price of \$88.0 million.

On January 13, 2020, the Company completed an underwritten public offering of an aggregate 10,062,500 shares of common stock at a price to the underwriters of \$30.9022 per share, consisting of (i) 5,600,000 shares offered directly by the Company and (ii) 4,462,500 shares offered by the forward dealer in connection with certain forward sale agreements (including 1,312,500 shares offered pursuant to the underwriters’ option to purchase additional shares, which option was exercised in full). The offering closed on January 16, 2020 and the Company received net proceeds from the sale of shares offered directly by the Company of approximately \$173.1 million. Subject to the Company’s right to elect cash or net share settlement, the Company has the ability to settle the forward sales agreements at any time through scheduled maturity date of the forward sale agreements of January 13, 2021.

On January 8, 2020, the Company granted 65,127 restricted shares of common stock to certain employees of the Company pursuant to the 2011 Plan. The restricted shares of common stock granted will vest in four equal installments on January 1 of each year beginning in 2021. The fair value of the restricted shares of common stock at the date of grant was \$31.49 per share.

On January 8, 2020, the Company granted 27,144 LTIP units to non-employee, independent directors, and 109,597 LTIP units to certain executive officers and senior employees pursuant to the 2011 Plan. The LTIP units granted to non-employee, independent directors will vest on January 1, 2021. The LTIP units granted to certain executive officers and senior employees will vest quarterly over four years, with the first vesting date being March 31, 2020. The fair value of the LTIP units at the date of grant was approximately \$4.0 million, as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using an expected term of ten years, a weighted average volatility factor of 18.0%, a weighted average expected dividend yield of 5.75%, and a weighted average risk-free interest rate of 1.61%. The fair value of the LTIP units are based on Level 3 inputs and are non-recurring fair value measurements.

On January 8, 2020, the Company granted performance units to certain executive officers and senior employees pursuant to the 2011 Plan. The terms of the January 8, 2020 performance units grant is substantially the same as the performance units grants discussed in Note 8, except that the measuring period commences on January 1, 2020 and ends on December 31, 2022, and the Award Shares are immediately vested at the end of the measuring period. The fair value of the performance units at the date of grant was approximately \$5.4 million, as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 17.4%, a weighted average expected dividend yield of 5.75%, and a weighted average risk-free interest rate of 1.59%. The fair value of the performance units are based on Level 3 inputs and are non-recurring fair value measurements.

**STAG Industrial, Inc.**  
**Schedule II—Valuation and Qualifying Accounts**  
**(in thousands)**

**Allowance for Doubtful Receivables and Accrued Rent Reserves**

	STAG Industrial, Inc.			
	Beginning of Period	Costs and Expenses	Amounts Written Off	Balance at End of Period
December 31, 2019	\$ 758	\$ —	\$ (758)	\$ —
December 31, 2018	\$ 311	\$ 1,050	\$ (603)	\$ 758
December 31, 2017	\$ 188	\$ 123	\$ —	\$ 311

**STAG Industrial, Inc.**  
**Schedule III—Real Estate and Accumulated Depreciation**  
**December 31, 2019**  
**(in thousands)**

State & City	Address	Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2019			Year Acquired		
		Encumbrances <sup>(1)</sup>	Building & Improvements <sup>(2)</sup>	Land	Building & Improvements	Land	Total		Accumulated Depreciation <sup>(3)</sup>	
<b>Alabama</b>										
Montgomery	4300 Alatex Road	—	7,523	418	1,789	9,312	418	9,730	(1,094)	2016
Phenix City	16 Downing Drive	(1,440)	1,415	276	280	1,695	276	1,971	(348)	2012
<b>Arkansas</b>										
Rogers	8th and Easy Street	—	7,878	1,072	1,513	9,391	1,072	10,463	(1,808)	2011
<b>Arizona</b>										
Avondale	925 N. 127th Avenue	—	13,163	1,674	—	13,163	1,674	14,837	(926)	2017
Tucson	6161 South Palo Verde Road	—	8,037	996	—	8,037	996	9,033	(360)	2018
<b>California</b>										
Camarillo	3001 East Mission Oaks Blvd	—	13,559	7,242	262	13,821	7,242	21,063	(2,177)	2014
Camarillo	3175 East Mission Oaks Blvd	—	19,780	7,989	60	19,840	7,989	27,829	(3,696)	2014
Sacramento	7728 Wilbur Way	—	9,225	857	—	9,225	857	10,082	(27)	2019
San Diego	2055 Dublin Drive	—	14,983	2,290	116	15,099	2,290	17,389	(1,524)	2017
<b>Colorado</b>										
Grand Junction	2139 Bond Street	—	4,002	314	—	4,002	314	4,316	(599)	2015
Johnstown	4150 Ronald Reagan Blvd.	—	14,964	1,133	—	14,964	1,133	16,097	(36)	2019
Longmont	4300 Godding Hollow Parkway	—	5,345	734	—	5,345	734	6,079	(308)	2018
<b>Connecticut</b>										
Avon	60 Security Drive	—	2,750	336	483	3,233	336	3,569	(669)	2012
East Windsor	4 Craftsman Road	—	5,711	400	72	5,783	400	6,183	(818)	2016
East Windsor	24 Thompson Road	—	4,571	348	1,182	5,753	348	6,101	(1,389)	2012
Milford	40 Pepes Farm Road	—	10,040	1,264	1,005	11,045	1,264	12,309	(1,269)	2017
North Haven	300 Montowese Avenue Ext.	—	39,686	4,086	4,439	44,125	4,086	48,211	(7,581)	2015
Wallingford	5 Sterling Drive	—	6,111	585	—	6,111	585	6,696	(658)	2017
<b>Delaware</b>										
New Castle	400 Luikens Drive	—	17,767	2,616	198	17,965	2,616	20,581	(2,786)	2016
<b>Florida</b>										
Daytona Beach	530 Fentress Boulevard	—	875	1,237	2,287	3,162	1,237	4,399	(1,044)	2007
Jacksonville	775 Whittaker Road	—	3,438	451	410	3,848	451	4,299	(520)	2017
Jacksonville	9601 North Main Street	—	7,829	650	497	8,326	650	8,976	(958)	2017
Jacksonville	550 Gun Club Road	—	8,195	674	1,557	9,752	674	10,426	(1,314)	2017
Jacksonville	555 Zoo Parkway	—	7,266	596	1,016	8,282	596	8,878	(1,066)	2017
Jacksonville	9779 Pritchard Road	—	14,319	1,284	—	14,319	1,284	15,603	(112)	2019
Ocala	650 Southwest 27th Avenue	—	13,296	731	1,553	14,849	731	15,580	(2,643)	2013
Orlando	1854 Central Florida Parkway	—	4,839	1,339	—	4,839	1,339	6,178	(1,023)	2013
Orlando	7050 Overland Road	—	1,996	721	—	1,996	721	2,717	(483)	2012
Pensacola	1301 North Palafox Street	—	2,829	145	470	3,299	145	3,444	(1,306)	2007

