

STAG Industrial, Inc.
Form 10-K
February 15, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
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 27-3099608
(State or other jurisdiction (IRS Employer
of incorporation or organization) Identification No.)

One Federal Street, 23rd Floor 02110
Boston, Massachusetts (Zip Code)

(Address of principal executive offices) (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
6.625% Series B Cumulative Redeemable Preferred Stock, \$0.01 par value	New York Stock Exchange
6.875% Series C 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 No

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

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

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

Indicate by check mark 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.

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$2,517 million based on the closing price on the New York Stock Exchange as of June 30, 2017.

Number of shares of the registrant's common stock outstanding as of February 13, 2018: 97,234,720

Number of shares of 6.625% Series B Cumulative Redeemable Preferred Stock as of February 13, 2018: 2,800,000

Number of shares of 6.875% Series C Cumulative Redeemable Preferred Stock as of February 13, 2018: 3,000,000

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement with respect to its 2018 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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PART I.

Introduction

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

Forward-Looking Statements

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

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

the general level of interest rates and currencies;

potential changes in the law or governmental regulations and interpretations of those laws and regulations, including changes in real estate and zoning laws or real estate investment trust ("REIT") or corporate income tax laws, and potential increases in real property tax rates;

financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;

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• 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;

• litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and

- possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us.

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

Item 1. Business

As used herein “total annualized base rental revenue” refers to the contractual monthly base rent as of December 31, 2017 (which differs from rent calculated in accordance with generally accepted accounting principles in the United States (“GAAP”)) multiplied by 12. If a tenant is in a free rent period as of December 31, 2017, the annualized base rent is calculated based on the first contractual monthly base rent amount multiplied by 12.

Overview

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

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

As of December 31, 2017, we owned 356 buildings in 37 states with approximately 70.2 million rentable square feet, consisting of 287 warehouse/distribution buildings, 52 light manufacturing buildings, 14 flex/office buildings, and three buildings in redevelopment or classified as held for sale. As of December 31, 2017, our buildings were approximately 95.3% leased to 312 tenants, with no single tenant accounting for more than approximately 2.6% of our total annualized base rental revenue and no single industry accounting for more than approximately 13.8% of our total annualized base rental revenue. We intend to maintain a diversified mix of tenants to limit our exposure to any single tenant. We define Occupancy Rate as the percentage of total leasable square footage for which either revenue recognition has commenced in accordance with GAAP or the lease term has commenced as of the close of the reporting period, whichever occurs earlier. Buildings remain in the redevelopment portfolio for non-GAAP purposes

upon the earlier of stabilization or 12 months from the completion of the redevelopment. We define stabilization as achieving at least 90% occupancy, excluding the impact of leases with terms less than 12 months.

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

We are structured as an umbrella partnership REIT, also known as an UPREIT, and own all of our properties and conduct substantially all of our business through our Operating Partnership, which we control and manage. As of December 31, 2017, we owned approximately 95.9% of the common equity of our Operating Partnership, and our current and former executive officers, directors, senior employees and their affiliates, and third parties who contributed properties to us in exchange for

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common equity in our Operating Partnership, owned the remaining 4.1%. We completed our initial public offering of common stock (“IPO”) and related formation transactions, pursuant to which we succeeded our predecessor, on April 20, 2011.

Our Strategy

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

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

Buyers tend to price an individual, single-tenant, industrial property according to the binary nature of its cash flows: with only one potential tenant, any one property is either generating revenue or not. Furthermore, tenants typically cover operating expenses at a property and when a property is not generating revenue, we, as owners, are responsible for paying these expenses. We believe the market prices these properties based upon a higher risk profile due to the single-tenant nature of these properties and therefore applies a lower value relative to a diversified cash flowing investment.

- The acquisition and contribution of these single-tenant properties to an aggregated portfolio of these individual binary risk cash flows creates diversification, thereby lowering risk and creating value.

Industrial properties generally require less capital expenditure than other commercial property types and single-tenant properties generally require less expenditure for leasing, operating and capital costs per property than multi-tenant properties.

Other institutional, industrial real estate buyers tend to focus on 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.

Regulation

General

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

Americans with Disabilities Act

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

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

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Environmental Matters

Our properties are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, as owner of a contaminated property, to clean up the property, even if we did not know of or were not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated, and therefore it is possible we could incur these costs even after we sell some of our properties. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow using the property as collateral or to sell the property. Under applicable environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the clean-up of that facility if it becomes contaminated and threatens human health or the environment. We invest in properties historically used for industrial, light manufacturing and commercial purposes. Certain of our properties are on or are adjacent to or near other properties upon which others, including former owners or tenants of our properties have engaged, or may in the future engage, in activities that may generate or release petroleum products or other hazardous or toxic substances. Environmental laws in the United States also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our buildings are known to have asbestos containing materials, and others, due to the age of the building and observed conditions, are suspected of having asbestos containing materials. We do not believe these conditions will materially and adversely affect us. In most or all instances, no immediate action was recommended to address the conditions.

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

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

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

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

Insurance

We carry comprehensive general liability, fire, extended coverage and rental loss insurance covering all of the properties in our portfolio under a blanket insurance policy. In addition, we maintain a portfolio environmental insurance policy that provides coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations. Generally, we do not carry insurance for certain losses, including, but not limited to, losses caused by floods (unless the property is located in a flood plain), earthquakes, acts of war, acts of terrorism or riots. We carry employment practices liability insurance that covers us against claims by employees, former employees or potential employees for various employment related matters including wrongful termination, discrimination, sexual

harassment in the workplace, hostile work environment, and retaliation, subject to the policy's coverage conditions and limitations. We carry comprehensive cyber liability insurance coverage that covers us against claims related to certain first party and third party losses including data restoration costs, crisis management expenses, credit monitoring costs, failure to implement and maintain reasonable security procedures, invasion of customer's privacy and negligence, subject to the policy's coverage conditions and limitations. We also carry directors and officers insurance. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and standard industry practice; however, our insurance coverage may not be sufficient to cover all of our losses.

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Competition

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

Operating Segments

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

Employees

As of December 31, 2017, we employed 72 employees. None of our employees are represented by a labor union.

Our Corporate Structure

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

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

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

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The following is a simplified diagram of our UPREIT structure at December 31, 2017.

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 of charge 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

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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, 2017, most of our 356 buildings were industrial properties, including 287 warehouse/distribution facilities, 52 light manufacturing facilities, 14 flex/office facilities, and three buildings in redevelopment or classified as held for sale. This concentration may expose us to the risk of economic downturns in the industrial real estate sector to a greater extent than if our properties were more diversified across other sectors of the real estate industry.

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

Also, to the extent we purchase real estate in an unstable market, we are subject to the risk that if the real estate market ceases to attract the same level of capital investment in the future that it attracts at the time of our purchases, or the number of companies seeking to acquire properties decreases, the value of our investments may not appreciate or may decrease significantly below the amount we paid for these investments. The length and severity of any economic slowdown or downturn cannot be predicted. Our 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 historical or future developments in global, national and local economies. As a result of the 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.

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, 2017, were the three largest when accounting for the percentage of our total annualized base rental revenue: Illinois (8.2%, spread over two CBSA's); Ohio (7.8%, spread over eight CBSA's); and Texas (7.6%, spread over six CBSA's). We define Core Based Statistical Area ("CBSA") as a U.S. geographic area defined by the Office of Management and Budget that consists of one or more counties (or equivalents) anchored by an urban center of at least 10,000 people plus adjacent counties that are socioeconomically tied to the urban center by commuting. 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.

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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, 2017, were the three largest when accounting for the percentage of our total annualized base rental revenue: Automotive (13.8%); Air Freight & Logistics (12.5%); and Industrial Equipment, Components, and Metals (11.0%). Such industries are subject to specific risks that could result in downturns within the industries. Any downturn in one or more of these industries, or in any other industry in which we may have a significant concentration now or in the future, could adversely affect our tenants who are involved in such industries. If any of these tenants is unable to withstand such downturn or is otherwise unable to compete effectively in its business, it may be forced to declare bankruptcy, fail to meet its rental obligations, seek rental concessions or be unable to enter into new leases, which could materially and adversely affect us.

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

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

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

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

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

Our success depends to a significant degree upon the continued contributions of certain key personnel including, but not limited to, our executive officers, whose continued service is not guaranteed, and each of whom would be difficult to replace. While we have entered into employment contracts with our executive officers, they may nevertheless cease to provide services to us at any time. If any of our key personnel were to cease employment with us, our operating results could suffer. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flows. Further, such a loss could be negatively perceived in the capital markets. As of December 31, 2017, we have not obtained and do not expect to obtain key man life insurance on any of our key personnel.

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

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

We acquire and intend to continue to acquire primarily warehouse/distribution properties and light manufacturing properties. The acquisition of properties entails various risks, including the risk that our investments may not perform as we expect. Further, we face competition for attractive investment opportunities from other well-capitalized real estate investors, including both publicly-traded REITs and private institutional investment funds, and these competitors may have greater financial resources and a greater ability to borrow funds to acquire properties. This competition will increase as investments in real estate become increasingly attractive relative to other forms of

investment. As a result of competition, we may be unable to acquire additional properties for the purchase price we desire. In addition, we expect to finance future acquisitions through a combination of secured and unsecured borrowings, proceeds from equity or debt offerings by us or our Operating Partnership or its subsidiaries and proceeds from property contributions and divestitures which may not be available and which could adversely affect our cash flows.

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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, in the past five years, we have acquired 317 buildings totaling approximately 64.9 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 mitigate this risk entirely. A security breach or other significant disruption involving our IT networks and related systems could disrupt the proper functioning of our networks and systems; result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines; result in our inability to monitor our compliance with the rules and regulations regarding our qualification as a REIT; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and

outcomes; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract, 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 take advantage of strategic opportunities, satisfy debt obligations and make distributions to our stockholders.

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

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

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

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

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

We had a historical net loss attributable to common stockholders for the year ended December 31, 2015 of approximately \$38.6 million. 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 securities.

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

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

their consent, even though such modification might be in the best interest of our stockholders.

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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, as amended (the “2011 Plan”).

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

We are subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. These reporting and other obligations place significant demands on our management, administrative, operational, internal audit and accounting resources and cause us to incur significant expenses. We may need to upgrade our systems or create new systems; implement additional financial and management controls, reporting systems and procedures; expand our internal audit function; or hire additional accounting, internal audit and finance staff. Any failure to maintain effective internal controls could have a material adverse effect on our business, operating results and trading price of our securities.

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

Our charter contains 9.8% ownership limits. Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to limit any person to actual or constructive ownership of no more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our capital stock and no more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock. In addition, the articles supplementary for our 6.625% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the “Series B Preferred Stock”), and our 6.875% Series C Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the “Series C Preferred Stock”) provide that generally no person may own, or be deemed to own by virtue of the attribution provisions of the Code, either more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding Series B Preferred Stock or Series C Preferred Stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limits. However, our board of directors may not grant an exemption from the ownership limits to any proposed transferee whose ownership, direct or indirect, of more than 9.8% of the value or number of our outstanding shares of our common stock, our Series B Preferred Stock or our Series C Preferred Stock could jeopardize our status as a REIT. The ownership limits contained in our charter and the restrictions on ownership of our common stock may delay or prevent a transaction or a change of control that might be in the best interest of our stockholders.

Our board of directors may create and issue a class or series of preferred stock without stockholder approval. Subject to the rights of holders of Series B Preferred Stock and Series C Preferred Stock to approve the classification or issuance of any class or series of stock ranking senior to the Series B Preferred Stock or Series C Preferred Stock, our board of directors is empowered under our charter to amend our charter to increase or decrease the aggregate number of shares of our common stock or the number of shares of stock of any class or series that we have authority to issue, to designate and issue from time to time one or more classes or series of preferred stock and to classify or reclassify

any unissued shares of our common stock or preferred stock without stockholder approval. Subject to the rights of holders of Series B Preferred Stock and Series C Preferred Stock discussed above, our board of directors may determine the relative rights, preferences and privileges of any class or series of preferred stock issued. The issuance of preferred stock could also have the effect of delaying or preventing a change of control transaction that might otherwise be in the best interests of our stockholders.

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

- redemption rights of qualifying parties;

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

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

Certain provisions of Maryland law could inhibit changes in control.

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

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

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

The employment agreements with our executive officers provide that each executive 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 equity-based awards. In the case of certain terminations, they would not be restricted from competing with us after their departure.

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

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

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

Our board of directors has 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 B Preferred Stock and of Series C Preferred Stock, classify or reclassify any unissued shares of our common stock or preferred stock, set the preferences, rights and other terms of such classified or reclassified shares, without obtaining stockholder approval;

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- 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.

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

Sales of substantial amounts of shares of our common stock in the public market, or upon exchange of common units or exercise of any options, or the perception that such sales might occur could adversely affect the market price of our common stock. The exchange of common units for common stock, the exercise of any stock options or the vesting of any restricted stock granted under the 2011 Plan, the issuance of our common stock or common units in connection with property, portfolio or business acquisitions and other issuances of our common stock or common units could have an adverse effect on the market price of our common stock. The existence of shares of our common stock reserved for issuance under the 2011 Plan or upon exchange of common units may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. We also have filed a registration statement with the SEC allowing us to offer, from time to time, an indefinite amount of equity securities (including common 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 ATM 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 stock. In addition, future sales by us of our common stock may be dilutive to existing stockholders.

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

Our common stock is ranked junior to our Series B Preferred Stock and Series C Preferred Stock. Our outstanding Series B Preferred Stock and Series C Preferred Stock also has or will have a preference upon our dissolution, liquidation or winding up in respect of assets available for distribution to our stockholders. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. In the future, we may attempt to

increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred or common stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our securities or both. Because

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our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our securities and diluting their proportionate ownership.

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

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

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

General Real Estate Risks

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

- changes in general or local economic climate;
- the attractiveness of our properties to potential tenants;
- changes in supply of or demand for similar or competing properties in an area;
- bankruptcies, financial difficulties or lease defaults by our tenants;
- 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;

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changes in the cost or availability of insurance, including coverage for mold or asbestos;
unanticipated changes in costs associated with known adverse environmental conditions or retained liabilities for such conditions;
periods of high interest rates and tight money supply;
tenant turnover;
general overbuilding or excess supply in the market; and
disruptions in the global supply chain caused by political, regulatory or other factors, including terrorism and geopolitical developments outside the United States, such as the effects of the United Kingdom's referendum to withdraw from the European Union.

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

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

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

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

Our results of operations, cash flows, cash available for distribution, and the value of our securities would be adversely affected if we are unable to lease, on economically favorable terms, a significant amount of space in our operating properties. As of December 31, 2017, leases with respect to approximately 37.0% (excluding month-to-month leases, which comprise an additional 1.6%) of our total annualized base rental revenue will expire before December 31, 2020. We cannot assure you that expiring leases will be renewed or that our properties will be re-leased at base rental rates equal to or above the current market rental rates. In addition, the number of vacant or partially vacant industrial properties in a market or sub-market could adversely affect our ability to re-lease the space at attractive rental rates.

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.

The bankruptcy or insolvency of a tenant could diminish the income we receive from that tenant's lease. Our tenants may experience downturns in their operating results due to adverse changes to their business or economic conditions, and those tenants that are

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highly leveraged may have a higher possibility of filing for bankruptcy or insolvency. We may not be able to evict a tenant solely because of its bankruptcy. On the other hand, a bankruptcy court might authorize the tenant to terminate its lease with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be an unsecured pre-petition claim subject to statutory limitations, and therefore such amounts received in bankruptcy are likely to be substantially less than the remaining rent we otherwise were owed under the lease. In addition, any claim we have for unpaid past rent could be substantially less than the amount owed. If the lease for such a property is rejected in bankruptcy, our revenue would be reduced and could adversely impact our ability to pay distributions to stockholders. Real estate investments are not as liquid as other types of investments.

Real estate investments are not as liquid as other types of investments, and this lack of liquidity may limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. In addition, we intend to comply with the safe harbor rules relating to the number of properties that can be disposed of in a year, the tax 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 remediation or removing hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resources or property damage or other costs, including investigation and clean up costs, resulting from the environmental contamination. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address

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the contamination, or otherwise adversely affect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition and ownership of our properties, we may be exposed to such costs. The cost of defending against environmental claims, of compliance with environmental regulatory requirements or of remediation of any contaminated property could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to our stockholders.

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

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

From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk adjusted return. In such an instance, we underwrite the costs of environmental investigation, clean up and monitoring into the cost. Further, in connection with property dispositions, we may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Debt Financings

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

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

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

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

As of December 31, 2017, we had total outstanding debt of approximately \$1.2 billion, including \$121.0 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.

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

The terms of certain of our mortgage notes require us to comply with loan-to-collateral-value ratios, debt service coverage ratios and, in the case of an event of default, limitations on the ability of our subsidiaries that are borrowers under our mortgage notes to make distributions to us or our other subsidiaries. In addition, our unsecured credit facility, unsecured term loans and unsecured notes require us to comply with loan-to-collateral-value ratios, debt service coverage ratios, leverage ratios, 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.

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

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

Financing arrangements involving balloon payment obligations may adversely affect us.

Most of our financing arrangements require us to make a lump-sum or “balloon” payment at maturity. Our ability to make a balloon payment at maturity is uncertain and, in the event that we do not have sufficient funds to repay the debt at maturity of these loans, we will need to refinance this debt. If the credit environment is constrained at the time the balloon payment is due, we may not be able to refinance the existing financing on acceptable terms and may be forced to choose from a number of unfavorable options. These options include agreeing to otherwise unfavorable financing terms on one or more of our unencumbered assets, selling one or more properties on disadvantageous terms or defaulting on the loan and permitting the lender to foreclose. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

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

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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 (a maximum rate of 35% applies through 2017 and 21% for subsequent years). In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year in which we failed to qualify as a REIT. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, dividends to stockholders would no longer qualify for the dividends paid deduction and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

Even if we 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.

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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.

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

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

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

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our stockholders or us. We cannot predict how changes in the tax laws might affect our stockholders or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification, or may reduce the relative attractiveness of an investment in a REIT compared to a corporation not qualified as a REIT. The recently enacted tax reform bill, informally known as the Tax Cuts and Jobs Act ("TCJA"), significantly changed the U.S. federal income tax laws applicable to businesses and their owners, including REITs and their stockholders. Technical corrections or other amendments to the TCJA or administrative guidance interpreting the TCJA may be forthcoming at any time. We cannot predict the long-term effect of the TCJA or any future changes on REITs and their stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2017, we owned the properties listed below.

State	City	Number of Buildings	Asset Type	CBSA ⁽¹⁾	Total Rentable Square Feet
Alabama					
	Montgomery	1	Warehouse / Distribution	Montgomery, AL	332,000
	Phenix City	1	Warehouse / Distribution	Columbus, GA-AL	117,568
Arkansas					
	Rogers	1	Warehouse / Distribution	Fayetteville-Springdale-Rogers, AR-MO	400,000
Arizona					
	Avondale	1	Warehouse / Distribution	Phoenix-Mesa-Scottsdale, AZ	186,643
	Phoenix	1	Warehouse / Distribution	Phoenix-Mesa-Scottsdale, AZ	102,747
California					
	Camarillo	2	Warehouse / Distribution		732,606

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			Oxnard-Thousand Oaks-Ventura, CA	
	San Diego	1	Warehouse / Distribution San Diego-Carlsbad, CA	205,440
	Visalia	1	Warehouse / Distribution Visalia-Porterville, CA	635,281
Colorado				
	Golden	1	Warehouse / Distribution Denver-Aurora-Lakewood, CO	227,500

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State	City	Number of Buildings	Asset Type	CBSA ⁽¹⁾	Total Rentable Square Feet
	Grand Junction	1	Warehouse / Distribution	Grand Junction, CO	82,800
	Longmont	1	Warehouse / Distribution	Boulder, CO	159,611
Connecticut	Avon	1	Light Manufacturing	Hartford-West Hartford-East Hartford, CT	78,400
	East Windsor	2	Warehouse / Distribution	Hartford-West Hartford-East Hartford, CT	271,111
	Milford	1	Warehouse / Distribution	New Haven-Milford, CT	200,000
	North Haven	3	Warehouse / Distribution	New Haven-Milford, CT	824,727
	Wallingford	1	Warehouse / Distribution	New Haven-Milford, CT	105,000
Delaware	Newark	2	Flex / Office	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	52,665
	New Castle	1	Warehouse / Distribution	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	485,987
Florida	Daytona Beach	1	Light Manufacturing	Deltona-Daytona Beach-Ormond Beach, FL	142,857
	Jacksonville	4	Warehouse / Distribution	Jacksonville, FL	1,025,720
	Ocala	1	Warehouse / Distribution	Orlando-Kissimmee-Sanford, FL	619,466
	Orlando	1	Light Manufacturing	Orlando-Kissimmee-Sanford, FL	215,900
	Orlando	1	Warehouse / Distribution	Orlando-Kissimmee-Sanford, FL	155,000
	Pensacola	1	Flex / Office	Pensacola-Ferry Pass-Brent, FL	30,620
Georgia	Calhoun	1	Warehouse / Distribution	Calhoun, GA	151,200
	Dallas	1	Warehouse / Distribution	Atlanta-Sandy Springs-Roswell, GA	92,807
	Forest Park	2	Warehouse / Distribution	Atlanta-Sandy Springs-Roswell, GA	799,200
	LaGrange	1	Warehouse / Distribution	LaGrange, GA	219,891
	Norcross	1	Warehouse / Distribution	Atlanta-Sandy Springs-Roswell, GA	152,036
	Savannah	1	Warehouse / Distribution	Savannah, GA	504,200
	Shannon	1	Warehouse / Distribution	Rome, GA	568,516
	Smyrna	1		Atlanta-Sandy Springs-Roswell, GA	102,000

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		Warehouse / Distribution		
	Statham	1	Warehouse / Distribution	Atlanta-Sandy Springs-Roswell, GA 225,680
	Stone Mountain	1	Warehouse / Distribution	Atlanta-Sandy Springs-Roswell, GA 78,000
Idaho				
	Idaho Falls	1	Warehouse / Distribution	Idaho Falls, ID 90,300
	Pocatello	1	Flex / Office	Pocatello, ID 43,353
Illinois				
	Batavia	1	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI 102,500
	Belvidere	10	Warehouse / Distribution	Rockford, IL 1,469,222
	DeKalb	1	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI 146,740
	Gurnee	2	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI 562,500
	Harvard	1	Light Manufacturing	Chicago-Naperville-Elgin, IL-IN-WI 126,304
	Itasca	1	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI 202,000
	Libertyville	1	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI 251,961
	Libertyville	1	Flex / Office	Chicago-Naperville-Elgin, IL-IN-WI 35,141
	Machesney Park	1	Warehouse / Distribution	Rockford, IL 80,000
	Montgomery	1	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI 584,301
	Sauk Village	1	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI 375,785
	South Holland	1	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI 202,902
	Waukegan	1	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI 131,252
	Waukegan	1	Light Manufacturing	Chicago-Naperville-Elgin, IL-IN-WI 130,156
	West Chicago	1	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI 249,470
	West Chicago	5	Light Manufacturing	Chicago-Naperville-Elgin, IL-IN-WI 305,874
	Wood Dale	1	Light Manufacturing	Chicago-Naperville-Elgin, IL-IN-WI 137,607
	Woodstock	1	Light Manufacturing	Chicago-Naperville-Elgin, IL-IN-WI 129,803

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State	City	Number of Buildings	Asset Type	CBSA ⁽¹⁾	Total Rentable Square Feet
Indiana					
	Albion	7	Light Manufacturing	Kendallville, IN	261,013
	Elkhart	2	Warehouse / Distribution	Elkhart-Goshen, IN	170,100
	Kendallville	1	Light Manufacturing	Kendallville, IN	58,500
	Fort Wayne	1	Warehouse / Distribution	Fort Wayne, IN	108,800
	Goshen	1	Warehouse / Distribution	Elkhart-Goshen, IN	366,000
	Lafayette	3	Warehouse / Distribution	Lafayette-West Lafayette, IN	466,400
	Marion	1	Warehouse / Distribution	Marion, IN	249,920
	Portage	1	Warehouse / Distribution	Chicago-Naperville-Elgin, IL-IN-WI	212,000
	South Bend	1	Warehouse / Distribution	South Bend-Mishawaka, IN-MI	225,000
Iowa					
	Council Bluffs	1	Warehouse / Distribution	Omaha-Council Bluffs, NE-IA	90,000
	Marion	1	Warehouse / Distribution	Cedar Rapids, IA	95,500
	Sergeant Bluff	1	Flex / Office	Sioux City, IA-NE-SD	148,131
Kansas					
	Edwardsville	1	Warehouse / Distribution	Kansas City, MO-KS	270,869
	Lenexa	2	Warehouse / Distribution	Kansas City, MO-KS	276,219
	Olathe	1	Warehouse / Distribution	Kansas City, MO-KS	496,373
	Wichita	3	Warehouse / Distribution	Wichita, KS	248,550
Kentucky					
	Bardstown	1	Warehouse / Distribution	Louisville/Jefferson County, KY-IN	102,318
	Danville	1	Warehouse / Distribution	Danville, KY	757,047
	Erlanger	1	Warehouse / Distribution	Cincinnati, OH-KY-IN	108,620
	Hebron	1	Warehouse / Distribution	Cincinnati, OH-KY-IN	109,000
	Louisville	2	Warehouse / Distribution	Louisville/Jefferson County, KY-IN	497,820
	Walton	1	Warehouse / Distribution	Cincinnati, OH-KY-IN	224,921
Louisiana					
	Shreveport	1	Warehouse / Distribution	Shreveport-Bossier City, LA	420,259
Maine					
	Belfast	5	Flex / Office	—	306,554 ⁽²⁾
	Biddeford	2	Warehouse / Distribution	Portland-South Portland, ME	265,126
	Gardiner	1	Warehouse / Distribution	Augusta-Waterville, ME	265,000
	Lewiston	1	Flex / Office	Lewiston-Auburn, ME	60,000
	Portland	1	Warehouse / Distribution	Portland-South Portland, ME	100,600
Maryland					
	Hampstead	1	Warehouse / Distribution	Baltimore-Columbia-Towson, MD	1,035,249
Massachusetts					
	Chicopee	1	Warehouse / Distribution	Springfield, MA	217,000
	Malden	2	Light Manufacturing	Boston-Cambridge-Newton, MA-NH	109,943
	Norton	1	Warehouse / Distribution	Providence-Warwick, RI-MA	200,000
	South Easton	1	Light Manufacturing	Providence-Warwick, RI-MA	86,000
	Stoughton	2	Warehouse / Distribution	Boston-Cambridge-Newton, MA-NH	258,213
	Westborough	1	Warehouse / Distribution	Worcester, MA-CT	121,700
Michigan					
	Belleville	1	Light Manufacturing	Detroit-Warren-Dearborn, MI	160,464

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Chesterfield	4	Warehouse / Distribution	Detroit-Warren-Dearborn, MI	478,803
Grand Rapids	1	Warehouse / Distribution	Grand Rapids-Wyoming, MI	301,317
Holland	1	Warehouse / Distribution	Grand Rapids-Wyoming, MI	195,000
Kentwood	1	Light Manufacturing	Grand Rapids-Wyoming, MI	85,157
Lansing	4	Warehouse / Distribution	Lansing-East Lansing, MI	770,425
Marshall	1	Light Manufacturing	Battle Creek, MI	57,025

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State	City	Number of Buildings	Asset Type	CBSA ⁽¹⁾	Total Rentable Square Feet
	Novi	2	Warehouse / Distribution	Detroit-Warren-Dearborn, MI	245,860
	Plymouth	1	Warehouse / Distribution	Detroit-Warren-Dearborn, MI	125,214
	Redford	1	Warehouse / Distribution	Detroit-Warren-Dearborn, MI	135,728
	Romulus	1	Warehouse / Distribution	Detroit-Warren-Dearborn, MI	303,760
	Sterling Heights	1	Warehouse / Distribution	Detroit-Warren-Dearborn, MI	108,000
	Walker	1	Warehouse / Distribution	Grand Rapids-Wyoming, MI	210,000
	Warren	2	Warehouse / Distribution	Detroit-Warren-Dearborn, MI	422,377
Minnesota	Carlos	1	Light Manufacturing	Alexandria, MN	196,270
	Brooklyn Park	1	Warehouse / Distribution	Minneapolis-St. Paul-Bloomington, MN-WI	200,720
	Maple Grove	1	Warehouse / Distribution	Minneapolis-St. Paul-Bloomington, MN-WI	108,628
	New Hope	1	Light Manufacturing	Minneapolis-St. Paul-Bloomington, MN-WI	107,348
	Rogers	1	Warehouse / Distribution	Minneapolis-St. Paul-Bloomington, MN-WI	386,724
	Savage	1	Warehouse / Distribution	Minneapolis-St. Paul-Bloomington, MN-WI	244,050
Missouri	Earth City	1	Warehouse / Distribution	St. Louis, MO-IL	116,783
	Hazlewood	1	Warehouse / Distribution	St. Louis, MO-IL	305,550
	Kansas City	1	Warehouse / Distribution	Kansas City, MO-KS	226,576
	O'Fallon	2	Warehouse / Distribution	St. Louis, MO-IL	186,854
Nevada	Las Vegas	1	Warehouse / Distribution	Las Vegas-Henderson-Paradise, NV	34,916
	Reno	1	Light Manufacturing	Reno, NV	87,264
	Sparks	1	Warehouse / Distribution	Reno, NV	161,986
New Hampshire					

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New Jersey	Londonderry	1	Warehouse / Distribution	Boston-Cambridge-Newton, MA-NH	125,060
	Nashua	1	Warehouse / Distribution	Manchester-Nashua, NH	337,391
	Burlington	2	Warehouse / Distribution	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1,552,121
	Lopatcong	1	Warehouse / Distribution	Allentown-Bethlehem-Easton, PA-NJ	237,500
	Pedricktown	1	Warehouse / Distribution	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	245,749
	Franklin Township	1	Warehouse / Distribution	New York-Newark-Jersey City, NY-NJ-PA	183,000
	Swedesboro	1	Warehouse / Distribution	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	123,962
New York	Buffalo	1	Warehouse / Distribution	Buffalo-Cheektowaga-Niagara Falls, NY	117,000
	Cheektowaga	1	Warehouse / Distribution	Buffalo-Cheektowaga-Niagara Falls, NY	121,760
	Farmington	1	Warehouse / Distribution	Rochester, NY	149,657
	Gloversville	3	Warehouse / Distribution	Gloversville, NY	211,554
	Johnstown	3	Warehouse / Distribution	Gloversville, NY	169,602
	Johnstown	1	Light Manufacturing	Gloversville, NY	42,325
	North Carolina	Charlotte	4	Warehouse / Distribution	Charlotte-Concord-Gastonia, NC-SC	884,276 (3)
Charlotte		1	Light Manufacturing	Charlotte-Concord-Gastonia, NC-SC	104,852 (3)
Durham		1	Warehouse / Distribution	Durham-Chapel Hill, NC	80,600
Huntersville		1	Warehouse / Distribution	Charlotte-Concord-Gastonia, NC-SC	185,570
Lexington		1	Warehouse / Distribution	Winston-Salem, NC	201,800
Mebane		2	Warehouse / Distribution	Burlington, NC	606,840
Mebane		1	Light Manufacturing	Burlington, NC	202,691
Mooresville		2	Warehouse / Distribution	Charlotte-Concord-Gastonia, NC-SC	799,200
Mountain Home		1	Warehouse / Distribution	Asheville, NC	146,014
Newton		1	Warehouse / Distribution	Hickory-Lenoir-Morganton, NC	217,200
Pineville		1		Charlotte-Concord-Gastonia, NC-SC	75,400

Light
Manufacturing

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State	City	Number of Buildings	Asset Type	CBSA ⁽¹⁾	Total Rentable Square Feet
	Rural Hall	1	Warehouse / Distribution	Winston-Salem, NC	250,000
	Smithfield	1	Warehouse / Distribution	Raleigh, NC	191,450
	Winston-Salem	1	Warehouse / Distribution	Winston-Salem, NC	385,000
	Salisbury	1	Warehouse / Distribution	Charlotte-Concord-Gastonia, NC-SC	288,000
Ohio	Bedford Heights	1	Warehouse / Distribution	Cleveland-Elyria, OH	173,034
	Boardman	1	Warehouse / Distribution	Youngstown-Warren-Boardman, OH-PA	175,900
	Cincinnati	1	Flex / Office	Cincinnati, OH-KY-IN	114,532
	Columbus	2	Warehouse / Distribution	Columbus, OH	333,645
	Dayton	2	Warehouse / Distribution	Dayton, OH	775,727
	Fairborn	1	Warehouse / Distribution	Dayton, OH	258,680
	Fairfield	1	Warehouse / Distribution	Cincinnati, OH-KY-IN	206,448
	Gahanna	1	Warehouse / Distribution	Columbus, OH	383,000
	Grove City	1	Warehouse / Distribution	Columbus, OH	175,512
	Groveport	1	Warehouse / Distribution	Columbus, OH	320,657
	Hamilton	1	Warehouse / Distribution	Cincinnati, OH-KY-IN	245,000
	Hilliard	1	Warehouse / Distribution	Columbus, OH	237,500
	Macedonia	1	Warehouse / Distribution	Akron, OH	201,519
	Mason	1	Light Manufacturing	Cincinnati, OH-KY-IN	116,200
	North Jackson	1	Warehouse / Distribution	Youngstown-Warren-Boardman, OH-PA	209,835
	North Jackson	1	Redevelopment	Youngstown-Warren-Boardman, OH-PA	307,315
	Oakwood Village	1	Warehouse / Distribution	Cleveland-Elyria, OH	75,000
	Salem	1	Light Manufacturing	Salem, OH	271,000
	Seville	2	Warehouse / Distribution	Cleveland-Elyria, OH	345,000
	Streetsboro	1	Warehouse / Distribution	Akron, OH	343,416

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	Strongsville	1	Warehouse / Distribution	Cleveland-Elyria, OH	161,984
	Toledo	1	Warehouse / Distribution	Toledo, OH	177,500
	Twinsburg	1	Warehouse / Distribution	Akron, OH	150,974
	West Chester	1	Warehouse / Distribution	Cincinnati, OH-KY-IN	269,868
Oklahoma					
	Oklahoma City	2	Warehouse / Distribution	Oklahoma City, OK	303,740
	Tulsa	1	Warehouse / Distribution	Tulsa, OK	175,000
Oregon					
	Salem	2	Light Manufacturing	Salem, OR	155,900
Pennsylvania					
	Allentown	1	Warehouse / Distribution	Allentown-Bethlehem-Easton, PA-NJ	289,900
	Clinton	1	Warehouse / Distribution	Pittsburgh, PA	297,200
	Elizabethtown	1	Warehouse / Distribution	Lancaster, PA	206,236
	Lancaster	1	Warehouse / Distribution	Lancaster, PA	240,529
	Langhorne	1	Warehouse / Distribution	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	102,000
	Langhorne	2	Light Manufacturing	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	287,647
	Lebanon	1	Warehouse / Distribution	Lebanon, PA	211,358
	Mechanicsburg	3	Warehouse / Distribution	Harrisburg-Carlisle, PA	747,054
	Muhlenberg Townsh	1	Warehouse / Distribution	Reading, PA	394,289
	New Kingston	1	Warehouse / Distribution	Harrisburg-Carlisle, PA	330,000
	O'Hara Township	1	Warehouse / Distribution	Pittsburgh, PA	887,084
	Pittston	1	Warehouse / Distribution	Scranton--Wilkes-Barre--Hazleton, PA	437,446
	Reading	1	Warehouse / Distribution	Reading, PA	248,000
	Williamsport	1	Warehouse / Distribution	Williamsport, PA	250,000
	York	1	Warehouse / Distribution	York-Hanover, PA	382,886

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State	City	Number of Buildings	Asset Type	CBSA ⁽¹⁾	Total Rentable Square Feet
South Carolina	Columbia	1	Light Manufacturing	Columbia, SC	185,600
	Duncan	2	Warehouse / Distribution	Spartanburg, SC	787,380
	Edgefield	1	Light Manufacturing	Augusta-Richmond County, GA-SC	126,190
	Fountain Inn	2	Warehouse / Distribution	Greenville-Anderson-Mauldin, SC	432,472
	Gaffney	1	Warehouse / Distribution	Gaffney, SC	226,968
	Graniteville	1	Warehouse / Distribution	Augusta-Richmond County, GA-SC	450,000
	Greenville	1	Warehouse / Distribution	Greenville-Anderson-Mauldin, SC	157,500
	Greenwood	2	Light Manufacturing	Greenwood, SC	175,055
	Greer	4	Warehouse / Distribution	Greenville-Anderson-Mauldin, SC	290,000
	Laurens	1	Warehouse / Distribution	Greenville-Anderson-Mauldin, SC	125,000
	Piedmont	3	Warehouse / Distribution	Greenville-Anderson-Mauldin, SC	400,000
	Rock Hill	2	Warehouse / Distribution	Charlotte-Concord-Gastonia, NC-SC	590,520
	Simpsonville	2	Warehouse / Distribution	Greenville-Anderson-Mauldin, SC	411,994
	Spartanburg	6	Warehouse / Distribution	Spartanburg, SC	1,209,260
	Ware Shoals	1	Light Manufacturing	Greenwood, SC	20,514
	West Columbia	4	Warehouse / Distribution	Columbia, SC	769,532
South Dakota	Rapid City	1	Flex / Office	Rapid City, SD	132,365
Tennessee	Chattanooga	3	Warehouse / Distribution	Chattanooga, TN-GA	646,200
	Cleveland	1	Warehouse / Distribution	Cleveland, TN	151,704
	Clinton	1	Warehouse / Distribution	Knoxville, TN	166,000
	Jackson	1		Jackson, TN	216,902

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		Warehouse / Distribution			
	Jefferson City	1	Warehouse / Distribution	Morristown, TN	486,109
	Knoxville	1	Warehouse / Distribution	Knoxville, TN	108,400
	Loudon	1	Warehouse / Distribution	Knoxville, TN	104,000
	Madison	1	Warehouse / Distribution	Nashville-Davidson--Murfreeseboro--Franklin, TN	418,406
	Mascot	1	Warehouse / Distribution	Knoxville, TN	130,560
	Mascot	1	Light Manufacturing	Knoxville, TN	130,560
	Murfreesboro	1	Warehouse / Distribution	Nashville-Davidson--Murfreeseboro--Franklin, TN	102,505
	Nashville	1	Warehouse / Distribution	Nashville-Davidson--Murfreeseboro--Franklin, TN	150,000
	Portland	1	Warehouse / Distribution	Nashville-Davidson--Murfreeseboro--Franklin, TN	414,043
	Vonore	1	Warehouse / Distribution	Knoxville, TN	342,700
Texas					
	Arlington	2	Warehouse / Distribution	Dallas-Fort Worth-Arlington, TX	290,132
	Cedar Hill	1	Warehouse / