STAG Industrial, Inc.
Form 10-K
February 25, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2015
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	Name of each exchange on which registered
Common Stock, $0.01 par value	New York Stock Exchange
9.0% Series A Cumulative Redeemable Preferred Stock, $0.01 par value	New York Stock Exchange
6.625% Series B Cumulative Redeemable Preferred Stock, $0.01 par value	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 x 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 x
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 x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $1,354 million based on the closing price on the New York Stock Exchange as of June 30, 2015.

Number of shares of the registrant's common stock outstanding as of February 22, 2016: 68,183,354

Number of shares of 9.0% Series A Cumulative Redeemable Preferred Stock as of February 22, 2016: 2,760,000

Number of shares of 6.625% Series B Cumulative Redeemable Preferred Stock as of February 22, 2016: 2,800,000

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement with respect to its 2016 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.

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Forward-Looking Statements

This report 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, 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, 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;
- 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 that affect us and interpretations of those laws and regulations, including changes in real estate and zoning or real estate investment trust ("REIT") 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;

- lack of or insufficient amounts of insurance;

- our ability to maintain our qualification as a REIT;

- our ability to retain key personnel;

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- 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.

PART I.

Item 1. Business

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"). As used herein,"annualized base rental revenue" refers to the contractual monthly base rent as of December 31, 2015 (which differs from rent calculated in accordance with Generally Accepted Accounting Principles("GAAP")) multiplied by 12. If a tenant is in a free rent period as of December 31, 2015, the annualized rent is calculated based on the first contractual monthly base rent amount multiplied by 12.

Overview

We focus on the acquisition and operation of single-tenant industrial properties throughout the United States. We (i) identify properties that create relative value investments across all locations, industries 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.

As of December 31, 2015, we owned 291 buildings in 38 states with approximately 54.7 million rentable square feet, consisting of 223 warehouse/distribution buildings, 47 light manufacturing buildings and 21 flex/office buildings. As of December 31, 2015, our buildings were approximately 95.6% leased to 266 tenants, with no single tenant accounting for more than approximately 3.3% of our total annualized base rental revenue and no single industry accounting for more than approximately 12.2% of our total annualized base rental revenue. We intend to maintain a diversified mix of tenants to limit our exposure to any single tenant.

The industrial property market in the United States is a large and fragmented market that we believe offers sustainable acquisition opportunities throughout all phases of the economic cycle. We estimate that our target market of single-tenant, industrial properties anticipated to satisfy our investment criteria to be approximately $250 billion or more. Based on this estimate, our current share of our target market is less than 1%. 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 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.

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, 2015, we owned approximately 95.1% of the common equity of our Operating Partnership, and our executive officers, directors and their affiliates, and third parties who contributed properties to us in exchange for common equity in our Operating Partnership, owned the remaining 4.9%. We completed our initial public offering of common stock ("IPO") and related formation transactions, pursuant to which we succeeded to the business of our predecessor, on April 20, 2011.

Our Investment Thesis

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:

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- 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 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, lowering risk and thereby 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 larger properties and portfolios in a select few primary markets. In contrast, we focus on smaller, 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.
- Tenants in our target properties tend to manage the day-to-day operational aspects of their properties directly, which allows us to grow our portfolio without increasing the size of our asset management infrastructure on a linear basis to our portfolio.

While we invest in properties in all locations, our proprietary risk assessment model typically identifies the best relative value in primary and secondary markets. We define primary markets as the 29 largest industrial metropolitan areas, which each have approximately 200 million or more in net rentable square footage. We define secondary industrial markets as the markets which each have net rentable square footage ranging from approximately 25 million to approximately 200 million. We define tertiary markets as markets with less than 25 million square feet of net rentable square footage.

As of December 31, 2015, our investments in primary, secondary, and tertiary markets are summarized in the table below.

		Square Footage			Annualized Base Rental Revenue	
Market Type	Number of Buildings	Amount	%	Occupancy	Amount (in thousands)	%
Primary	56	11,936,855	21.8 %	98.6 %	$ 49,073	23.4 %
Secondary	181	35,109,227	64.2 %	95.3 %	134,971	64.2 %
Tertiary	54	7,666,302	14.0 %	92.1 %	25,986	12.4 %
Total/weighted average	291	54,712,384	100.0 %	95.6 %	$ 210,030	100.0 %

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We have found, and the charts below indicate, that primary and secondary markets have similar occupancy and rent growth experiences. Furthermore, secondary industrial property markets generally provide less rent volatility and equivalent occupancy, compared to primary industrial property markets. The tables below, based on data provided by CB Richard Ellis—Econometric Advisors ("CBRE-EA"), show the quarter-over-quarter ("Q-o-Q") percentage changes in warehouse rent and occupancy for primary and secondary markets.

Our Strategies

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 through the following strategies.

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External Growth Strategy

We focus our acquisition activities (assuming our market opportunity remains attractive) on our core property types: warehouse/distribution facilities and light manufacturing facilities. From time to time, if an attractive opportunity presents itself, we may consider portfolio acquisitions.

Underwriting Strategy

We blend fundamental real estate analysis with corporate credit analysis in our proprietary model to make a probabilistic assessment of future cash flows. We focus on quality real estate and long-term ownership.

Our underwriting strategy involves our asset management and leasing, credit, capital markets and legal departments. For each asset, our analysis focuses on the following, which we input into our risk assessment model:

- Asset Management and Leasing. We evaluate the physical real estate within the context of the market (and submarket) in which it is located and the prospect for re-tenanting the building if it becomes vacant by estimating the following:
  - current and future market rent for this building in this location;
  - downtime to re-lease and related carrying costs;
  - cost (tenant improvements, leasing commissions and capital expenditures) to achieve the occupancy and the projected market rent within the projected downtime; and
  - the fungibility of the property with other properties in the market and the flexibility of the property for other uses, including single-tenant or multi-tenant reuse.
- Renewal probability, which we determine by the tenant’s use of the property and the degree to which the property is central to the tenant’s ongoing operations, the tenant’s potential cost to relocate, the supply/demand dynamic in the relevant submarket and the availability of suitable alternative properties.
- Credit. We apply fundamental credit analysis to evaluate the tenant’s credit profile by focusing on the tenant’s current and historical financial status, general business plan, operating risks, capital sources, industry trends, and earnings expectations. We also analyze Securities and Exchange Commission (“SEC”) filings, press releases, tenant management calls, rating agency reports, macroeconomic variables, analyst reports, and market signals. In the case of a private, non rated firm, we will generally obtain financial information from the tenant, calculate common measures of credit strength and coverage ratios, evaluate qualitative factors including but not limited to competition and customer/supplier concentration, obtain third party references, and conduct tenant interviews. For publicly rated firms, we use our own internal underwriting model, as well as the credit information issued by Moody’s Investor Services, Standard & Poor’s, and Fitch Ratings. Using this data and publicly available bond default studies of comparable tenant credits, we estimate the probability of future rent loss due to tenant default, as well as the possibility of a reorganization or liquidation in the case of a tenant default or bankruptcy event.
- Capital Markets. We evaluate the leverage levels, credit spreads, and costs associated with the capital used to fund the proposed acquisition. In addition, we estimate future inflation rates and interest rates.
- Legal. We evaluate transaction documents, the tenant and landlord obligations contained within the existing or proposed leases, and other legal issues associated with the building, such as zoning, encroachments and environmental conditions.

For our portfolio as a whole, we use risk management guidelines to ensure diversification by tenant, industry, lease term and geography.

Real Estate Operation Strategy

We establish direct, long-term relationships with our tenants and use our in-house expertise in asset management and leasing to manage all operational aspects of our portfolio. We also engage and actively manage high-quality third parties for localized leasing, property management, and construction services. Our asset management team utilizes our direct tenant relationships and leasing expertise to strive to achieve better than market levels of occupancy and rental rates. We utilize third party real estate brokers for the execution of new leases; however, we typically manage the renewal of leases with our tenants directly, thereby reducing the amount of leasing commissions paid. The team also collaborates with our internal credit function to monitor the credit profile of

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each of our tenants through financial statement review, tenant management calls, and press releases. The team's efforts have resulted in our achieving a tenant retention rate of approximately 70% for those tenants whose leases were scheduled to expire since our IPO in 2011. As of December 31, 2015, our portfolio had approximately 4.4% of our total rentable square feet, available for lease, compared to 5.2% as of December 31, 2014.

We continually evaluate dispositions on an opportunistic basis by evaluating tenants, property locations, and asset class. During the three months ended December 31, 2015, we reviewed our portfolio and identified several properties for potential disposition. We reviewed our current properties for disposition to realize value created in the portfolio and enhance the quality of the portfolio by disposing of underperforming assets. During the year ended December 31, 2015, we sold six industrial buildings consisting of approximately 0.8 million square feet for a net gain of approximately $5.0 million.

Financing Strategy

Our main focus is to preserve a flexible capital structure and maintain a relatively low-leveraged balance sheet designed to allow us to capitalize on market opportunities throughout the economic cycle. We seek to maintain a conservative balance sheet and we achieve this by capitalizing new acquisitions with 60% equity and 40% debt. As of December 31, 2015, our ratio of net debt to real estate cost basis was approximately 45% and our ratio of total long-term indebtedness to enterprise value was approximately 40%. For purposes of these ratios, we define:

- "net debt" as our total long-term indebtedness less cash and cash equivalents on hand;
- "long-term indebtedness" as our unsecured credit facility, unsecured term loans, unsecured notes and mortgage notes;
- "real estate cost basis" as the book value of rental property, exclusive of the related accumulated depreciation and amortization; and
- "enterprise value" as the market value of our common stock (based on the period-end closing price on the NYSE) plus the liquidation value of our preferred stock plus our long-term indebtedness.

We raise capital through equity offerings, including discrete marketed offerings and ongoing "at the market" ("ATM") offerings, and through unsecured debt offerings such as bank borrowings and private placement issuances. We believe unsecured indebtedness is generally more efficient and less restrictive operationally than secured indebtedness. We continue to utilize our ATM program as our primary source of equity capital when required and available. As a supplement to the ATM activity, we have also executed marketed overnight equity offerings. From time to time, we issue common units of limited partnership interest in our Operating Partnership to acquire properties from owners who desire a tax-deferred transaction.

Management Team and Personnel

We have a fully integrated, highly experienced management team, and a majority of our senior management team has two or more decades of single-tenant, industrial real estate experience.

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.

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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 shareholders. 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

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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 individuals or local operators due to the 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, 2015, we employed 68 full-time employees. We believe that we have good relationships with our 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 listed and traded on the NYSE. The limited partnership interests in the Operating Partnership, which we sometimes refer to as "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 a property from an owner on a tax-deferred basis by issuing 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 in the Operating Partnership 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 a cash payment 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.

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The following is a simplified diagram of our UPREIT structure at December 31, 2015.

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. 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 SEC are available free of charge as soon as reasonably practicable through our website at 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 through the SEC's website at www.sec.gov. In addition, the public may read and copy materials we file with the SEC at the SEC’s public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the public reference room can be obtained by calling the SEC at 1-800- SEC-0330.

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, 2015, all of our 291 buildings were industrial properties, including 223 warehouse/distribution facilities, 47 light manufacturing facilities and 21 flex/office facilities. This concentration may expose us to the risk of economic downturns in

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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 will harm our returns and profitability.

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

- poor economic conditions may result in tenant defaults under leases;
- 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 pay for these investments. The length and severity of any economic slowdown or downturn cannot be predicted. Our operations 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 developments in global, national and local economies. As a result of the recent global economic crisis and the significant government interventions, federal, state and local governments have incurred record deficits and assumed or guaranteed liabilities of private financial institutions or other private entities. These increased budget deficits and the 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.

There can be no assurance that the global market disruptions, including the increased cost of funding for certain governments and financial institutions, will improve, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize the affected countries and markets. Risks and ongoing concerns about the global economic crisis could have a detrimental impact on economic recovery, financial markets and institutions and the availability of debt financing, which may directly or indirectly adversely affect us.

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. We have holdings in the following states, which, as of December 31, 2015, accounted for the percentage of our total annualized base rental revenue indicated: Ohio (8.6%); Illinois (7.9%); North Carolina (7.7%); Pennsylvania (6.4%); and Texas (5.5%). Our operating performance could be adversely affected if conditions become less favorable in any of the states or regions 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, including the following, which, as of December 31, 2015, accounted for the percentage of our total annualized base rental revenue indicated: Air Freight & Logistics (12.2%; Automotive (11.9%); Industrial Equipment, Component & Metals (10.8%); Food & Beverages (9.3%); and Containers & Packaging (9.2%). 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.

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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 rent 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 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. We have not obtained and do not expect to obtain key man life insurance on any of our key personnel except for Mr. Benjamin S. Butcher, the founder of our predecessor business and our Chief Executive Officer, President and Chairman of the Board. The policy has limits in the amount of $5.0 million and covers us in the event of Mr. Butcher’s death; this policy expires in 2016.

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 or acquisitions may not perform as we expect.

We acquire and intend to continue to acquire primarily generic warehouse/distribution properties and light manufacturing properties. The acquisition of properties entails various risks, including the risks 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 than we 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.

We may be unable to source “limited marketing” deal flow in the future, which could adversely affect our ability to locate and acquire additional properties at attractive prices.

A key component of our growth strategy is to continue to acquire additional industrial real estate assets. We seek to acquire assets before they are widely marketed by real estate brokers. Properties that are acquired in such “limited marketing” transactions are typically more attractive to us as a purchaser because of the absence of a formal sales process that could lead to higher prices. If we cannot obtain “limited marketing” deal flow in the future, our ability to locate and acquire additional properties at attractive prices could be adversely affected.

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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.

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.

The majority of our properties have been under management for less than five years. In addition, since the completion of our IPO, we have acquired an additional 217 buildings totaling approximately 43.5 million rentable square feet. 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 security breaches through cyber attacks, cyber intrusions or otherwise, 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 or cyber intrusions over the internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside 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 or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions 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 entirely mitigate this risk. 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 properly 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, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally.

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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 seize 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 distribute annually 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 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 any necessary 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 obtain financing on favorable terms or at all. Any additional debt we incur will increase our leverage. 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 cash dividends; and
- the market price per share of our common stock.

If we cannot 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 and result in us not meeting our projected earnings and distributable cash flow levels in a particular reporting period. 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.

We have experienced historical net losses and accumulated deficits after depreciation and amortization and we may experience future losses.

We had historical net losses attributable to common stockholders for the years ended December 31, 2015, December 31, 2014, and December 31, 2013 of $40.6 million, $15.2 million, and $4.2 million, respectively. There can be no assurance that we will not incur net losses in the future after excluding the effects of depreciation and amortization, which could adversely affect our ability to service our indebtedness and our ability to make distributions, any of which could adversely affect the trading price of our stock.

Certain of our officers and some of our directors have duties to Fund II, which may create conflicts of interest and may impede business decisions that could benefit our stockholders.

Certain of our executive officers and one of our directors also serve as officers or on the board of managers of STAG Investments II, LLC ("Fund II"), a private equity real estate fund that continues to operate as a private, fully invested fund. Our officers and director may have conflicting duties because they have a duty to both us and to Fund II, which retained ownership of certain of its properties. While Fund II is pursuing an orderly liquidation and will not be making any additional investments, some of its existing properties may be competitive with our properties. It is possible that the officers' and directors' fiduciary duty to Fund II, including, without limitation, their interests in Fund II, will conflict with what will be in the best interests of our company.

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

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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 in 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 our 2011 Equity Incentive Plan (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; and 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 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 9.0% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share (the “Series A Preferred Stock”) and our 6.625% Series B Cumulative Redeemable Preferred Stock, par value $0.01 per share (the “Series B 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 A Preferred Stock or Series B 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, our Series A Preferred Stock or our Series B 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 A Preferred Stock and Series B Preferred Stock to approve the classification or issuance of any class or series of stock ranking senior to the Series A Preferred Stock or Series B 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 A Preferred Stock and Series B Preferred Stock discussed above,

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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. Certain provisions of the Maryland General Corporation Law ("MGCL") may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control under circumstances that might be in the best interest of our stockholders, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special appraisal rights and special stockholder voting requirements on these combinations; and
- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have elected to opt out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL, by resolution of our board of directors, and in the case of the control share provisions of the MGCL, pursuant to a provision in our bylaws. Only upon the approval of our stockholders, our board of directors may repeal the foregoing opt-outs from the business combination provisions of the MGCL and opt in to the control share provisions of the MGCL in the future.

Additionally, Title 8, Subtitle 3 of the 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, bylaws, the partnership agreement for our Operating Partnership and Maryland law also 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 may terminate his or her employment and, under certain conditions, receive severance based on two or three times (depending on the officer) the annual total of salary and bonus and immediate vesting of all outstanding equity-based awards. In the case of certain terminations, they would not be restricted from competing with us after their departure.

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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 overall 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/or 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 A Preferred Stock and of Series B 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 our equity incentive 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 money 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.

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The number of shares of our common stock available for future sale, including by our affiliates and other continuing investors, 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 our 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 the shares of our common stock. Also, continuing investors in our IPO and the related formation transactions that hold common units are parties to an agreement that provides for registration rights. These registration rights required us to file a "shelf" registration statement covering all shares of our common stock for which their common units may be redeemed or exchanged pursuant to the partnership agreement of our Operating Partnership. A shelf registration statement covering these shares has been filed and is currently effective. The existence of shares of our common stock reserved for issuance under our 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 or preferred stock) on an as-needed basis and subject to our ability to affect offerings on satisfactory terms based on prevailing conditions. In addition, our board of directors authorized us to issue shares of common stock in our "at-the-market" offering program. 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 shares. 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 A Preferred Stock and Series B Preferred Stock. Our outstanding Series A Preferred Stock and Series B 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 private notes, and other loan agreements;

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- 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;
- 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.

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 real estate 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 submarkets in which our properties are located. If our competitors offer space at rental rates below current market

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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, 2015, leases with respect to approximately 42.6% (excluding month to month leases, which comprises an additional 0.3%) of our total annualized base rental revenue will expire before December 31, 2018. 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 average base rental rates. In addition, the number of vacant or partially vacant industrial properties in a market or submarket could adversely affect our ability to re lease the space at attractive rental rates.

A property that incurs a vacancy could be difficult to sell or re-lease.

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 have difficulty obtaining 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.

If a tenant becomes bankrupt or insolvent, that could diminish the income we receive from that tenant's leases. 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 leases with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be an unsecured prepetition 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 leases. 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 assets.

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 bases 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.

Contingent or unknown liabilities could adversely affect our financial condition.

As part of the formation transactions related to our IPO, we assumed existing liabilities of contributed operating companies and liabilities in connection with contributed properties, some of which may be unknown or unquantifiable. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions beyond the scope of our environmental insurance coverage, claims of tenants, vendors or other persons dealing with the entities prior to our IPO, tax liabilities, and accrued but unpaid liabilities whether incurred in the ordinary course of business or otherwise. In addition, we may in the future acquire properties, or may have previously owned properties, subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based on ownership of any of these entities or properties, then we might have to pay substantial sums to settle it, which could adversely affect our cash flows.

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 removing or remediating 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 remediating 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 U.S. 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 are 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.

Compliance or failure to comply with the Americans with Disabilities Act 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.

Five of our properties are subject to a ground lease that exposes 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 five of our 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 two properties that benefit from payment in lieu of tax ("PILOT") 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.

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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 future 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, 2015, we had total outstanding debt of approximately $987.2 million, including $56.0 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 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.

Covenants in our unsecured credit facility, unsecured term loans, unsecured notes and 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, recourse indebtedness thresholds, fixed charge coverage ratios and tangible net worth thresholds and limits. 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.

In addition, as of December 31, 2015, we had certain secured loans that are cross-collateralized by multiple properties. If we default on any of these loans we may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all cross-collateralized properties within the applicable pool. Moreover, 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.

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We are a holding company and conduct all of our operations 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 lockbox 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 or refinance our properties.

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 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 and could reduce the overall returns on your investment.

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 reduce the overall return on your investment.

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. 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.

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Even if we qualify 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 qualify 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 qualify 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.

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 funds, sell investments at disadvantageous prices, make taxable distributions of our stock or debt securities or find another alternative source of funds to make distributions sufficient to enable us to pay out 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 qualify 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.

Recharacterization 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 recharacterized 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 recharacterized, we might fail to satisfy the REIT qualification “asset tests” or “income tests” and, consequently, lose our REIT status effective with the year of recharacterization. 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.

We may be subject to adverse legislative or regulatory tax changes affecting REITs that could have a negative effect on us.

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,

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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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The characteristics of the properties within our portfolio as of December 31, 2015 and December 31, 2014 are shown in the table below:

Portfolio characteristics	December 31, 2015	December 31, 2014
Number of Buildings	291	248
Square Feet	54,712,384	47,024,076
Average Building Size (square feet)	188,015	189,613
Average Building Age (years)	28	29
Average Minimum and Maximum Clear Height (feet) [(1)]	25-29	26-29
Number of Tenants	266	227
Number of Leases	319	261
Average Lease Size (square feet)	163,884	170,890

(1) Excludes flex/office buildings

Our target properties fit into two general categories:

- Warehouse/Distribution—properties generally 200,000 to 1,000,000 square feet in size with ceiling heights between 22 feet and 36 feet and used to store and ship various materials and products.
- Light Manufacturing—properties generally 75,000 to 250,000 square feet in size with ceiling heights between 16 feet and 22 feet and used to manufacture all types of goods and products.

During the year ended December 31, 2015, we acquired 49 industrial buildings consisting of approximately 8.7 million square feet for approximately $427.3 million. These acquisitions have a weighted average remaining lease term of 5.4 years.

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As of December 31, 2015, we owned the properties listed below. Except as otherwise noted in the footnotes, we own fee simple interests in all of the properties.

State	City	Number of Buildings	Asset Type[1]	Total Rentable Square Feet	
Alabama					
	Phenix City	1	Warehouse / Distribution	117,568	
Arkansas					
	Rogers	1	Warehouse / Distribution	400,000	
Arizona					
	Phoenix	1	Warehouse / Distribution	102,747	
California					
	Camarillo	2	Warehouse / Distribution	732,606	
Colorado					
	Longmont	1	Warehouse / Distribution	159,611	
	Golden	1	Warehouse / Distribution	227,500	
	Grand Junction	1	Warehouse / Distribution	82,800	
Connecticut					
	Avon	1	Light Manufacturing	78,400	
	East Windsor	1	Warehouse / Distribution	145,000	
	North Haven	3	Warehouse / Distribution	824,727	
Delaware					
	Newark	2	Flex / Office	52,665	
Florida					
	Daytona Beach	1	Light Manufacturing	142,857	
	Ocala	1	Warehouse / Distribution	619,466	
	Orlando	1	Light Manufacturing	215,900	
	Orlando	1	Warehouse / Distribution	155,000	
	Pensacola	2	Flex / Office	38,029	
Georgia					
	Atlanta	1	Warehouse / Distribution	407,981	
	Calhoun	1	Warehouse / Distribution	151,200	
	Conyers	3	Warehouse / Distribution	572,921	
	Dallas	1	Warehouse / Distribution	92,807	
	LaGrange	1	Warehouse / Distribution	219,891	
	Savannah	1	Warehouse / Distribution	504,200	(2) (3)
	Shannon	1	Warehouse / Distribution	568,516	
	Smyrna	1	Warehouse / Distribution	102,000	
	Statham	1	Warehouse / Distribution	225,680	
Idaho					
	Idaho Falls	1	Warehouse / Distribution	90,300	
	Pocatello	1	Flex / Office	43,353	
Illinois					
	Belvidere	9	Warehouse / Distribution	1,106,960	
	DeKalb	1	Warehouse / Distribution	146,740	
	Gurnee	2	Warehouse / Distribution	562,500	
	Harvard	1	Light Manufacturing	126,304	
	Libertyville	1	Warehouse / Distribution	251,961	
	Libertyville	1	Flex / Office	35,141	

	Machesney Park	1	Warehouse / Distribution	80,000
	Montgomery	1	Warehouse / Distribution	584,301
	Mt. Prospect	1	Warehouse / Distribution	87,380
	Sauk Village	1	Warehouse / Distribution	375,785
	South Holland	1	Warehouse / Distribution	202,902
	Woodstock	1	Light Manufacturing	129,803
Indiana				
	Albion	7	Light Manufacturing	261,013
	Elkhart	2	Warehouse / Distribution	170,100
	Kendallville	1	Light Manufacturing	58,500
	Fort Wayne	1	Warehouse / Distribution	108,800
	Franklin	1	Warehouse / Distribution	703,496
	Goshen	1	Warehouse / Distribution	366,000
	Lafayette	3	Warehouse / Distribution	466,400

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State	City	Number of Buildings	Asset Type[1]	Total Rentable Square Feet	
Indiana (continued)	Marion	1	Warehouse / Distribution	249,600	
	Mishawaka	1	Light Manufacturing	308,884	
	Portage	1	Warehouse / Distribution	212,000	(3)
	South Bend	1	Warehouse / Distribution	225,000	
Iowa					
	Marion	1	Warehouse / Distribution	95,500	
	Sergeant Bluff	1	Flex / Office	148,131	
Kansas					
	Kansas City	1	Light Manufacturing	56,580	
	Lenexa	2	Warehouse / Distribution	276,219	
	Parsons	1	Light Manufacturing	120,000	
	Wichita	4	Warehouse / Distribution	293,310	
Kentucky					
	Bardstown	1	Warehouse / Distribution	102,318	
	Danville	1	Warehouse / Distribution	757,047	
	Georgetown	1	Warehouse / Distribution	97,500	
	Hebron	1	Warehouse / Distribution	109,000	
	Louisville	2	Warehouse / Distribution	497,820	
Louisiana					
	Shreveport	1	Warehouse / Distribution	420,259	
Maine					
	Belfast	5	Flex / Office	318,979	
	Lewiston	1	Flex / Office	60,000	
	Portland	1	Warehouse / Distribution	100,600	
Maryland					
	Hampstead	1	Warehouse / Distribution	1,035,249	
	Sparks	2	Flex / Office	34,800	
Massachusetts					
	Chicopee	1	Warehouse / Distribution	217,000	
	Malden	2	Light Manufacturing	109,943	
	Norton	1	Warehouse / Distribution	200,000	
	Stoughton	2	Warehouse / Distribution	250,213	
Michigan					
	Chesterfield	4	Warehouse / Distribution	478,803	
	Grand Rapids	1	Warehouse / Distribution	301,317	
	Holland	2	Warehouse / Distribution	463,000	
	Holland	1	Light Manufacturing	177,062	
	Kentwood	1	Light Manufacturing	85,157	
	Lansing	4	Warehouse / Distribution	770,425	
	Marshall	1	Light Manufacturing	57,025	
	Novi	2	Warehouse / Distribution	245,860	
	Plymouth	1	Warehouse / Distribution	125,214	
	Sterling Heights	1	Warehouse / Distribution	108,000	
	Walker	1	Warehouse / Distribution	210,000	
Minnesota					
	Carlos	1	Light Manufacturing	196,270	
	New Hope	1	Light Manufacturing	107,348	

	Rogers	1	Warehouse / Distribution	386,724
	Savage	1	Warehouse / Distribution	244,050
Mississippi				
	Jackson	2	Flex / Office	51,509
Missouri				
	Kansas City	1	Warehouse / Distribution	226,576
	Hazlewood	1	Warehouse / Distribution	305,550
	O'Fallon	1	Warehouse / Distribution	77,000
Nevada				
	Reno	1	Light Manufacturing	87,264
New Hampshire				
	Londonderry	1	Warehouse / Distribution	125,060
	Nashua	1	Warehouse / Distribution	337,391
New Jersey				
	Burlington	2	Warehouse / Distribution	1,552,121

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State	City	Number of Buildings	Asset Type[1]	Total Rentable Square Feet	
New Jersey (continued)	Lopatcong	1	Warehouse / Distribution	87,500	
	Piscataway	1	Warehouse / Distribution	228,000	
New York					
	Buffalo	1	Warehouse / Distribution	117,000	
	Cheektowaga	1	Warehouse / Distribution	121,760	
	Farmington	1	Warehouse / Distribution	149,657	
	Gloversville	3	Warehouse / Distribution	211,554	
	Gloversville	1	Flex / Office	26,529	
	Johnstown	3	Warehouse / Distribution	169,602	
	Johnstown	1	Light Manufacturing	42,325	
North Carolina					
	Charlotte	5	Warehouse / Distribution	1,349,599	
	Charlotte	1	Light Manufacturing	123,333	
	Durham	1	Warehouse / Distribution	80,600	
	Huntersville	1	Warehouse / Distribution	185,570	
	Lexington	1	Warehouse / Distribution	201,800	
	Mebane	2	Warehouse / Distribution	606,840	
	Mebane	1	Light Manufacturing	202,691	
	Mooresville	1	Warehouse / Distribution	300,000	
	Mountain Home	1	Warehouse / Distribution	146,014	
	Newton	1	Warehouse / Distribution	187,200	
	Pineville	1	Light Manufacturing	75,400	
	Rural Hall	1	Warehouse / Distribution	250,000	
	Smithfield	1	Warehouse / Distribution	191,450	
	Winston-Salem	1	Warehouse / Distribution	385,000	
Ohio					
	Boardman	1	Warehouse / Distribution	175,900	
	Boardman	1	Light Manufacturing	95,000	
	Canton	1	Warehouse / Distribution	398,000	
	Cincinnati	1	Flex / Office	114,532	(4)
	Columbus	1	Warehouse / Distribution	186,000	
	Dayton	1	Flex / Office	88,000	
	Dayton	1	Warehouse / Distribution	205,761	
	Fairborn	1	Warehouse / Distribution	258,680	
	Gahanna	1	Warehouse / Distribution	383,000	
	Hamilton	1	Warehouse / Distribution	245,000	
	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	2	Warehouse / Distribution	345,000	
	Springfield	1	Warehouse / Distribution	350,500	
	Strongsville	1	Warehouse / Distribution	161,984	
	Streetsboro	1	Warehouse / Distribution	343,416	
	Toledo	1	Warehouse / Distribution	177,500	
	Twinsburg	1	Warehouse / Distribution	150,974	

Oklahoma					
	Catoosa	1	Light Manufacturing	100,100	(3)
	Oklahoma City	1	Warehouse / Distribution	223,340	
	Tulsa	1	Warehouse / Distribution	175,000	
Oregon					
	Gresham	1	Warehouse / Distribution	420,690	
	Salem	2	Light Manufacturing	155,900	
Pennsylvania					
	Allentown	1	Warehouse / Distribution	289,900	
	Elizabethtown	1	Warehouse / Distribution	206,236	
	Lancaster	1	Warehouse / Distribution	240,529	
	Mechanicsburg	3	Warehouse / Distribution	747,054	
	New Kingston	1	Warehouse / Distribution	330,000	
	Muhlenberg Townsh	1	Warehouse / Distribution	394,289	
	O'Hara Township	1	Warehouse / Distribution	887,084	

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State	City	Number of Buildings	Asset Type(1)	Total Rentable Square Feet	
Pennsylvania (continued)	Warrendale	1	Warehouse / Distribution	148,065	
	Williamsport	1	Warehouse / Distribution	250,000	
South Carolina					
	Edgefield	1	Light Manufacturing	126,190	
	Duncan	2	Warehouse / Distribution	787,380	
	Greenville	1	Warehouse / Distribution	157,500	
	Greenwood	2	Light Manufacturing	175,055	
	Greer	4	Warehouse / Distribution	290,000	
	Laurens	1	Warehouse / Distribution	125,000	
	Orangeburg	1	Warehouse / Distribution	319,000	
	Piedmont	3	Warehouse / Distribution	400,000	
	Spartanburg	5	Warehouse / Distribution	635,740	
	Simpsonville	2	Warehouse / Distribution	411,994	
	Ware Shoals	1	Light Manufacturing	20,514	
	West Columbia	1	Warehouse / Distribution	273,280	
South Dakota					
	Rapid City	1	Flex / Office	137,000	
Tennessee					
	Chattanooga	3	Warehouse / Distribution	646,200	
	Cleveland	1	Warehouse / Distribution	151,704	
	Clinton	1	Warehouse / Distribution	166,000	
	Jackson	1	Warehouse / Distribution	235,855	
	Jefferson City	1	Warehouse / Distribution	486,109	
	Knoxville	1	Warehouse / Distribution	108,400	
	Loudon	1	Warehouse / Distribution	104,000	
	Madison	1	Warehouse / Distribution	418,406	
	Mascot	1	Light Manufacturing	130,560	
	Murfreesboro	1	Warehouse / Distribution	102,505	
	Nashville	1	Warehouse / Distribution	150,000	
	Portland	1	Warehouse / Distribution	414,043	(2)
	Vonore	1	Warehouse / Distribution	342,700	
Texas					
	Arlington	2	Warehouse / Distribution	290,132	
	El Paso	6	Warehouse / Distribution	1,404,198	(3)
	Fort Worth	1	Warehouse / Distribution	101,500	
	Garland	1	Light Manufacturing	253,900	
	Garland	1	Warehouse / Distribution	164,914	
	Houston	2	Warehouse / Distribution	352,834	
	Houston	1	Light Manufacturing	185,000	
	Waco	1	Warehouse / Distribution	66,400	(3)
Virginia					
	Buena Vista	1	Light Manufacturing	172,759	
	Chester	1	Warehouse / Distribution	100,000	
	Fairfield	1	Light Manufacturing	75,221	
	Harrisonburg	1	Warehouse / Distribution	357,673	
	Independence	1	Warehouse / Distribution	120,000	
Wisconsin					

	Appleton	1	Light Manufacturing	113,379
	Chippewa Falls	2	Light Manufacturing	97,400
	De Pere	1	Warehouse / Distribution	200,000
	East Troy	1	Warehouse / Distribution	149,624
	Germantown	1	Warehouse / Distribution	202,500
	Janesville	1	Warehouse / Distribution	700,000
	Mayville	1	Light Manufacturing	339,179
	Milwaukee	2	Warehouse / Distribution	117,564
	New Berlin	2	Warehouse / Distribution	285,728
	Sun Prairie	1	Warehouse / Distribution	427,000
	West Allis	4	Warehouse / Distribution	241,977
	Yorkville	1	Warehouse / Distribution	98,151
Totals		291		54,712,384

(1) Flex / Office are properties that are generally 50,000 to 200,000 square feet in size and used for office space, light manufacturing, research and development and warehousing.

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(2) Subject to a PILOT agreement.
(3) One of the buildings is subject to ground lease.
(4) The parking lot utilized by the tenant adjacent to the property is subject to a ground lease.

As of December 31, 2015, 57 of our 291 buildings were encumbered by mortgage indebtedness totaling $230.7 million (excluding unamortized fair market value premiums). See Note 5 in the accompanying Notes to the Consolidated Financial Statements and the accompanying Schedule III beginning on page F-46 for additional information.

Property Diversification

The following table and chart set forth information relating to diversification by property type in our portfolio based on total annualized base rental revenue as of December 31, 2015:

Building Type	Number of Buildings	Square Feet	Occupancy[1]		Annualized Base Rental Revenue (in thousands)	% of Total Annualized Base Rental Revenue	
Warehouse/Distribution	223	48,374,300	96.0	%	$182,255	86.8	%
Light Manufacturing	47	5,189,416	98.5	%	19,557	9.3	%
Flex/Office	21	1,148,668	64.7	%	8,218	3.9	%
Total/weighted average	291	54,712,384	95.6	%	$210,030	100.0	%

(1) Calculated as the average economic occupancy weighted by each property's rentable square footage. As used herein, economic occupancy includes all square footage where an existing lease is in place whether or not such square footage is physically occupied.

Geographic Diversification

The following table and chart set forth information relating to geographic diversification by region and state, respectively, in our portfolio based on total annualized base rental revenue as of December 31, 2015:

Region	Total Number of States	Total Number of Buildings	Regional Occupancy		% of Total Leased Square Feet		% of Total Annualized Base Rental Revenue	
Midwest	10	119	94.4	%	37.2	%	36.7	%
East	13	105	95.9	%	37.4	%	38.5	%
South	9	55	96.2	%	21.5	%	19.3	%
West	6	12	100.0	%	3.9	%	5.5	%
Total/weighted average	38	291	95.6	%	100.0	%	100.0	%

Industry Diversification

The following table and chart set forth information about the ten largest tenant industries in our portfolio based on total annualized base rental revenue as of December 31, 2015:

Top Ten Tenant Industries	Total Number of Leases	Total Leased Square Feet	Total Annualized Base Rental Revenue (in thousands)	% of Total Annualized Base Rental Revenue	
Air Freight & Logistics	43	6,695,668	$25,593	12.2	%
Automotive	42	6,273,103	25,066	11.9	%
Ind Equip, Component & Metals	39	5,428,365	22,563	10.8	%
Food & Beverages	26	5,019,161	19,532	9.3	%
Containers & Packaging	22	5,108,981	19,367	9.2	%

Retail	13	3,240,980	11,156	5.3	%
Personal Products	10	2,601,482	11,007	5.2	%
Household Durables	11	2,882,427	10,166	4.8	%
Non-Profit/Government	7	1,245,044	8,974	4.3	%
Office Supplies	10	2,383,405	8,725	4.2	%
Total	223	40,878,616	$162,149	77.2	%

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Top Tenants

The following table sets forth information about the ten largest tenants in our portfolio based on total annualized base rental revenue as of December 31, 2015:

Top Ten Tenants	Number of Leases	Total Leased Square Feet	Annualized Base Rental Revenue (in thousands)	% of Total Annualized Base Rental Revenue	
General Services Administration	1	1,048,631	$7,026	3.3	%
XPO Logistics Supply Chain Inc	4	1,157,684	5,226	2.5	%
Deckers Outdoor Corporation	2	723,106	4,067	1.9	%
Solo Cup Company	1	1,035,249	3,810	1.8	%
Exel Logistics	4	1,094,694	3,675	1.8	%
International Paper Company	3	698,323	3,548	1.7	%
Generation Brands, LLC	1	503,490	2,634	1.3	%
American Tire Distributors	4	457,980	2,351	1.1	%
Perrigo Holland	2	669,000	2,351	1.1	%
Spencer Gifts, LLC	1	491,025	2,252	1.1	%
Total	23	7,879,182	$36,940	17.6	%

As of December 31, 2015, based upon our tenants' public filings and our tenants' internally prepared financial data, our tenants, guarantors, or their parents (including parents not guaranteeing any tenant lease obligations) had the following characteristics based on annualized base rent:

Credit	December 31, 2015	
Tenants Publicly Rated	56.9	%
Tenants Rated Investment Grade	28.8	%
Tenant Revenue > $100 Million	88.0	%
Tenant Revenue > $1 Billion	60.8	%

Top Leases

The following table sets forth information about the ten largest leases in our portfolio based on total annualized base rental revenue as of December 31, 2015:

Top Ten Leases	Leased Square Feet	% of Total Leased Square Feet		Annualized Base Rental Revenue (in thousands)	% of Total Annualized Base Rental Revenue	
General Service Administration	1,048,631	2.0	%	$7,026	3.3	%
Solo Cup Company	1,035,249	2.0	%	3,810	1.8	%
XPO Logistics Supply Chain Inc	528,997	1.0	%	2,777	1.3	%
Generation Brands, LLC	503,490	1.0	%	2,634	1.3	%
International Paper Company	465,323	0.9	%	2,517	1.2	%
Deckers Outdoor Corporation	423,106	0.8	%	2,379	1.1	%
Spencer Gifts, LLC	491,025	0.9	%	2,252	1.1	%
Closetmaid Corporation	619,466	1.2	%	2,053	1.0	%
CareFusion 213, LLC	360,134	0.7	%	1,956	0.9	%
Archway Marketing Serv., Inc.	386,724	0.7	%	1,858	0.9	%
Total	5,862,145	11.2	%	$29,262	13.9	%

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Scheduled Lease Expirations

As of December 31, 2015, our weighted average in place remaining lease term was approximately 4.0 years. For the year ended December 31, 2015, we have achieved approximately a 69.8% tenant retention rate for those tenants whose leases were scheduled to expire in 2015. The following table and chart set forth a summary of lease expirations for leases in place as of December 31, 2015, plus available space, for each of the ten calendar years beginning with 2016 and thereafter in our portfolio. The information in the table and chart assumes that tenants exercise no renewal options and no early termination rights.

Lease Expiration Year	Number of Leases Expiring	Total Rentable Square Feet (1)	% of Total Occupied Square Feet		Total Annualized Base Rental Revenue (in thousands)	% of Total Annualized Base Rental Revenue		Average Annualized Base Rental Revenue per Expiring Square Foot
Available	—	2,433,427	—		—	—		—
Month-to-month leases	8	181,490	0.3	%	$627	0.3	%	$3.45
2016	46	5,607,996	10.7	%	23,803	11.3	%	4.24
2017	50	7,176,749	13.7	%	28,694	13.7	%	4.00
2018	55	9,692,999	18.6	%	37,029	17.6	%	3.82
2019	42	7,825,545	15.0	%	29,744	14.1	%	3.80
2020	33	6,648,221	12.7	%	29,514	14.1	%	4.44
2021	28	4,929,104	9.4	%	20,175	9.6	%	4.09
2022	17	2,375,944	4.5	%	9,482	4.5	%	3.99
2023	11	2,382,466	4.6	%	8,762	4.2	%	3.68
2024	7	1,423,071	2.7	%	5,690	2.7	%	4.00
2025	7	1,335,563	2.6	%	5,357	2.6	%	4.01
Thereafter	15	2,699,809	5.2	%	11,153	5.3	%	4.13
Total/weighted average	319	54,712,384	100.0	%	$210,030	100.0	%	$4.02

(1) During the three months ended June 30, 2015, we evaluated the rentable square feet in our portfolio, and determined that, in management's opinion, approximately 212,000 square feet is not considered leasable to a third party tenant and therefore is no longer included in rentable square feet.

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 which, 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.

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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 2016 Annual Stockholders' Meeting.

Market Information

Our common stock has been listed on the NYSE since April 15, 2011 and is traded under the symbol "STAG." The closing share price for our common stock on February 22, 2016, as reported by the NYSE, was $16.29. For the year ended December 31, 2015, our total stockholder return was -19.59%. The following table sets forth, for the periods indicated, the high and low sale prices in dollars on the NYSE for our common stock as well as the dividends declared per share of common stock.

Quarter ended	High	Low	Dividends per common share(1)
December 31, 2015	$21.13	$18.01	$0.3450
September 30, 2015	$21.29	$16.66	$0.3450
June 30, 2015	$23.81	$19.89	$0.3375
March 31, 2015	$27.61	$22.28	$0.3375
December 31, 2014	$25.26	$20.65	$0.3300
September 30, 2014	$24.46	$20.57	$0.3300
June 30, 2014	$25.19	$23.05	$0.3150
March 31, 2014	$24.71	$19.75	$0.3150

(1) On October 22, 2015, our board of directors declared the common stock dividend for the months ending January 31, 2016, February 29, 2016 and March 31, 2016 at a monthly rate of $0.115833 per share of common stock. On February 22, 2016 our board of directors declared the common stock dividend for the months ending April 30, 2016, May 31, 2016 and June 30, 2016 at a monthly rate of $0.115833 per share of common stock.

Holders of Our Common Stock

As of February 22, 2016, we had approximately 64 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.

Common Units and Recent Sales of Unregistered Securities

On January 22, 2015, in connection with our acquisition of a building, our Operating Partnership issued 812,676 common units of limited partnership. On December 11, 2015, in connection with our acquisition of another building, our Operating Partnership issued 51,607 common units of limited partnership. The issuance of the common units of limited partnership was effected in reliance upon an exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amended, and Regulation D promulgated thereunder. The Operating Partnership relied on the exemption based on representations given by the recipients of the common units of limited partnership. Subject to certain restrictions, common units of limited partnership may be redeemed for cash or, at our election, our common stock on a one for one basis, subject to adjustment, as provided in the operating partnership agreement.

Additionally, during the year ended December 31, 2015, 2,400 common units of limited partnership held by certain limited partners of our Operating Partnership were redeemed for cash.

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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 April 15, 2011 to December 31, 2015 and assumes that $100 was invested in our common stock and in each index on April 15, 2011 and that all dividends were 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 Exchange Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 6. Selected Financial Data

The "predecessor" for accounting purposes is STAG Predecessor Group (or "Predecessor"), which is not a legal entity, but a collection of the real estate entities that were owned by STAG Investments III, LLC prior to our IPO in April 2011. The financial information contained in this report that relates to the time periods on or prior to April 19, 2011 is the Predecessor's financial information; the financial information contained in this report for any time period on or after April 20, 2011 is our financial information.

The following sets forth 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, 2015, December 31, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, and our selected historical Consolidated Statement of Operations data for the years

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ended December 31, 2015, December 31, 2014, December 31, 2013, December 31, 2012 and the period from April 20, 2011 to December 31, 2011, have been derived from the audited financial statements of STAG Industrial, Inc. The selected historical Combined Statements of Operations data for the period from January 1, 2011 to April 19, 2011, has been derived from the audited Combined Financial Statements of the STAG Predecessor Group. Certain prior year amounts have been reclassified to conform to the current year presentation. The results of operations for all periods presented have been adjusted to reflect discontinued operations:

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	STAG Industrial, Inc.					STAG Predecessor Group
	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period from April 20, 2011 to December 31, 2011	Period from January 1, 2011 to April 19, 2011
Statements of Operations Data:						
Revenue						
Total revenue	$218,633	$ 173,816	$ 133,893	$ 84,052	$ 41,116	$7,707
Expenses						
Property	42,627	33,388	24,010	12,841	7,180	2,067
General and administrative	28,750	26,396	17,867	14,617	8,443	484
Property acquisition costs	4,757	4,390	3,427	4,218	1,088	—
Depreciation and amortization	112,545	88,057	67,556	42,427	21,325	2,345
Loss on impairments	29,272	2,840	—	622	—	—
Other expenses	1,048	803	621	339	294	—
Total expenses	218,999	155,874	113,481	75,064	38,330	4,896
Other income (expense)						
Interest income	9	15	13	19	28	1
Interest expense	(36,098)	(25,109)	(20,319)	(16,110)	(11,829)	(3,825)
Gain on interest rate swaps	—	—	—	215	2,179	762
Formation transaction costs	—	—	—	—	(3,674)	—
Loss on extinguishment of debt	—	(686)	—	(929)	—	—
Gain on sales of rental property	4,986	2,799	—	—	—	—
Total other income (expense)	(31,103)	(22,981)	(20,306)	(16,805)	(13,296)	(3,062)
Net income (loss) from continuing operations	$(31,469)	$ (5,039)	$ 106	$ (7,817)	$ (10,510)	$(251)
Total income (loss) attributable to discontinued operations	—	—	4,796	(2,382)	1,283	22
Net income (loss)	$(31,469)	$ (5,039)	$ 4,902	$ (10,199)	$ (9,227)	$(229)
Less: loss attributable to noncontrolling interest after preferred stock dividends	(2,066)	(1,014)	(620)	(3,720)	(3,396)	
Less: preferred stock dividends	10,848	10,848	9,495	6,210	1,018	
Less: amount allocated to unvested restricted stockholders	385	345	262	122	—	
Net loss attributable to common stockholders	$(40,636)	$ (15,218)	$ (4,235)	$ (12,811)	$ (6,849)	

Net loss per share from continuing operations attributable to the common stockholders	$(0.61)	$(0.28)	$(0.20)	$(0.44)	$(0.49)	
Income (loss) per share from discontinued operation attributable to common stockholders	—	—	0.10	(0.07)	0.05	
Net loss per share attributable to the common stockholders	$(0.61)	$(0.28)	$(0.10)	$(0.51)	$(0.44)	
Balance Sheets Data (End of Period):						
Rental property, before accumulated depreciation and amortization	$2,188,642	$1,809,895	$1,389,214	$1,059,715	$642,603	$—
Rental property, after accumulated depreciation and amortization	$1,837,489	$1,558,080	$1,222,360	$957,607	$585,547	$—
Total assets	$1,906,236	$1,629,317	$1,270,281	$1,005,124	$624,514	$—
Total debt	$987,180	$686,347	$556,091	$479,215	$296,779	$—
Total liabilities	$1,050,857	$737,793	$595,717	$515,664	$314,605	$—
Total equity	$855,379	$891,524	$674,564	$489,460	$309,909	$—
Other Data:						
Dividend declared per common share	$1.365	$1.29	$1.20	$1.07	$0.7257	$—
Cash flow provided by operating activities	$121,707	$96,676	$82,687	$48,011	$14,666	$2,359
Cash flow used in investing activities	$(372,038)	$(421,713)	$(325,231)	$(417,203)	$(114,458)	$(581)
Cash flow provided by (used in) financing activities	$238,464	$342,225	$230,228	$371,700	$116,013	$(3,070)

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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 financial statements and related notes included elsewhere in this report. The consolidated financial statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 include the financial information of our company, our Operating Partnership and our subsidiaries.

Overview

We are a REIT focused on the acquisition and operation of single-tenant, industrial properties throughout the United States. We endeavor to (i) identify properties that create relative value investments across all locations, single-tenant 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 depends 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, 2015, we owned 291 buildings in 38 states with approximately 54.7 million rentable square feet, consisting of 223 warehouse/distribution buildings, 47 light manufacturing buildings and 21 flex/office buildings. As of December 31, 2015, our buildings were approximately 95.6% leased to 266 tenants, with no single tenant accounting for more than approximately 3.3% of our total annualized rent and no single industry accounting for more than approximately 12.2% of our total annualized rent.

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, 2015, we owned approximately 95.1% of the common equity of our Operating Partnership, and our executive officers, directors and their affiliates, and third parties who contributed properties to us in exchange for common equity in our Operating Partnership, owned the remaining 4.9%. We completed our IPO and related formation transactions, pursuant to which we succeeded to the business of our predecessor, on April 20, 2011.

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 equity market turmoil, mixed economic data, and continued asset appreciation. In December 2015, the Federal Reserve raised the federal funds target rate from a range of 0% to 0.25% to a range of 0.25% to 0.50% due to the Central Bank's belief that the U.S. economy is in a strong position. The Central Bank commented that future rate hikes will be gradual and will likely remain below long-term rate expectations for some time. If interest rates continue to rise as a result of Federal Reserve policy action (short-term interest rates) or changes in market expectations and capital flows (long-term interest rates), we believe strengthening economic conditions are likely to accompany these changes. This strengthening of economic conditions combined with the currently favorable industrial supply demand environment should translate to a net positive result for our business. Specifically, our existing portfolio should benefit from rising rental rates and our acquisition activity should benefit from higher yields. Furthermore, we believe certain characteristics of our business should position us well in a rising interest rate environment including the fact that we have minimal floating rate debt exposure and that many of our competitors for the assets we purchase tend to be smaller local investors who are likely to be more heavily impacted by interest rate increases.

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Other notable recent developments include the strength of the U.S. dollar versus competing currencies including the euro and yen, continued falling oil prices, and the slowdown in the Chinese economy. A strong U.S. dollar can harm U.S. exporters and U.S. multi-nationals; however, it can also benefit foreign multi-nationals that support U.S. subsidiaries and operate U.S. industrial properties. Oil price declines have put significant pressure on oil and gas exploration and production companies, resulting in many oil and gas sector bankruptcies, while simultaneously benefiting many industries (e.g. automotive, freight) and consumers' disposable incomes. In China, policy decisions have hurt its equity and currency markets. Additionally, a slowing Chinese growth rate is decreasing demand for commodities and creating some uncertainty in the U.S. stock market. We note that exports to China make up less than 1% of U.S. gross domestic produce ("GDP") and consumer spending accounts for more than two-thirds. We believe our direct exposure to tenants in the oil and gas industry and the Chinese economy is limited. We will continue to monitor these trends for short-term and long-term impacts to our business.

Several economic indicators and other factors provide insight into the U.S. economic environment and industrial demand. Presently, we believe the key factors include GDP growth rate, unemployment rate, non-farm payrolls, Conference Board consumer confidence index, manufacturing-purchasing manager index ("ISM"), the 10-year Treasury yield, U.S. total vehicle sales, and durable goods new orders. Below are recent trends in each of these factors:

Economic Indicators(1)	December 31, 2015	September 31, 2015	June 30, 2015	March 31, 2015	December 31, 2014
GDP Growth Rate	0.7%	2.0%	3.9%	0.6%	2.1%
Unemployment Rate	5.0%	5.1%	5.3%	5.5%	5.6%
Change in Non-Farm Employment (in thousands)	292.0	145.0	245.0	119.0	329.0
Consumer Confidence Index	96.3	102.6	99.8	101.4	93.1
Purchasing Managers Index (ISM)(2)	48.2%	50.2%	53.5%	51.5%	55.1%
10-year Treasury Yield	2.27%	2.06%	2.35%	1.94%	2.17%
Seasonally Adjusted Annualized Rate US Total Vehicle Sales (in thousands)	17,657	18,514	17,430	17,508	17,223
Manufacturing New Orders: Durable Goods (in millions)	225,400	232,015	236,611	236,671	226,739

(1) Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Conference Board, Board of Governors of the Federal Reserve System, U.S. Census Bureau, and Institute for Supply Management. Each statistic is the latest revision available at the time of publishing this report.

(2) ISM is a composite index based on a survey of over 300 purchasing and supply executives from across the country who respond to a monthly questionnaire about changes in production, new orders, new export orders, imports, employment, inventories, prices, lead-times, and timelines of supplier deliveries in their companies. When the index is over 50, it indicates expansion, while a reading below 50 signals contraction.

Currently, the GDP growth, solid non-farm payrolls, record high U.S. total vehicle sales, and low interest rates are positive fundamental signs for industrial demand. Expanding job count and the ongoing drop in unemployment rate suggests consumers will be spending more money in the foreseeable future. On the negative side, we note that the ISM level dropped below 50, signaling contraction in the manufacturing sector for first time since late 2012, and consumer confidence surprisingly weakened. We believe these signal some caution in underlying economic strength; however, we still expect an increase in industrial activity and more demand for industrial space given the job growth, low-interest rate environment, and GDP growth.

We believe the recovery of the U.S. economy and specifically the improving dynamic for U.S. industrial production is expected to continue to increase demand for industrial space in the U.S.. Several trends and other factors contribute to the expected demand increase, including:

- an increasing attractiveness of the U.S. as a manufacturing and distribution location because of the size of the U.S. 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);
- the overall quality of the transportation infrastructure in the U.S.; and
- 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.

Furthermore, the lack of material speculative development in most of our markets and the more broad failure of supply to keep pace with demand in many of our markets may improve occupancy levels and rental rates in our owned portfolio. We believe, however, that industrial supply, more so than other real estate property type, has historically had a short lead time and can appear quickly. We have started to see a notable pick-up in development activity in a small number of the more active industrial markets, but this has yet to take firm hold on a broader scale. We will continue to monitor the supply demand fundamentals for industrial real estate and assess its impact on our business.

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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 Revenue

We receive income primarily in the form of rental revenue from the tenants who occupy our buildings. The amount of rental revenue generated by the buildings in our portfolio depends principally on occupancy and rental rates. As of December 31, 2015, our buildings were approximately 95.6% leased and our lease rates as defined by GAAP on new and renewal leases together grew approximately 16.4% and 4.6% during the year ended December 31, 2015, respectively. 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 age, clear height, and configuration, and (iv) our tenants' ability to meet their contractual obligations to us.

The following table provides a summary of leases executed for the years ended December 31, 2015 and December 31, 2014. The table does not include month-to-month leases or leases with initial terms less than 12 months.

	Square Feet	Cash Basis Rent Per Square Foot	GAAP Basis Rent Per Square Foot	Total Turnover Costs Per Square Foot (1)	Cash Basis Rent Growth	GAAP Basis Rent Growth(2)(3)	Weighted Average Lease Term(4)
Year ended December 31, 2015							
New Leases	1,439,366	$3.63	$3.49	$2.00	11.2 %	16.4 %	7.8
Renewal Leases	2,950,326	3.98	4.14	0.61	(1.0)%	4.6 %	4.1
Total / weighted average	4,389,692	$3.87	$4.00	$1.06	1.6 %	7.1 %	5.4
Temporary Leases	1,356,770						
Total Leasing Activity	5,746,462						
Year ended December 31, 2014							
New Leases	646,452	$4.02	$4.13	$1.14	6.5 %	11.5 %	5.8
Renewal Leases	4,288,760	3.79	3.84	0.72	5.0 %	8.8 %	3.6
Total / weighted average	4,935,212	$3.82	$3.87	$0.78	5.1 %	9.0 %	3.9
Temporary Leases	1,058,701						
Total Leasing Activity	5,993,913						

(1) Turnover costs are comprised of the costs for improvements of vacant and renewal spaces, as well as the commissions for leasing transactions. Turnover costs per square foot represent the total turnover costs expected to be incurred on the leases signed during the period and do not reflect actual expenditures for the period.

(2) Excludes 414,334 square feet and 269,500 square feet of new leases, where there were no prior comparable leases, due to extended downtime or materially different lease structures, during the years ended December 31, 2015 and December 31, 2014, respectively.

(3)

GAAP basis rent growth is a ratio of the change in base rent (including straight-line rent adjustments as required by GAAP) of the comparable lease.

(4) The lease term is expressed in years. Assumes no exercise of lease renewal or termination options, if any.

Certain leases contain rental concessions. Any such rental concessions are accounted for on a straight-line basis over the term of the lease. The following table provides a summary of leases with rental concessions executed for the years ended December 31, 2015 and December 31, 2014, respectively. The table does not include month-to-month leases or leases with initial terms less than 12 months.

	Square Feet	Rental Concessions[1]	Weighted Average Lease Term (years)
Year ended December 31, 2015			
New Leases	896,528	$730,558	4.2
Renewal Leases	300,000	169,610	7.2
Total/weighted average	1,196,528	$900,168	4.9
Year ended December 31, 2014			
New Leases	189,252	$125,947	2.9
Renewal Leases	690,700	246,726	4.0
Total/weighted average	879,952	$372,673	3.8

(1) Represents the total concession for the entire lease term.

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Property Operating Expenses

Our rental expenses generally consist of utilities, real estate taxes, management fees, insurance and site repair and maintenance costs. For the majority of our tenants, our rental 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. 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 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 rental 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 11.3% of our annualized base rental revenue will expire during the period from January 1, 2016 to December 31, 2016, 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. In the vacate and re-let cases, we did not assume that market rents would grow from our current property estimates. Using the aforementioned assumptions, we expect that the rental rates on the respective new leases will generally be lower than the rates under existing leases, thereby resulting in lower revenue from the same space.

As of December 31, 2015, we had approximately 2.4 million square feet of currently available space in our buildings. Of the approximately 4.9 million square feet of leases that expired during the year ended December 31, 2015, we have renewed approximately 3.4 million square feet of leases, resulting in a 69.8% tenant retention rate for the year ended December 31, 2015. As of December 31, 2015, for the period January 1, 2016 to December 31, 2016, two of our top ten leases based on December 31, 2015 annualized base rental revenue will be expiring. The Archway Marketing Services, Inc. lease for 386,724 square feet is scheduled to expire on October 14, 2016 and the Carefusion 213, LLC lease for 360,134 square feet is scheduled to expire on October 31, 2016. On February 5, 2016, our leasing team successfully executed a five year renewal with Archway Marketing Services, Inc. for the entire 386,724 square feet. Our leasing team has been in preliminary discussions on a possible renewal with Carefusion 213, LLC.

Tenant Retention

Our direct relationships with our tenants and our in-house expertise in leasing, asset management, engineering, and credit help us to manage all operational aspects of our portfolio, maintain occupancy, and increase rental rates. The following table provides a summary of our historical retention since our initial public offering:

Historical Retention	Retention %	[1]	Expiring Square Feet	Renewal Square Feet [2]	Cash Rollover Rent Change		GAAP Rollover Rent Change	
April 20, 2011 to December 31, 2011	73.9	%	514,476	380,136	1.0	%	1.9	%
Year ended December 31, 2012	82.0	%	2,152,085	1,765,353	(0.9	)%	1.2	%
Year ended December 31, 2013	58.5	%	2,811,984	1,646,283	3.6	%	6.7	%
Year ended December 31, 2014	69.7	%	3,467,769	2,418,076	5.1	%	9.4	%
Year ended December 31, 2015	69.8	%	4,938,386	3,444,670	4.2	%	8.4	%
Total/weighted average	69.5	%	13,884,700	9,654,518	3.0	%	6.4	%

(1) Retention is the square footage of expiring leases in the period that execute a lease renewal for a term greater than one year.

(2) Represents leases in which revenue recognition commenced during the period.

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

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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.

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.

For properties considered 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 qualifying assets and liabilities and the results of operations that have been sold, or otherwise qualify as held for sale, as discontinued operations in all periods when the sale meets the definition of discontinued operations. Under GAAP, the definition of discontinued operations a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The components of the property's net income (loss) that are reflected as discontinued operations include operating results, depreciation and interest expense (if the property is subject to a secured loan). In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which prospectively changed the definition of a discontinued operation to the disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. We early adopted the provision effective January 1, 2014. Prior to January 1, 2014, all properties identified as held for sale and/or disposed of were presented in discontinued operations for all periods presented.

We allocate the purchase price of business combinations of properties based upon the fair value of the assets and liabilities acquired, 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 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 above and below market lease values are amortized into rental income over the remaining term plus the terms of bargain renewal options or assumed exercise of early termination options of the respective leases. 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 value of in-place lease intangibles and tenant relationships, which are included as components of deferred leasing intangibles, are amortized over the remaining lease term (and expected renewal periods of the respective lease for tenant relationships or assumed exercise of early termination options) as increases or decreases to depreciation and amortization expense. If a tenant terminates its lease, the unamortized portion of above and below market leases are accelerated into rental income and the in-place lease value and tenant relationships are accelerated into depreciation or amortization expense over the shortened lease term.

The purchase price allocated to deferred leasing intangible assets are included in rental property on our Consolidated Balance Sheets and the purchase price allocated to deferred leasing intangible liabilities are included in the deferred leasing intangibles on the our 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.

Using information available at the time of acquisition, we allocate the total consideration to tangible assets and liabilities and identified intangible assets and liabilities, as discussed above. We may adjust the preliminary purchase price allocations after obtaining more information about asset valuations and liabilities assumed.

We evaluate the carrying value of all tangible and intangible real estate assets 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 asset and the ultimate sale of the asset. If such cash flows are less than the asset'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 such estimates could differ from actual results.

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Depreciation and amortization expense is computed using the straight-line method based on the following lives:

Building	40 Years
Building and land improvements	5 - 20 Years
Tenant improvements	Shorter of useful life or terms of related lease
Above and below market leases and other deferred leasing intangibles	Terms of the related lease plus terms of bargain renewal options or assumed exercise of early termination options
Tenant relationships	Terms of the related lease plus estimated renewal period
Assumed debt fair value premium/discount	Terms of the related loan

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 $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. Goodwill has an indeterminate life and is not amortized, but is tested for impairment on an annual basis, 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 not recorded any impairments through December 31, 2015.

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 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. We minimize the credit risk in the interest rate swaps 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. The fair values of the cash and cash equivalents, restricted cash, tenant accounts receivable, accounts payable and accrued expenses approximate their carrying or contract values because of the short term maturity of these instruments. See Note 4 in the accompanying Notes to Consolidated Financial Statements for the fair values of our debt. See Note 5 in the accompanying Notes to Consolidated Financial Statements for the fair values 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. See Notes 6, 7 and 12 in the accompanying Notes to Consolidated Financial Statements for further discussion of restricted shares of common stock, LTIP units, and the outperformance programs, respectively. We measure

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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.

Revenue Recognition

All current leases are classified as operating leases and rental revenue is recognized on a straight-line basis over the term of the lease (and expected bargain renewal terms) when collectability is reasonably assured. Differences between rental revenue earned and amounts due under the lease are charged or credited, as applicable, to accrued rental revenue. Additional rents from expense reimbursements for insurance, real estate taxes and certain other expenses are recognized in the period in which the related expenses are incurred.

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 earn revenue from asset management fees, which are included in our Consolidated Statements of Operations in other income. We recognize revenue from asset management fees when the related fees are earned and are realized or realizable.

By the terms of their leases, certain tenants are obligated to pay directly the costs of their properties' insurance, real estate taxes and certain other expenses and these costs are not reflected in our Consolidated Financial Statements. To the extent any tenant responsible for these costs under its respective lease defaults on its lease or it is deemed probable that the tenant will fail to pay for such costs, we would record a liability for such obligation. We do not recognize recovery revenue related to leases where the tenant will pay expenses directly for real estate taxes, insurance, ground lease payments, and certain other expenses.

Results of Operations

Our results of operations are largely driven by our levels of occupancy as well as the rental rates we receive from tenants. From a rental rate standpoint, we have historically achieved overall rental increases in our tenant rollovers on a cash basis and GAAP basis.

The following discussion of our results of our same store 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. We consider our same store portfolio to consist of only those buildings owned and operated at the beginning and at the end of both of the applicable periods presented. 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. However, because we have generally acquired 100% occupied properties and grown the portfolio significantly every year since our initial public offering, our same store results do not represent a market portfolio with market occupancy. Because we have above market occupancy, our same store results may look unfavorable at times as we trend to market levels. 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.

Comparison of the year ended December 31, 2015 to the year ended December 31, 2014

Our results of operations are affected by the acquisition and disposition activity during the 2015 and 2014 periods as described below. On January 1, 2014, we owned 209 buildings, and subsequent to the January 1, 2014, we sold 10 buildings for which the results of operations are included in dispositions in the table below are not considered part of our same store portfolio. Therefore, there are 199 buildings which are considered our same store portfolio in the analysis below. Same store occupancy decreased approximately 0.3% to 94.2% as of December 31, 2015 compared to 94.5% as of December 31, 2014. The results of operations from acquisitions relates to the 92 buildings acquired after January 1, 2014 for an aggregate cost of approximately $852.3 million.

The following table summarizes selected operating information for our same store portfolio and our total portfolio for the years ended December 31, 2015 and December 31, 2014 (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, 2015 and December 31, 2014 with respect to the buildings acquired and disposed of after January 1, 2014.

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	Same Store Portfolio				Acquisitions/Dispositions		Other [1]		Total Portfolio			
	Year ended December 31,		Change		Year ended December 31,		Year ended December 31,		Year ended December 31,		Change	
	2015	2014	$	%	2015	2014	2015	2014	2015	2014	$	%
Revenue												
Operating revenue												
Rental income	$132,228	$131,332	$896	0.7 %	$54,048	$18,121	$187	$17	$186,463	$149,470	$36,993	24.7
Tenant recoveries	20,533	20,688	(155)	(0.7)%	11,133	2,919	—	—	31,666	23,607	8,059	34.1
Other income	98	110	(12)	(10.9)%	27	31	379	598	504	739	(235)	(31.8
Total operating revenue	152,859	152,130	729	0.5 %	65,208	21,071	566	615	218,633	173,816	44,817	25.8
Expenses												
Property	30,659	29,707	952	3.2 %	11,968	3,681	—	—	42,627	33,388	9,239	27.7
Net operating income [2]	$122,200	$122,423	$(223)	(0.2)%	$53,240	$17,390	$566	$615	176,006	140,428	35,578	25.3
Other expenses												
General and administrative									28,750	26,396	2,354	8.9
Property acquisition costs									4,757	4,390	367	8.4
Depreciation and amortization									112,545	88,057	24,488	27.8
Loss on impairments									29,272	2,840	26,432	930.7
Other expenses									1,048	803	245	30.5
Total other expenses									176,372	122,486	53,886	44.0
Total expenses									218,999	155,874	63,125	40.5
Other income (expense)												
Interest income									9	15	(6)	(40.0
Interest expense									(36,098)	(25,109)	(10,989)	43.8
Loss on extinguishment of debt									—	(686)	686	(100.0
Gain on sales of rental property									4,986	2,799	2,187	78.1
Total other income (expense)									(31,103)	(22,981)	(8,122)	35.3
Net loss									$(31,469)	$(5,039)	$(26,430)	524.5

Less: loss attributable to noncontrolling interest after preferred stock dividends	(2,066)	(1,014)	(1,052)	103.7
Net loss attributable to STAG Industrial, Inc.	$(29,403)	$(4,025)	$(25,378)	630.5

(1) Includes corporate sublease rental income and asset management fee income, which is separated for purposes of calculating NOI.

(2) NOI for the combined same store portfolio and acquisitions and dispositions for the year ended December 31, 2015 and December 31, 2014 was $175.4 million and $139.8 million, respectively. For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see “Non-GAAP Financial Measures” below.

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Same Store Total Operating Revenue
Same store operating revenue consists primarily of (i) rental income consisting of base rent, termination income, straight-line rent and above and below market lease amortization from our properties, and (ii) tenant reimbursements for insurance, real estate taxes and certain other expenses ("tenant recoveries").

Same store rental income increased by $0.9 million or 0.7% to $132.2 million for the year ended December 31, 2015 compared to $131.3 million for the year ended December 31, 2014. Approximately $2.6 million of the increase was attributable to rental increases due to new leases, and renewals and expansions of existing tenants, and approximately $2.0 million related to termination income recognized at two of the properties. These increases were partially offset by an approximately $2.2 million decrease due to a reduction of base rent due to tenants downsizing their spaces and vacancies. Same store rental income also decreased approximately $1.5 million related to an increase in amortization of net above market leases.

Same store tenant recoveries decreased by $0.2 million or 0.7% to $20.5 million for the year ended December 31, 2015 compared to $20.7 million for the year ended December 31, 2014. The decrease was primarily attributable to one building where during the year ended December 31, 2014, the tenant's lease terms changed and we began paying real estate taxes for the tenant who had previously been paying the expense to the taxing authority directly. The real estate taxes were payable in arrears, and as such the expense and related recovery recorded for the year ended December 31, 2014 include 24 months of real estate taxes, which attributes to approximately $0.6 million of the decrease in recoveries during the year ended December 31, 2015, in which 12 months of real estate tax recoveries are recorded. Approximately $0.4 million of the decrease is attributable to vacancies, where the tenants had previously been reimbursing us for the related expenses. Approximately $0.4 million of the decrease related to a property where the tenant reimbursed us for deferred repair and maintenance that was necessary upon vacating the space at lease expiration for the year ended December 31, 2014, which did not recur during the year ended December 31, 2015. These decreases were partially offset due to increases in occupancies resulting in an increase in recoveries of $0.4 million, as well as a $0.5 million increase at several of our buildings where we began paying the real estate taxes on behalf of tenants that had previously paid its taxes directly to the taxing authority or where those buildings had previously been vacant. Additionally, there was a $0.3 million increase in tenant recoveries related to increases of real estate taxes levied by the related taxing authority.

Same store other income decreased by $12,000 or 10.9% to $98,000 for the year ended December 31, 2015 compared to $110,000 for the year ended December 31, 2014.
Same Store Operating Expenses
Same store operating expenses consist primarily of property operating expenses and real estate taxes and insurance.

Total same store expenses increased by $1.0 million or 3.2% to $30.7 million for the year ended December 31, 2015 compared to $29.7 million for the year ended December 31, 2014. The increase is primarily attributable to an increase of $1.1 million in real estate taxes due to vacancies or to changes in lease terms where we began paying the real estate taxes on behalf of a tenant that previously paid its taxes directly. Same store expenses increased by $0.7 million due to increased occupancy and increased utility usage and other repairs and maintenance costs at multiple properties, and $0.6 million due to an increase of real estate taxes levied by the related taxing authority. Same store expenses also increased by $0.1 million for bad debt expense recognized for one of our tenants. These increases were partially offset by a decrease of $0.6 million that is primarily attributable to one building where during the year ended December 31, 2014, the tenant's lease terms changed and we began paying real estate taxes for the tenant who had previously been paying the expense to taxing authority directly. The real estate taxes were payable in arrears, and as such the expense recorded by us for the year ended December 31, 2014 include 24 months of real estate taxes, as compared to the year ended December 31, 2015, in which 12 months of real estate taxes are recorded. As discussed in "Same Store Total Operating Revenue" above, we received reimbursement from the tenant for the full $0.6 million. Approximately $0.3 million of the decrease in tenant recoverable expenses related to changes in lease terms where tenants began paying expenses directly to third parties; therefore, the expenses and related recoveries are no longer recognized by us. Approximately $0.4 million of the decrease related to a property where we performed deferred repair and maintenance for a tenant that was necessary upon vacating the space at lease expiration for the year ended December 31, 2014, which did not recur during the year ended December 31, 2015. Same store expenses also decreased by $0.2 million due to real estate taxes that were reduced or abated by the taxing authority.

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Acquisitions and Dispositions Net Operating Income

The following table provides a summary of the impact on NOI as it relates to the 92 buildings acquired and the 10 buildings sold after January 1, 2014:

Acquisitions/Dispositions	Square Feet	Buildings	Purchase/Sale Price (in thousands)	Contribution to NOI (in thousands) Year ended December 31, 2015	2014
Acquired during the quarter ended					
December 31, 2015	3,057,668	14	$138,086	$631	$—
September 30, 2015	2,509,084	18	$108,286	3,580	—
June 30, 2015	1,639,383	12	$83,808	3,906	—
March 31, 2015	1,485,717	5	$97,083	6,525	—
December 31, 2014	2,730,940	12	$135,531	11,738	1,437
September 30, 2014	3,469,080	18	$171,603	14,257	4,026
June 30, 2014	2,130,958	9	$80,967	6,944	4,329
March 31, 2014	975,275	4	$36,907	3,533	2,860
Disposed during the quarter ended					
December 31, 2015	486,577	4	$13,415	2,314	1,804
September 30, 2015	321,810	2	$9,550	(189)	(353)
December 31, 2014	236,230	2	$5,850	1	2,908
September 30, 2014	181,838	1	$7,056	—	371
March 31, 2014	15,085	1	$475	—	8
Total				$53,240	$17,390

Total Other Expenses

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

Total other expenses increased $53.9 million or 44.0% for the year ended December 31, 2015 to $176.4 million compared to $122.5 million for the year ended December 31, 2014. The increase was primarily related to an increase of $24.5 million in depreciation and amortization as a result of the buildings acquired which increased the depreciable asset base. The increase was also attributable to an increase of $26.4 million in loss on impairments recorded due to the impairment of 13 buildings for the year ended December 31, 2015 compared to the impairment of one building for the year ended December 31, 2014 (as discussed in Note 3 in the accompanying Notes to Consolidated Financial Statements). Approximately $2.4 million of the increase relates to an increase in general and administrative expenses, primarily related to non-cash compensation expense related to the 2015 equity grants for employees and independent directors, and other costs attributable to an increased number of employees (54 employees at December 31, 2014 compared to 68 employees at December 31, 2015), primarily salaries and payroll taxes, of approximately $6.3 million. This increase is offset by $3.9 million of severance costs that occurred in 2014 that did not occur in 2015 related to two executives (as discussed in Note 7 in the accompanying Notes to Consolidated Financial Statements). Property acquisition costs also increased by approximately $0.4 million due to six more acquisitions for the year ended December 31, 2015 as compared to the year ended December 31, 2014, and other expenses increased by approximately $0.2 million due to increased state income taxes due to additional properties acquired during the year ended December 31, 2015.

Total Other Income (Expense)

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

Total other expense increased $8.1 million or 35.3% to $31.1 million for the year ended December 31, 2015 compared to $23.0 million for the year ended December 31, 2014. The increase was primarily attributable to an $11.0 million increase in interest expense related to an overall increase in the weighted average interest rate and an increase in total average debt outstanding for the year ended December 31, 2015 compared to the year ended December 31, 2014. The increases were a result of the issuance of unsecured notes and unsecured term loans during 2015; refer to Note 4 in the accompanying Notes to Consolidated Financial Statements for details.

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Comparison of year ended December 31, 2014 to the year ended December 31, 2013

Our results of operations are affected by the acquisition and disposition activity during the 2014 and 2013 periods as described below. On January 1, 2013, we owned 172 buildings, and subsequent to January 1, 2013, we sold six buildings for which the results of operations are included in dispositions in table below and are not considered part of our same store. Therefore, there are 166 buildings which are considered our same store portfolio in the analysis below. Same store occupancy decreased 2.0% to 92.7% as of December 31, 2014 compared to 94.7% as of December 31, 2013. The results of operations from acquisitions relates to the 82 buildings acquired after January 1, 2013 for an aggregate cost of approximately $768.3 million.

The following table summarizes selected operating information for our same store portfolio and our total portfolio for the years ended December 31, 2014 and December 31, 2013 (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, 2014 and December 31, 2013 with respect to the buildings acquired and disposed of after January 1, 2013.

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which prospectively changed the definition of a discontinued operation to a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. We early adopted the provision effective January 1, 2014. The results from buildings sold prior to January 1, 2014 are included in discontinued operations within the table below.

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	Same Store Portfolio				Acquisitions/Dispositions		Other[1]		Total Portfolio			
	Year ended December 31,		Change		Year ended December 31,		Year ended December 31,		Year ended December 31,		Change	
	2014	2013	$	%	2014	2013	2014	2013	2014	2013	$	%
Revenue												
Operating revenue												
Rental income	$99,708	$100,356	$(648)	(0.6)%	$49,745	$15,988	$17	$—	$149,470	$116,344	$33,126	28.5
Tenant recoveries	14,727	14,070	657	4.7 %	8,880	2,279	—	—	23,607	16,349	7,258	44.4
Other income	123	299	(176)	(58.9)%	18	8	598	893	739	$1,200	(461)	(38.4)
Total operating revenue	114,558	114,725	(167)	(0.1)%	58,643	18,275	615	893	173,816	133,893	39,923	29.8
Expenses												
Property	22,898	21,207	1,691	8.0 %	10,490	2,803	—	—	33,388	24,010	9,378	39.1
Net operating income[2]	$91,660	$93,518	$(1,858)	(2.0)%	$48,153	$15,472	$615	$893	$140,428	$109,883	$30,545	27.8
Other expenses (income)												
General and administrative									26,396	17,867	8,529	47.7
Property acquisition costs									4,390	3,427	963	28.1
Depreciation and amortization									88,057	67,556	20,501	30.3
Loss on impairment									2,840	—	2,840	100.0
Other expenses									803	621	182	29.3
Total other expenses									122,486	89,471	33,015	36.9
Total expenses									155,874	113,481	42,393	37.4
Other income (expense)												
Interest income									15	13	2	15.4
Interest expense									(25,109)	(20,319)	(4,790)	23.6
Loss on extinguishment of debt									(686)	—	(686)	100.0
Gain on sale of rental property									2,799	—	2,799	100.0
Total other income (expense)									(22,981)	(20,306)	(2,675)	13.2

Discontinued
operations