**Gross Amounts at Which Carried at  
December 31, 2019**

**Initial Cost to STAG Industrial,  
Inc.**

State & City	Address	Encumbrances <sup>(1)</sup>		Building & Improvements <sup>(2)</sup>		Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision		Building & Improvements		Land	Total	Accumulated Depreciation <sup>(3)</sup>	Year Acquired
Tampa	4330 Williams Road	—	6,390	829	—	829	—	—	6,390	829	7,219	(95)	2019	
<b>Georgia</b>														
Augusta	1816 Tobacco Road	—	6,249	937	—	937	—	—	6,249	937	7,186	(364)	2018	
Calhoun	103 Enterprise Drive	—	2,743	388	—	388	—	—	2,743	388	3,131	(434)	2014	
Dallas	351 Thomas D. Murphy Drive	—	1,712	475	—	475	—	—	1,712	475	2,187	(427)	2012	
Forest Park	5300 Kennedy Road	—	9,527	1,733	900	1,733	900	10,427	10,427	1,733	12,160	(1,528)	2016	
Forest Park	5345 Old Dixie Highway	—	8,189	1,715	286	1,715	286	8,475	8,475	1,715	10,190	(1,095)	2016	
Norcross	4075 Blue Ridge Industrial Pkw	—	2,586	1,589	—	1,589	—	—	2,586	1,589	4,175	(644)	2016	
Savannah	1086 Oracal Parkway	—	13,034	439	119	439	119	13,153	13,153	439	13,592	(2,192)	2014	
Shannon	212 Burlington Drive	—	12,949	393	102	393	102	13,051	13,051	393	13,444	(2,220)	2013	
Smyrna	3500 Highlands Parkway	—	3,092	264	134	264	134	3,226	3,226	264	3,490	(650)	2012	
Statham	1965 Statham Drive	—	6,130	588	1,151	588	1,151	7,281	7,281	588	7,869	(1,462)	2012	
Stone Mountain	1635 Stone Ridge Drive	—	2,738	612	658	612	658	3,396	3,396	612	4,008	(417)	2017	
<b>Idaho</b>														
Idaho Falls	3900 South American Way	—	2,712	356	71	356	71	2,783	2,783	356	3,139	(564)	2013	
<b>Illinois</b>														
Batavia	1100 Paramount Parkway	—	4,273	618	—	618	—	4,273	4,273	618	4,891	(485)	2017	
Belvidere	3458 Morreim Drive	—	4,083	442	255	442	255	4,338	4,338	442	4,780	(684)	2015	
Belvidere	775 Logistics Drive	—	16,914	2,341	—	2,341	—	16,914	16,914	2,341	19,255	(1,588)	2017	
Belvidere	1701 Industrial Court	—	3,932	733	36	733	36	3,968	3,968	733	4,701	(713)	2013	
Belvidere	725 Landmark Drive	—	3,485	538	114	538	114	3,599	3,599	538	4,137	(606)	2013	
Belvidere	888 Landmark Drive	—	6,899	670	—	670	—	6,899	6,899	670	7,569	(1,223)	2013	
Belvidere	3915 & 3925 Morreim Drive	—	4,291	668	—	668	—	4,291	4,291	668	4,959	(780)	2013	
Belvidere	725 & 729 Logistics Drive	—	3,699	866	159	866	159	3,858	3,858	866	4,724	(781)	2013	
Belvidere	795 Landmark Drive	—	2,794	586	83	586	83	2,877	2,877	586	3,463	(583)	2013	
Belvidere	857 Landmark Drive	—	8,269	1,542	591	1,542	591	8,860	8,860	1,542	10,402	(1,773)	2013	
Belvidere	984 Landmark Drive	—	71	216	—	216	—	71	71	216	287	(71)	2013	
DeKalb	1085 Peace Road	—	4,568	489	—	489	—	4,568	4,568	489	5,057	(945)	2013	
Gurnee	3818 Grandville Avenue & 1200 Northwestern Avenue	—	11,380	1,716	984	1,716	984	12,364	12,364	1,716	14,080	(2,065)	2014	
Gurnee	3800 Swanson Court	—	4,553	1,337	954	1,337	954	5,507	5,507	1,337	6,844	(1,141)	2012	
Harvard	875 West Diggins Street	—	2,980	1,157	324	1,157	324	3,304	3,304	1,157	4,461	(952)	2013	
Itasca	1800 Bruning Drive	—	12,216	2,428	1,213	2,428	1,213	13,429	13,429	2,428	15,857	(1,903)	2016	
Libertyville	1755 Butterfield Road	—	6,455	421	80	421	80	6,535	6,535	421	6,956	(1,194)	2015	
Libertyville	1795 N. Butterfield Road	—	729	143	210	143	210	939	939	143	1,082	(379)	2019	
Lisle	4925 Indiana Avenue	—	8,368	2,302	—	2,302	—	8,368	8,368	2,302	10,670	(78)	2015	
Machesney Park	7166 Greenlee Drive	—	3,525	300	43	300	43	3,568	3,568	300	3,868	(503)	2015	
McHenry	831/833 Ridgeview Drive	—	3,818	576	120	576	120	3,938	3,938	576	4,514	(295)	2018	
McHenry	921 Ridgeview Drive	—	4,010	448	27	448	27	4,037	4,037	448	4,485	(275)	2018	
Montgomery	2001 Baseline Road	—	—	173	—	173	—	—	—	173	173	—	2018	
Montgomery	2001 Baseline Road	—	12,485	2,190	1,936	2,190	1,936	14,421	14,421	2,190	16,611	(2,998)	2012	
Sauk Village	21399 Torrence Avenue	—	5,405	877	105	877	105	5,510	5,510	877	6,387	(1,066)	2013	

State & City	Address	Initial Cost to STAG Industrial, Inc.		Costs Capitalized Subsequent to Acquisition and Valuation Provision		Gross Amounts at Which Carried at December 31, 2019		Accumulated Depreciation <sup>(3)</sup>	Year Acquired	
		Encumbrances <sup>(1)</sup>	Building & Improvements <sup>(2)</sup>	Land	Building & Improvements	Land	Total			
Waukegan	3751 Sunset Ave	—	5,140	1,004	—	5,140	1,004	6,144	2017	
West Chicago	1300 Northwest Avenue	—	2,036	768	772	2,808	768	3,576	2016	
West Chicago	1400 Northwest Avenue	—	668	382	282	950	382	1,332	2016	
West Chicago	1450 Northwest Avenue	—	768	450	272	1,040	450	1,490	2016	
West Chicago	1145 & 1149 Howard	—	842	369	269	1,111	369	1,480	2016	
West Chicago	1270 Nuclear Drive	—	892	216	301	1,193	216	1,409	2016	
West Chicago	1726-1850 Blackhawk Drive	—	6,135	915	1,257	7,392	915	8,307	2016	
Wood Dale	321 Forster Ave	—	5,042	1,226	—	5,042	1,226	6,268	2016	
Woodstock	1005 Courtaulds Drive	—	3,796	496	—	3,796	496	4,292	2012	
<b>Indiana</b>										
Albion	907 Weber Road	—	93	67	—	93	67	160	2006	
Albion	1515 East State Road 8	—	932	103	—	932	103	1,035	2006	
Albion	1563 East State Road 8	—	1,107	55	—	1,107	55	1,162	2006	
Albion	600 South 7th Street	—	970	332	—	970	332	1,302	2006	
Albion	1545 East State Road 8	—	1,397	52	—	1,397	52	1,449	2006	
Albion	1514 Progress Drive	—	1,528	126	—	1,528	126	1,654	2006	
Albion	1105 Weber Road	—	710	187	—	710	187	897	2006	
Elkhart	2701 Marina Drive	—	210	25	143	353	25	378	2007	
Elkhart	23590 County Road 6	—	3,519	422	571	4,090	422	4,512	2007	
Fort Wayne	3424 Centennial Drive	—	3,142	112	—	3,142	112	3,254	2014	
Goshen	2600 College Avenue	—	6,509	1,442	1,824	8,333	1,442	9,775	2011	
Greenwood	1415 Collins Road	—	22,032	2,585	—	22,032	2,585	24,617	2018	
Kendallville	811 Commerce Drive	—	1,510	142	—	1,510	142	1,652	2006	
Lafayette	1520 Kepner Drive	(1,105)	2,205	295	43	2,248	295	2,543	2012	
Lafayette	1540-1530 Kepner Drive	(1,877)	3,405	410	123	3,528	410	3,938	2012	
Lafayette	1521 Kepner Drive	(3,856)	7,920	906	301	8,221	906	9,127	2012	
Lebanon	100 Purity Drive	—	21,160	1,654	—	21,160	1,654	22,814	2018	
Lebanon	800 Edwards Drive	—	35,868	2,359	—	35,868	2,359	38,227	2019	
Lebanon	121 N. Enterprise Boulevard	—	37,971	2,948	—	37,971	2,948	40,919	2019	
Marion	2201 E. Loew Road	(2,622)	2,934	243	718	3,652	243	3,895	2012	
Portage	6515 Ameriplex Drive	—	28,227	1,626	—	28,227	1,626	29,853	2019	
Portage	725 George Nelson Drive	—	5,416	—	—	5,416	—	5,416	2012	
South Bend	3310 William Richardson Court	—	4,718	411	294	5,012	411	5,423	2012	
<b>Iowa</b>										
Ankeny	5910 Southeast Rio Circle	—	13,709	846	—	13,709	846	14,555	2019	
Council Bluffs	1209 31st Avenue	—	4,438	414	—	4,438	414	4,852	2017	
Des Moines	1900 E. 17th Street	—	4,477	556	—	4,477	556	5,033	2018	
Marion	6301 North Gateway Drive	—	2,229	691	175	2,404	691	3,095	2013	
<b>Kansas</b>										
Edwardsville	9601 Woodend Road	—	13,224	1,360	544	13,768	1,360	15,128	2017	
Lenexa	9700 Lackman Road	—	9,649	1,759	33	9,682	1,759	11,441	2019	
Lenexa	14000 Marshall Drive	—	7,610	2,368	—	7,610	2,368	9,978	2014	

**Initial Cost to STAG Industrial,  
Inc.**

**Gross Amounts at Which Carried at  
December 31, 2019**

State & City	Address	Encumbrances <sup>(1)</sup>		Building & Improvements <sup>(2)</sup>		Land		Costs Capitalized Subsequent to Acquisition and Valuation Provision		Building & Improvements	Land	Total	Accumulated Depreciation <sup>(3)</sup>	Year Acquired
Olathe	1202 South Lone Elm Road	—	16,272	1,193	—	16,272	1,193	—	—	16,272	1,193	17,465	(49)	2019
Olathe	16231 South Lone Elm Road	—	20,763	2,431	—	20,763	2,431	2,138	2,138	22,901	2,431	25,332	(2,880)	2016
Wichita	2655/2755 South Eastmoor Street	(1,389)	1,815	88	—	1,815	88	110	110	1,925	88	2,013	(411)	2012
Wichita	2652 South Eastmoor Street	(1,518)	1,839	107	—	1,839	107	283	283	2,122	107	2,229	(487)	2012
Wichita	2510 South Eastmoor Street	(694)	833	76	—	833	76	181	181	1,014	76	1,090	(291)	2012
<b>Kentucky</b>														
Bardstown	300 Spencer Mattingly Lane	—	2,398	379	—	2,398	379	—	—	2,398	379	2,777	(810)	2007
Danville	1355 Lebanon Road	—	11,593	965	—	11,593	965	3,891	3,891	15,484	965	16,449	(3,497)	2011
Erlanger	1500-1532 Interstate Drive	—	3,825	635	—	3,825	635	346	346	4,171	635	4,806	(632)	2016
Florence	9200 Brookfield Court	—	7,914	863	—	7,914	863	—	—	7,914	863	8,777	(297)	2019
Florence	1100 Burlington Pike	—	10,934	3,109	—	10,934	3,109	128	128	11,062	3,109	14,171	(854)	2018
Hebron	2151 Southpark Drive	—	4,526	370	—	4,526	370	130	130	4,656	370	5,026	(855)	2014
Louisville	6350 Ladd Avenue	—	3,615	386	—	3,615	386	520	520	4,135	386	4,521	(954)	2011
Louisville	6400 Ladd Avenue	—	5,767	616	—	5,767	616	632	632	6,399	616	7,015	(1,449)	2011
Walton	125 Richwood Road	—	6,244	2,105	—	6,244	2,105	—	—	6,244	2,105	8,349	(844)	2017
<b>Louisiana</b>														
Baton Rouge	6565 Exchequer Drive	—	5,886	1,619	—	5,886	1,619	—	—	5,886	1,619	7,505	(128)	2019
Baton Rouge	6735 Exchequer Drive	—	6,682	2,567	—	6,682	2,567	—	—	6,682	2,567	9,249	(161)	2019
Baton Rouge	12100 Little Cayman Avenue	—	15,402	1,962	—	15,402	1,962	—	—	15,402	1,962	17,364	(872)	2018
Shreveport	7540 Bert Kouns Indust. Loop	—	5,572	1,804	—	5,572	1,804	534	534	6,106	1,804	7,910	(830)	2015
<b>Maine</b>														
Belfast	21 Schoodic Drive & 32 Katahdin Avenue	—	6,821	1,081	—	6,821	1,081	486	486	7,307	1,081	8,388	(2,474)	2011
Biddeford	1 Baker's Way	—	8,164	1,369	—	8,164	1,369	3,916	3,916	12,080	1,369	13,449	(2,054)	2016
Gardiner	47 Market Street	—	8,983	948	—	8,983	948	—	—	8,983	948	9,931	(1,412)	2016
Lewiston	19 Mollison Way	—	5,374	173	—	5,374	173	1,064	1,064	6,438	173	6,611	(1,895)	2007
Portland	125 Industrial Way	—	3,648	891	—	3,648	891	86	86	3,734	891	4,625	(722)	2012
<b>Maryland</b>														
Elkridge	6685 Santa Barbara Court	—	8,792	2,982	—	8,792	2,982	—	—	8,792	2,982	11,774	(243)	2019
Hampstead	630 Hanover Pike	—	34,969	780	—	34,969	780	—	—	34,969	780	35,749	(6,323)	2013
White Marsh	6210 Days Cove Road	—	5,839	963	—	5,839	963	—	—	5,839	963	6,802	(265)	2018
<b>Massachusetts</b>														
Chicopee	2189 Westover Road	—	5,614	504	—	5,614	504	77	77	5,691	504	6,195	(1,121)	2012
Malden	219 Medford Street	—	2,817	366	—	2,817	366	—	—	2,817	366	3,183	(908)	2007
Malden	243 Medford Street	—	3,961	507	—	3,961	507	—	—	3,961	507	4,468	(1,276)	2007
Middleborough	16 Leona Drive	—	7,243	2,397	—	7,243	2,397	—	—	7,243	2,397	9,640	(163)	2019
Norton	202 South Washington Street	—	6,740	2,839	—	6,740	2,839	217	217	6,957	2,839	9,796	(1,873)	2011
South Easton	55 Bristol Drive	—	5,880	403	—	5,880	403	—	—	5,880	403	6,283	(420)	2017
Stoughton	100 Campanelli Parkway	—	2,613	2,256	—	2,613	2,256	1,510	1,510	4,123	2,256	6,379	(1,121)	2015
Stoughton	12 Campanelli Parkway	—	1,162	538	—	1,162	538	185	185	1,347	538	1,885	(361)	2015
Taunton	800 John Quincy Adams Road	—	23,885	2,598	—	23,885	2,598	303	303	24,188	2,598	26,786	(696)	2019
Westborough	35 Otis Street	—	5,808	661	—	5,808	661	23	23	5,831	661	6,492	(679)	2016
<b>Michigan</b>														

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Belleville	8200 Haggerty Road	—	6,524	724	9	6,533	724	7,257	(675)	2017				
Chesterfield	50501 E. Russell Schmidt	—	1,099	207	12	1,311	207	1,318	(358)	2007				
Chesterfield	50371 E. Russell Schmidt	—	798	150	407	1,205	150	1,355	(233)	2007				
Chesterfield	50271 E. Russell Schmidt	—	802	151	224	1,026	151	1,177	(377)	2007				
Chesterfield	50900 E. Russell Schmidt	—	5,006	942	2,197	7,203	942	8,145	(2,212)	2007				
Grand Rapids	5050 Kendrick Street, SE	—	7,532	169	34	7,566	169	7,735	(1,448)	2015				
Holland	4757 128th Avenue	(2,869)	3,273	279	60	3,333	279	3,612	(685)	2012				
Kentwood	4660 East Paris Avenue, SE	—	7,955	307	29	7,984	307	8,291	(127)	2019				
Kentwood	4070 East Paris Avenue	—	2,436	407	120	2,556	407	2,963	(464)	2013				
Lansing	7009 West Mount Hope Highway	—	7,706	501	1,240	8,946	501	9,447	(1,670)	2011				
Lansing	2780 Sanders Road	—	3,961	580	33	3,994	580	4,574	(780)	2012				
Lansing	5640 Pierson Highway	(5,141)	7,056	429	100	7,156	429	7,585	(1,469)	2012				
Lansing	2051 South Canal Road	—	5,176	907	—	5,176	907	6,083	(1,048)	2013				
Livonia	38150 Plymouth Road	—	7,123	1,390	176	7,299	1,390	8,689	(369)	2018				
Livonia	38220 Plymouth Road	—	8,967	848	31	8,998	848	9,846	(323)	2018				
Marshall	1511 George Brown Drive	—	1,042	199	130	1,172	199	1,371	(258)	2013				
Novi	22925 Venture Drive	(2,519)	3,649	252	336	3,985	252	4,237	(764)	2012				
Novi	25250 Regency Drive	—	6,035	626	—	6,035	626	6,661	(929)	2015				
Novi	43800 Gen Mar Drive	—	16,918	1,381	—	16,918	1,381	18,299	(819)	2018				
Plymouth	14835 Pilot Drive	—	4,620	365	—	4,620	365	4,985	(797)	2015				
Redford	12100 Inkster Road	—	6,114	728	414	6,528	728	7,256	(1,319)	2017				
Romulus	9800 Inkster Road	—	14,942	1,254	—	14,942	1,254	16,196	(944)	2018				
Romulus	27651 Hildebrandt Road	—	14,956	1,080	49	15,005	1,080	16,085	(1,559)	2017				
Sterling Heights	42600 Merrill Street	(1,388)	4,191	1,133	415	4,606	1,133	5,739	(948)	2012				
Walker	2640 Northridge Drive	—	4,593	855	169	4,762	855	5,617	(1,067)	2011				
Warren	13301 Stephens Road	—	6,111	502	10	6,121	502	6,623	(839)	2017				
Warren	7500 Tank Avenue	—	16,035	1,290	—	16,035	1,290	17,325	(2,017)	2016				
Zeeland	750 E. Riley Avenue	—	12,100	487	—	12,100	487	12,587	(352)	2019				
<b>Minnesota</b>														
Blaine	3705 95th Avenue NE	—	16,873	2,258	—	16,873	2,258	19,131	(505)	2019				
Bloomington	11300 Hampshire Avenue South	—	8,582	1,702	23	8,605	1,702	10,307	(695)	2018				
Brooklyn Park	6688 93rd Avenue North	—	11,988	1,926	—	11,988	1,926	13,914	(1,215)	2016				
Carlos	4750 County Road 13 NE	—	5,855	960	151	6,006	960	6,966	(1,431)	2011				
Eagan	3355 Discovery Road	—	15,290	2,526	—	15,290	2,526	17,816	(1,09)	2019				
Maple Grove	6250 Sycamore Lane North	—	6,634	969	473	7,107	969	8,076	(750)	2017				
Mendota Heights	2250 Pilot Knob Road	—	3,492	1,494	1,062	4,554	1,494	6,048	(364)	2018				
New Hope	5520 North Highway 169	—	1,970	1,919	10	1,980	1,919	3,899	(560)	2013				
Oakdale	550 Hale Avenue	—	6,556	647	—	6,556	647	7,203	(203)	2019				
Oakdale	585-595 Hale Avenue	—	5,028	1,396	59	5,087	1,396	6,483	(253)	2018				
Plymouth	9800 13th Avenue North	—	4,978	1,599	—	4,978	1,599	6,577	(392)	2018				
Plymouth	6050 Nathan Lane	—	5,855	1,109	—	5,855	1,109	6,964	(55)	2019				
Plymouth	6075 Trenton Lane North	—	6,961	1,569	—	6,961	1,569	8,530	(70)	2019				

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		Encumbrances <sup>(1)</sup>	Building & Improvements <sup>(2)</sup>	Land	Building & Improvements	Land	Total									
Rogers	19850 Diamond Lake Road	—	10,429	1,671	238	10,667	1,671	12,338	2011							
Savage	14399 Huntington Avenue	—	3,836	3,194	989	4,825	3,194	8,019	2014							
Shakopee	1451 Dean Lakes Trail	—	12,496	927	—	12,496	927	13,423	2019							
South Saint Paul	411 Farwell Avenue	—	14,975	2,378	329	15,304	2,378	17,682	2018							
<b>Missouri</b>																
Earth City	1 American Eagle Plaza	—	2,806	1,123	60	2,866	1,123	3,989	2016							
Fenton	2501 & 2509 Cassens Drive	—	9,380	791	—	9,380	791	10,171	2019							
Hazelwood	7275 Hazelwood Avenue	—	5,030	1,382	1,599	6,629	1,382	8,011	2011							
O'Fallon	6705 Keaton Corporate Parkway	—	3,627	1,233	345	3,972	1,233	5,205	2017							
O'Fallon	3801 Lloyd King Drive	—	2,579	1,242	335	2,914	1,242	4,156	2011							
<b>Nebraska</b>																
Omaha	10488 S. 136th Street	—	13,736	1,602	32	13,768	1,602	15,370	2019							
Omaha	9995 I Street	—	3,250	572	—	3,250	572	3,822	2019							
Omaha	10025 I Street	—	2,449	579	—	2,449	579	3,028	2019							
<b>Nevada</b>																
Las Vegas	730 Pilot Road	—	12,390	2,615	170	12,560	2,615	15,175	2018							
Las Vegas	3450 West Teco Avenue	—	3,259	770	—	3,259	770	4,029	2017							
Paradise	4565 Wynn Road	—	4,514	949	—	4,514	949	5,463	2019							
Paradise	6460 Arville St	—	3,415	1,465	10	3,425	1,465	4,890	2019							
Reno	9025 Moya Blvd.	—	3,461	1,372	—	3,461	1,372	4,833	2014							
Sparks	325 E. Nugget Avenue	—	6,328	938	977	7,305	938	8,243	2017							
<b>New Hampshire</b>																
Londonderry	29 Jack's Bridge Road/Clark Rd	—	6,683	730	—	6,683	730	7,413	2013							
Nashua	80 Northwest Boulevard	—	8,470	1,431	449	8,919	1,431	10,350	2014							
<b>New Jersey</b>																
Branchburg	291 Evans Way	—	10,852	2,367	—	10,852	2,367	13,219	2019							
Burlington	1900 River Road	—	42,753	5,135	256	43,009	5,135	48,144	2015							
Burlington	8 Campus Drive	—	12,609	3,267	165	12,774	3,267	16,041	2015							
Burlington	6 Campus Drive	—	19,577	4,030	1,238	20,815	4,030	24,845	2015							
Franklin Township	17 & 20 Veronica Avenue	—	8,322	2,272	395	8,717	2,272	10,989	2017							
Lopatcong	190 Strykers Road	—	9,777	1,554	1,599	11,376	1,554	12,930	2011							
Lumberton	101 Mount Holly Bypass	—	6,372	1,121	—	6,372	1,121	7,493	2019							
Moorestown	550 Glen Avenue	—	5,714	466	—	5,714	466	6,180	2019							
Moorestown	600 Glen Court	—	4,763	510	—	4,763	510	5,273	2019							
Pedricktown	One Gateway Blvd.	—	10,696	2,414	—	10,696	2,414	13,110	2017							
Swedesboro	2165 Center Square Road	—	5,129	1,212	—	5,129	1,212	6,341	2017							
<b>New York</b>																
Buffalo	1236-50 William Street	—	2,924	146	—	2,924	146	3,070	2012							
Cheektowaga	40-60 Industrial Parkway	—	2,699	216	1,004	3,703	216	3,919	2011							
Farmington	5786 Collett Road	—	5,282	410	469	5,751	410	6,161	2007							
Gloversville	125 Belzano Drive	(668)	1,299	117	—	1,299	117	1,416	2012							
Gloversville	122 Belzano Drive	(1,080)	2,559	151	73	2,632	151	2,783	2012							



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Gloversville	109 Belzano Drive	(771)	1,486	154	36	1,522	154	1,676					(332)	2012	
Johnstown	6 Clermont Street	(668)	1,304	178	—	1,304	178	1,482					(313)	2012	
Johnstown	123 Union Avenue	(977)	1,592	216	47	1,639	216	1,855					(325)	2012	
Johnstown	231 Enterprise Drive	(797)	955	151	—	955	151	1,106					(252)	2012	
Johnstown	150 Enterprise Avenue	(1,491)	1,467	140	—	1,467	140	1,607					(356)	2012	
<b>North Carolina</b>															
Charlotte	6601 North I-85 Service Road	—	2,342	805	79	2,421	805	3,226					(403)	2014	
Charlotte	1401 Tar Heel Road	—	3,961	515	—	3,961	515	4,476					(535)	2015	
Charlotte	2027 Gateway Blvd	—	3,654	913	30	3,684	913	4,597					(191)	2018	
Durham	2702 Weck Drive	—	2,589	753	31	2,620	753	3,373					(423)	2015	
Greensboro	415 Westliff Road	—	6,383	691	202	6,585	691	7,276					(269)	2018	
Huntersville	13201 Reese Boulevard Unit 100	—	3,123	1,061	477	3,600	1,061	4,661					(675)	2012	
Lexington	200 Woodside Drive	—	3,863	232	1,345	5,208	232	5,440					(1,075)	2011	
Mebane	7412 Oakwood Street	—	4,570	481	552	5,122	481	5,603					(1,063)	2012	
Mebane	7600 Oakwood Street	—	4,148	443	—	4,148	443	4,591					(928)	2012	
Mebane	7110 E. Washington Street	—	4,981	358	861	5,842	358	6,200					(1,003)	2013	
Mocksville	171 Enterprise Way	—	5,582	1,091	225	5,807	1,091	6,898					(147)	2019	
Mooreville	119 Super Sport Drive	—	18,010	4,195	43	18,053	4,195	22,248					(1,370)	2017	
Mooreville	313 Mooresville Boulevard	—	7,411	701	437	7,848	701	8,549					(2,027)	2011	
Mountain Home	199 N. Egerton Road	—	2,472	523	—	2,472	523	2,995					(476)	2014	
Newton	1500 Prodelin Drive	—	7,338	732	1,283	8,621	732	9,353					(1,258)	2011	
Pineville	10519 Industrial Drive	—	1,380	392	—	1,380	392	1,772					(376)	2012	
Rural Hall	300 Forum Parkway	—	5,375	439	1,007	6,382	439	6,821					(1,384)	2011	
Salisbury	913 Airport Road	—	5,284	1,535	1,420	6,704	1,535	8,239					(910)	2017	
Smithfield	3250 Highway 70 Business West	—	10,657	613	72	10,729	613	11,342					(1,439)	2011	
Troutman	279 & 281 Old Murdock Road	—	13,392	802	16	13,392	802	14,194					(683)	2018	
Winston-Salem	2655 Annapolis Drive	—	11,054	610	16	11,070	610	11,680					(2,266)	2014	
Youngsville	200 K-Flex Way	—	16,150	1,836	—	16,150	1,836	17,986					(737)	2018	
<b>Ohio</b>															
Bedford Heights	26801 Fargo Ave	—	5,267	837	917	6,184	837	7,021					(702)	2017	
Boardman	365 McClurg Rd	—	3,473	282	854	4,327	282	4,609					(1,460)	2007	
Columbus	1605 Westbelt Drive	—	5,222	337	37	5,259	337	5,596					(533)	2017	
Columbus	3900-3990 Business Park Drive	—	3,123	489	254	3,377	489	3,866					(870)	2014	
Dayton	2815 South Gettysburg Avenue	—	5,896	331	417	6,313	331	6,644					(1,160)	2015	
Dayton	2800 Concorde Drive	—	23,725	2,465	—	23,725	2,465	26,190					(2,830)	2017	
Fairborn	1340 E Dayton Yellow Springs Rd	—	5,569	867	223	5,792	867	6,659					(1,323)	2015	
Fairfield	4275 Thunderbird Lane	—	2,788	948	109	2,897	948	3,845					(545)	2016	
Fairfield	3840 Port Union Road	—	5,337	1,086	—	5,337	1,086	6,423					(374)	2018	
Gahanna	1120 Morrison Road	—	3,806	1,265	1,258	5,064	1,265	6,329					(1,244)	2011	
Groveport	5830 Green Pointe Drive South	—	10,920	642	207	11,127	642	11,769					(1,061)	2017	
Hilliard	4251 Leap Road	—	7,412	550	326	7,738	550	8,288					(674)	2017	
Macedonia	1261 Highland Road	—	8,112	1,690	230	8,342	1,690	10,032					(1,386)	2015	

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Mason	7258 Innovation Way	—	4,582	673	—	4,582	673	—	4,582	673	—	4,582	673	5,255	(849)	2014								
North Jackson	500 South Bailey Road	—	4,427	1,528	—	4,427	1,528	89	4,516	1,528	89	4,516	1,528	6,044	(917)	2013								
North Jackson	382 Rosemont Road	—	7,681	486	—	7,681	486	154	7,835	486	154	7,835	486	8,321	(1,282)	2011								
Oakwood Village	26350 Broadway	—	3,041	343	—	3,041	343	—	3,041	343	—	3,041	343	3,384	(597)	2015								
Salem	800 Pennsylvania Ave	—	7,674	858	—	7,674	858	1,102	8,776	858	1,102	8,776	858	9,634	(2,478)	2006								
Seville	276 West Greenwich Road	—	1,591	273	—	1,591	273	61	1,652	273	61	1,652	273	1,925	(458)	2011								
Streetsboro	9777 Mopar Drive	—	4,909	2,161	—	4,909	2,161	214	5,123	2,161	214	5,123	2,161	7,284	(1,167)	2011								
Strongsville	12930 Darice Parkway	—	5,750	491	—	5,750	491	658	6,408	491	658	6,408	491	6,899	(1,051)	2014								
Toledo	1800 Jason Street	—	6,487	213	—	6,487	213	—	6,487	213	—	6,487	213	6,700	(1,250)	2012								
Twinsburg	7990 Bavaria Road	—	8,027	590	—	8,027	590	87	8,114	590	87	8,114	590	8,704	(2,203)	2007								
West Chester	9696 International Blvd	—	8,868	936	—	8,868	936	—	8,868	936	—	8,868	936	9,804	(1,014)	2016								
West Jefferson	1550 West Main Street	—	70,213	2,015	—	70,213	2,015	—	70,213	2,015	—	70,213	2,015	72,228	(1,380)	2019								
<b>Oklahoma</b>																								
Oklahoma City	4949 Southwest 20th Street	—	2,211	746	—	2,211	746	49	2,260	746	49	2,260	746	3,006	(433)	2016								
Oklahoma City	5101 South Council Road	—	9,199	1,614	—	9,199	1,614	1,373	10,572	1,614	1,373	10,572	1,614	12,186	(1,505)	2015								
Tulsa	11607 E. 43rd Street North	—	8,242	966	—	8,242	966	—	8,242	966	—	8,242	966	9,208	(1,262)	2015								
<b>Oregon</b>																								
Salem	4060 Fairview Industrial Drive	—	3,039	599	—	3,039	599	772	3,811	599	772	3,811	599	4,410	(833)	2011								
Salem	4050 Fairview Industrial Drive	—	1,372	266	—	1,372	266	514	1,886	266	514	1,886	266	2,152	(454)	2011								
<b>Pennsylvania</b>																								
Allentown	7132 Daniels Drive	—	7,199	1,962	—	7,199	1,962	1,300	8,499	1,962	1,300	8,499	1,962	10,461	(1,634)	2014								
Burgettstown	157 Starpointe Boulevard	—	23,416	1,248	—	23,416	1,248	—	23,416	1,248	—	23,416	1,248	24,664	(716)	2019								
Charlertoi	200 Simko Boulevard	—	10,539	935	—	10,539	935	—	10,539	935	—	10,539	935	11,474	(424)	2018								
Clinton	2300 Sweeney Drive	—	19,339	—	—	19,339	—	—	19,339	—	—	19,339	—	19,339	(1,690)	2017								
Clinton	2251 Sweeney Drive	—	12,390	—	—	12,390	—	—	12,390	—	—	12,390	—	12,390	(720)	2018								
Clinton	2300 Sweeney Drive Extension	—	16,840	—	—	16,840	—	310	17,150	—	310	17,150	—	17,150	(792)	2018								
Croydon	3001 State Road	—	4,655	829	—	4,655	829	—	4,655	829	—	4,655	829	5,484	(203)	2018								
Elizabethtown	11 and 33 Industrial Road	—	5,315	1,000	—	5,315	1,000	208	5,523	1,000	208	5,523	1,000	6,523	(1,010)	2014								
Export	1003 Corporate Lane	—	5,604	667	—	5,604	667	—	5,604	667	—	5,604	667	6,271	(72)	2019								
Imperial	200 Solar Drive	—	22,135	1,762	—	22,135	1,762	—	22,135	1,762	—	22,135	1,762	23,897	(228)	2019								
Lancaster	2919 Old Tree Drive	—	5,134	1,520	—	5,134	1,520	919	6,053	1,520	919	6,053	1,520	7,573	(1,430)	2015								
Langhorne	2151 Cabot Boulevard West	—	3,771	1,370	—	3,771	1,370	341	4,112	1,370	341	4,112	1,370	5,482	(659)	2016								
Langhorne	2201 Cabot Boulevard West	—	3,018	1,308	—	3,018	1,308	528	3,546	1,308	528	3,546	1,308	4,854	(601)	2016								
Langhorne	121 Wheeler Court	—	6,327	1,884	—	6,327	1,884	129	6,456	1,884	129	6,456	1,884	8,340	(762)	2016								
Lebanon	1 Keystone Drive	—	5,235	1,380	—	5,235	1,380	163	5,398	1,380	163	5,398	1,380	6,778	(1,641)	2017								
Mechanicsburg	6350 Brackbill Blvd.	—	5,079	1,482	—	5,079	1,482	754	5,833	1,482	754	5,833	1,482	7,315	(1,097)	2014								
Mechanicsburg	6360 Brackbill Blvd.	—	7,042	1,800	—	7,042	1,800	173	7,215	1,800	173	7,215	1,800	9,015	(1,337)	2014								
Mechanicsburg	245 Salem Church Road	—	7,977	1,452	—	7,977	1,452	278	8,255	1,452	278	8,255	1,452	9,707	(1,511)	2014								
Muhlenberg Township	171-173 Tuckerton Road	—	13,784	843	—	13,784	843	1,224	15,008	843	1,224	15,008	843	15,851	(2,880)	2012								
New Galilee	1750 Shemango Road	—	25,659	1,127	—	25,659	1,127	274	25,933	1,127	274	25,933	1,127	27,060	(346)	2019								
New Kingstown	6 Doughten Road	—	8,625	2,041	—	8,625	2,041	520	9,145	2,041	520	9,145	2,041	11,186	(1,657)	2014								

**Initial Cost to STAG Industrial, Inc.**

**Gross Amounts at Which Carried at December 31, 2019**

State & City	Address	Encumbrances <sup>(1)</sup>			Costs Capitalized Subsequent to Acquisition and Valuation Provision			Gross Amounts at Which Carried at December 31, 2019			Year Acquired
		Building & Improvements <sup>(2)</sup>	Land	Total	Building & Improvements	Land	Total	Building & Improvements <sup>(3)</sup>	Land	Total	
New Kensington	115 Hunt Valley Road	—	9,145	177	—	9,145	177	9,322	177	9,322	2018
O'Hara Township	100 Papercraft Park	(14,447)	18,612	1,435	7,641	26,253	1,435	27,688	1,435	27,688	2012
Pittston	One Commerce Road	—	19,959	677	—	19,959	677	20,636	677	20,636	2017
Reading	2001 Centre Avenue	—	5,294	1,708	223	5,517	1,708	7,225	1,708	7,225	2016
Warrendale	410-426 Keystone Drive	—	12,111	1,853	—	12,111	1,853	13,964	1,853	13,964	2018
Williamsport	3300 Wahoo Drive	—	9,059	688	—	9,059	688	9,747	688	9,747	2013
York	2925 East Market Street	—	14,538	2,152	207	14,745	2,152	16,897	2,152	16,897	2017
York	57 Grumbacher Road	—	15,049	966	—	15,049	966	16,015	966	16,015	2018
York	420 Emig Road	—	7,886	869	—	7,886	869	8,755	869	8,755	2019
<b>South Carolina</b>											
Columbia	128 Crews Drive	—	5,171	783	162	5,333	783	6,116	783	6,116	2016
Duncan	110 Hidden Lakes Circle	—	10,981	1,002	866	11,847	1,002	12,849	1,002	12,849	2012
Duncan	112 Hidden Lakes Circle	—	6,739	709	1,586	8,325	709	9,034	709	9,034	2012
Edgefield	One Tranter Drive	—	938	220	750	1,688	220	1,908	220	1,908	2012
Fountain Inn	107 Southchase Blvd.	—	8,386	766	—	8,386	766	9,152	766	9,152	2018
Fountain Inn	141 Southchase Blvd	—	14,984	1,878	81	15,065	1,878	16,943	1,878	16,943	2017
Fountain Inn	111 Southchase Boulevard	—	4,260	719	95	4,355	719	5,074	719	5,074	2016
Gaffney	50 Peachview Blvd	—	4,712	1,233	548	5,260	1,233	6,493	1,233	6,493	2017
Goose Creek	6 Corporate Parkway	—	29,360	4,459	—	29,360	4,459	33,819	4,459	33,819	2019
Graniteville	1043 Global Ave.	—	8,163	1,629	—	8,163	1,629	9,792	1,629	9,792	2016
Greenwood	215 Mill Avenue	(1,388)	1,824	166	—	1,824	166	1,990	166	1,990	2012
Greenwood	308-310 Maxwell Avenue	(1,183)	1,168	169	673	1,841	169	2,010	169	2,010	2012
Greer	2501 Highway 101	—	10,841	1,126	419	11,260	1,126	12,386	1,126	12,386	2018
Greer	8 Shelter Dr	—	4,939	681	2,646	7,585	681	8,266	681	8,266	2018
Greer	129 Metro Court	—	1,434	129	330	1,764	129	1,893	129	1,893	2015
Greer	149 Metro Court	—	1,731	128	428	2,159	128	2,287	128	2,287	2015
Greer	153 Metro Court	—	460	153	155	615	153	768	153	768	2015
Greer	154 Metro Court	—	2,963	306	765	3,728	306	4,034	306	4,034	2015
Laurens	103 Cherry Blossom Drive	—	4,254	151	—	4,254	151	4,405	151	4,405	2015
Piedmont	1100 Piedmont Highway	—	4,152	231	86	4,238	231	4,469	231	4,469	2015
Piedmont	1102 Piedmont Highway	—	2,127	158	—	2,127	158	2,285	158	2,285	2015
Piedmont	1104 Piedmont Highway	—	2,302	204	—	2,302	204	2,506	204	2,506	2015
Piedmont	513 Old Griffin Road	—	9,260	797	1,384	10,644	797	11,441	797	11,441	2018
Piedmont	1610 Old Grove Road	—	18,960	1,971	—	18,960	1,971	20,931	1,971	20,931	2019
Rock Hill	2751 Commerce Drive, Unit C	(3,679)	6,146	1,411	518	6,664	1,411	8,075	1,411	8,075	2016
Rock Hill	1953 Langston Street	—	4,512	1,095	772	5,284	1,095	6,379	1,095	6,379	2017
Simpsonville	101 Harrison Bridge Road	—	2,960	957	2,084	5,044	957	6,001	957	6,001	2012
Simpsonville	103 Harrison Bridge Road	—	3,364	470	938	4,302	470	4,772	470	4,772	2012
Simpsonville	1312 Old Stage Road	—	24,200	1,454	2,862	27,062	1,454	28,516	1,454	28,516	2018
Spartanburg	5675 North Blackstock Road	—	15,100	1,867	166	15,266	1,867	17,133	1,867	17,133	2016
Spartanburg	950 Brisack Road	—	3,694	342	685	4,379	342	4,721	342	4,721	2014
Spartanburg	2071 Fryml Drive	—	7,624	663	—	7,624	663	8,287	663	8,287	2019

Initial Cost to STAG Industrial, Inc.

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		Encumbrances <sup>(1)</sup>	Building & Improvements <sup>(2)</sup>	Land	Building & Improvements	Land	Total		Accumulated Depreciation <sup>(3)</sup>		
Spartanburg	2171 Fryml Drive	—	4,480	530	86	4,566	530	5,096	(133)	2019	
Spartanburg	2010 Nazareth Church Road	—	16,535	895	—	16,535	895	17,430	(48)	2019	
Spartanburg	150-160 National Avenue	—	5,797	493	804	6,601	493	7,094	(1,342)	2012	
Summerville	105 Eastport Lane	—	4,710	1,157	—	4,710	1,157	5,867	(79)	2019	
Ware Shoals	100 Holloway Road	(228)	192	133	—	192	133	325	(41)	2012	
West Columbia	185 McQueen Street	—	6,946	715	1,543	8,489	715	9,204	(1,510)	2013	
West Columbia	610 Kelsey Court	—	9,570	488	—	9,570	488	10,058	(1,083)	2016	
West Columbia	825 Bistline Drive	—	9,151	240	1,008	10,159	240	10,399	(663)	2017	
West Columbia	810 Bistline Drive	—	10,881	564	—	10,881	564	11,445	(152)	2019	
West Columbia	1000 Technology Drive	—	26,023	1,422	—	26,023	1,422	27,445	(181)	2019	
West Columbia	222 Old Wire Road	—	4,646	551	2,301	6,947	551	7,498	(997)	2016	
<b>Tennessee</b>											
Chattanooga	1800 Crutchfield Street Building A	—	2,181	187	14	2,195	187	2,382	(316)	2015	
Chattanooga	1800 Crutchfield Street Building B	—	4,448	380	84	4,532	380	4,912	(649)	2015	
Chattanooga	1100 Wisdom Street & 1295 Stuart Street	—	7,959	424	188	8,147	424	8,571	(1,411)	2015	
Cleveland	4405 Michigan Ave Road NE	—	3,161	554	84	3,245	554	3,799	(826)	2011	
Clinton	1330 Carden Farm Drive	—	3,101	403	165	3,266	403	3,669	(542)	2015	
Jackson	1094 Flex Drive	—	2,374	230	369	2,743	230	2,973	(671)	2012	
Knoxville	2525 Quality Drive	—	3,104	447	46	3,150	447	3,597	(597)	2015	
Knoxville	2522 and 2526 Westcott Blvd	—	4,919	472	—	4,919	472	5,391	(287)	2018	
Knoxville	5700 Casey Drive	—	7,812	1,117	—	7,812	1,117	8,929	(59)	2019	
Lebanon	535 Maddox-Simpson Parkway	—	15,890	1,016	—	15,890	1,016	16,906	(322)	2019	
Loudon	1700 Elizabeth Lee Parkway	—	3,751	170	—	3,751	170	3,921	(682)	2015	
Madison	538 Myatt Drive	—	5,758	1,655	1,891	7,649	1,655	9,304	(1,791)	2011	
Mascot	9575 Commission Drive	—	3,228	284	—	3,228	284	3,512	(667)	2016	
Mascot	2122 Holston Bend Drive	—	3,409	385	611	4,020	385	4,405	(790)	2013	
Memphis	5238 Lamar Avenue	—	25,094	1,539	—	25,094	1,539	26,633	(298)	2019	
Memphis	4880 East Tuggle Road	—	41,078	2,501	—	41,078	2,501	43,579	(472)	2019	
Murfreesboro	540 New Salem Road	—	2,819	722	9	2,828	722	3,550	(725)	2014	
Nashville	3258 Ezell Pike	—	3,601	547	—	3,601	547	4,148	(726)	2013	
Portland	3150 Barry Drive	—	7,748	1,662	66	7,814	1,662	9,476	(1,528)	2012	
Vonore	90 Deer Crossing Road	—	7,821	2,355	85	7,906	2,355	10,261	(1,748)	2011	
<b>Texas</b>											
Arlington	3311 Pinewood Drive	—	2,374	413	304	2,678	413	3,091	(813)	2007	
Arlington	401 N. Great Southwest Parkway	—	6,151	1,246	1,048	7,199	1,246	8,445	(1,506)	2012	
Cedar Hill	1650 U.S. Highway 67	—	11,870	4,066	1,659	13,529	4,066	17,595	(2,150)	2016	
Conroe	16548 Donwick Drive	—	20,995	1,853	942	21,937	1,853	23,790	(981)	2018	
El Paso	32 Celerity Wagon	—	3,674	—	101	3,775	—	3,775	(418)	2017	
El Paso	48 Walter Jones Blvd	—	10,398	—	—	10,398	—	10,398	(1,229)	2017	
El Paso	1601 Northwestern Drive	—	9,052	1,248	403	9,455	1,248	10,703	(1,666)	2014	
El Paso	6500 N. Desert Blvd.	—	7,518	1,124	302	7,820	1,124	8,944	(1,319)	2014	
El Paso	1550 Northwestern	—	14,011	1,854	812	14,823	1,854	16,677	(2,602)	2014	

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El Paso	1701 Northwestern Drive	—	9,897	1,581	1,770	11,667	1,581	13,248	—	—	1,770	11,667	1,581	13,248	(1,843)	2014		
El Paso	7801 Northern Pass Road	—	5,893	1,136	—	5,893	1,136	7,029	—	—	—	5,893	1,136	7,029	(984)	2015		
El Paso	47 Butterfield Circle & 12 Leigh Fisher Blvd	—	3,096	—	1,088	4,184	—	4,184	—	—	1,088	4,184	—	4,184	(1,036)	2012		
Garland	2901 W. Kingsley Road	—	5,166	1,344	1,430	6,596	1,344	7,940	—	—	1,430	6,596	1,344	7,940	(1,056)	2014		
Houston	7140 West Sam Houston Parkway West	—	8,416	1,048	194	8,610	1,048	9,658	—	—	194	8,610	1,048	9,658	(525)	2018		
Houston	18601 Intercontntl Crossing Dr	—	8,744	1,505	—	8,744	1,505	10,249	—	—	—	8,744	1,505	10,249	(288)	2019		
Houston	9302 Ley Road	—	8,879	1,236	—	8,879	1,236	10,115	—	—	—	8,879	1,236	10,115	(198)	2019		
Houston	10343 Ella Boulevard	—	16,586	1,747	—	16,586	1,747	18,333	—	—	—	16,586	1,747	18,333	(39)	2019		
Houston	4949 Windfern Road	—	7,790	2,255	9	7,799	2,255	10,054	—	—	9	7,799	2,255	10,054	(1,596)	2013		
Houston	1020 Rankin Road	—	4,802	565	957	5,759	565	6,324	—	—	957	5,759	565	6,324	(1,199)	2014		
Houston	7300 Airport Blvd.	—	8,448	2,546	158	8,606	2,546	11,152	—	—	158	8,606	2,546	11,152	(1,030)	2016		
Houston	13627 West Hardy	—	5,037	1,502	—	5,037	1,502	6,539	—	—	—	5,037	1,502	6,539	(971)	2017		
Houston	868 Pear Street	—	5,564	953	—	5,564	953	6,517	—	—	—	5,564	953	6,517	(873)	2017		
Houston	14620 Henry Road	—	7,052	927	66	7,118	927	8,045	—	—	66	7,118	927	8,045	(674)	2017		
Houston	7049 Brookhollow West Drive	—	9,371	809	—	9,371	809	10,180	—	—	—	9,371	809	10,180	(547)	2018		
Houston	10401 S. Sam Houston Parkway	—	9,456	1,108	—	9,456	1,108	10,564	—	—	—	9,456	1,108	10,564	(25)	2019		
Humble	18727 Kenswick Drive	—	21,476	2,255	—	21,476	2,255	23,731	—	—	—	21,476	2,255	23,731	(403)	2019		
Katy	1800 North Mason Road	—	7,571	2,192	—	7,571	2,192	9,763	—	—	—	7,571	2,192	9,763	(143)	2019		
Katy	21601 Park Row Drive	—	3,487	1,655	—	3,487	1,655	5,142	—	—	—	3,487	1,655	5,142	(55)	2019		
Laredo	13710 IH 35 Frontage Road	—	13,847	2,538	—	13,847	2,538	16,385	—	—	—	13,847	2,538	16,385	(285)	2019		
Laredo	13808 Humphrey Road	—	10,204	1,535	—	10,204	1,535	11,739	—	—	—	10,204	1,535	11,739	(1,052)	2017		
Mission	802 Trinity Street	—	12,623	1,882	26	12,649	1,882	14,531	—	—	26	12,649	1,882	14,531	(696)	2018		
Rockwall	3400 Discovery Blvd	—	16,066	2,683	—	16,066	2,683	18,749	—	—	—	16,066	2,683	18,749	(1,606)	2017		
Stafford	13720 Stafford Road	—	6,570	339	36	6,606	339	6,945	—	—	36	6,606	339	6,945	(466)	2017		
Waco	101 Apron Road	—	1,394	—	619	2,013	—	2,013	—	—	619	2,013	—	2,013	(465)	2011		
<b>Virginia</b>																		
Chester	2001 Ware Bottom Spring Road	—	3,402	775	—	3,402	775	4,177	—	—	—	3,402	775	4,177	(885)	2014		
Harrisonburg	4500 Early Road	—	11,057	1,455	1,180	12,237	1,455	13,692	—	—	1,180	12,237	1,455	13,692	(2,172)	2012		
Independence	One Compar Way	(1,290)	2,061	226	—	2,061	226	2,287	—	—	—	2,061	226	2,287	(415)	2012		
N. Chesterfield	8001 Greenpine Road	—	6,174	1,599	—	6,174	1,599	7,773	—	—	—	6,174	1,599	7,773	(163)	2019		
<b>Washington</b>																		
Ridgefield	6111 S. 6th Way	—	9,711	2,307	—	9,711	2,307	12,018	—	—	—	9,711	2,307	12,018	(97)	2019		
<b>Wisconsin</b>																		
Caledonia	1343 27th Street	—	3,339	225	—	3,339	225	3,564	—	—	—	3,339	225	3,564	(203)	2018		
Chippewa Falls	911 Kurth Road	—	2,303	133	—	2,303	133	2,436	—	—	—	2,303	133	2,436	(532)	2011		
Chippewa Falls	1406 Lowater Road	—	544	44	—	544	44	588	—	—	—	544	44	588	(127)	2011		
Deforest	505 - 507 Stokely Drive	—	5,326	1,131	491	5,817	1,131	6,948	—	—	491	5,817	1,131	6,948	(629)	2016		
Delavan	329 Hallberg Street	—	2,059	127	—	2,059	127	2,186	—	—	—	2,059	127	2,186	(37)	2019		
Delavan	1714 Hobbs Drive	—	4,696	241	—	4,696	241	4,937	—	—	—	4,696	241	4,937	(81)	2019		
De Pere	2191 American Boulevard	—	6,042	525	101	6,143	525	6,668	—	—	101	6,143	525	6,668	(1,323)	2012		
East Troy	2761 Buell Drive	—	4,962	304	57	5,019	304	5,323	—	—	57	5,019	304	5,323	(805)	2014		

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Elkhorn	555 Koopman Lane	—	3,941	351	—	3,941	351	—	—	—	3,941	351	4,292	(31)	2019	
Elkhorn	390 Koopman Lane	—	3,621	210	—	3,621	210	—	—	—	3,621	210	3,831	(59)	2019	
Germantown	N117 W18456 Fulton Drive	—	6,023	442	—	6,023	442	—	—	—	6,023	442	6,465	(278)	2018	
Germantown	N106 W13131 Bradley Way	—	3,296	359	—	3,296	359	149	—	—	3,445	359	3,804	(177)	2018	
Germantown	N102 W19400 Willow Creek Way	—	10,908	1,175	—	10,908	1,175	—	—	—	10,908	1,175	12,083	(407)	2018	
Germantown	11900 N. River Lane	—	5,977	1,186	—	5,977	1,186	—	—	—	5,977	1,186	7,163	(1,426)	2014	
Hartland	500 North Shore Drive	—	4,634	1,526	—	4,634	1,526	—	—	—	4,634	1,526	6,160	(677)	2016	
Janesville	2929 Venture Drive	—	17,477	828	—	17,477	828	818	—	—	18,295	828	19,123	(3,737)	2013	
Kenosha	9625 55th Street	—	3,968	797	—	3,968	797	763	—	—	4,731	797	5,528	(678)	2016	
Madison	4718 Helgesen Drive	—	6,365	609	—	6,365	609	—	—	—	6,365	609	6,974	(524)	2017	
Madison	4722 Helgesen Drive	—	4,518	444	—	4,518	444	—	—	—	4,518	444	4,962	(354)	2017	
Mayville	605 Fourth Street	—	4,118	547	—	4,118	547	330	—	—	4,448	547	4,995	(1,542)	2007	
New Berlin	16250 West Woods Edge Drive	—	15,917	277	—	15,917	277	—	—	—	15,917	277	16,194	(40)	2019	
New Berlin	5600 S. Moorland Road	—	6,409	1,068	—	6,409	1,068	43	—	—	6,452	1,068	7,520	(1,230)	2013	
Oak Creek	525 West Marquette Avenue	—	4,350	526	—	4,350	526	—	—	—	4,350	526	4,876	(208)	2018	
Oak Creek	7475 South 6th Street	—	6,125	805	—	6,125	805	355	—	—	6,480	805	7,285	(297)	2018	
Pewaukee	W288 N2801 Duplainville Road	—	6,678	841	—	6,678	841	407	—	—	7,085	841	7,926	(363)	2018	
Pewaukee	W277 N2837 Duplainville, Road	—	4,586	439	—	4,586	439	52	—	—	4,638	439	5,077	(243)	2018	
Pleasant Prairie	10411 80th Avenue	—	16,207	2,297	—	16,207	2,297	—	—	—	16,207	2,297	18,504	(470)	2018	
Pleasant Prairie	8901 102nd Street	—	4,949	523	—	4,949	523	—	—	—	4,949	523	5,472	(281)	2018	
Sun Prairie	1615 Commerce Dr	—	5,809	2,360	—	5,809	2,360	2,499	—	—	8,308	2,360	10,668	(2,001)	2011	
West Allis	2207 S 114th Street	—	1,757	462	—	1,757	462	2,002	—	—	3,759	462	4,221	(354)	2015	
West Allis	2075 S. 114th Street	—	1,848	444	—	1,848	444	24	—	—	1,872	444	2,316	(313)	2015	
West Allis	2145 S. 114th Street	—	846	252	—	846	252	1,018	—	—	1,864	252	2,116	(174)	2015	
West Allis	2025 S. 114th Street	—	956	251	—	956	251	710	—	—	1,666	251	1,917	(158)	2015	
Yorkville	13900 West Grandview Parkway	—	4,886	416	—	4,886	416	323	—	—	5,209	416	5,625	(757)	2014	
<b>Total</b>		<b>\$ (55,085)</b>	<b>\$ 3,350,639</b>	<b>\$ 451,154</b>	<b>\$ 158,090</b>	<b>\$ 3,508,729</b>	<b>\$451,154</b>	<b>\$ 3,959,883</b>	<b>\$ (393,506)</b>							

- (1) Balance excludes the unamortized balance of fair market value premiums of approximately \$39,000 and unamortized deferred financing fees and debt issuance costs of approximately \$0.4 million .
- (2) The initial costs of building and improvements is the acquisition costs less asset impairment write-downs, building expansions and disposals of building and tenant improvements.
- (3) Depreciation expense is computed using the straight-line method based on the following estimated useful lives:

Description	Estimated Useful Life
Building	40 Years
Building and land improvements	Up to 20 years
Tenant improvements	Shorter of useful life or terms of related lease

As of December 31, 2019, the aggregate cost for federal income tax purposes of investments in real estate was approximately \$4.8 billion.

	Year ended December 31,		
	2019	2018	2017
<b>Real Estate:</b>			
Balance at beginning of period	\$	2,966,616 \$	2,524,112 \$
Additions during period			2,009,716
Other acquisitions		995,516	514,725
Improvements, etc.		73,666	53,099
Other additions		—	—
Deductions during period			
Cost of real estate sold		(43,396)	(48,674)
Write-off of tenant improvements		(22,781)	(1,334)
Asset impairments and involuntary conversion		(9,738)	(5,573)
Balance at the end of the period including assets held for sale		3,959,883	2,966,616
Assets held for sale		(48,892)	—
Balance at the end of the period excluding assets held for sale	\$	3,910,991 \$	2,966,616 \$
<b>Accumulated Depreciation:</b>			
Balance at beginning of period	\$	316,930 \$	251,943 \$
Additions during period			187,413
Depreciation and amortization expense		107,867	90,320
Other additions		—	—
Deductions during period			
Disposals		(31,291)	(25,333)
Balance at the end of the period including assets held for sale		393,506	316,930
Assets held for sale		(5,873)	—
Balance at the end of the period excluding assets held for sale	\$	387,633 \$	316,930 \$
			249,057

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# BOARD OF DIRECTORS

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Chairman of the Board  
Chief Executive Officer & President

**DR. JIT KEE CHIN**  
Chief Data and Innovation Officer  
& Executive Vice President  
Suffolk Construction

**VIRGIS W. COLBERT**  
Former Executive Vice President  
World Wide Operations  
Miller Brewing Company

**MICHELLE S. DILLEY**  
Chief Operating Officer  
DSC Logistics, Inc.

**JEFFREY D. FURBER**  
Chief Executive Officer  
AEW Capital Management

**LARRY T. GUILLETTE**  
Former Chairman of the Board  
Former Chief Executive Officer  
& President  
Amtrol, Inc.

**FRANCIS X. JACOBY III**  
Chief Financial Officer  
Leggat McCall Properties, LLC

**CHRISTOPHER P. MARR**  
Chief Executive Officer & President  
CubeSmart

**HANS S. WEGER**  
Former Chief Financial Officer  
FOCUS Brands Inc.



## MANAGEMENT TEAM

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Chairman of the Board  
Chief Executive Officer & President

**WILLIAM R. CROOKER**  
Chief Financial Officer  
Executive Vice President & Treasurer

**STEPHEN C. MECKE**  
Chief Operating Officer  
Executive Vice President

**JEFFREY M. SULLIVAN**  
General Counsel & Secretary  
Executive Vice President

**DAVID G. KING**  
Director of Real Estate Operations  
Executive Vice President

**JACLYN M. PAUL**  
Chief Accounting Officer  
Senior Vice President



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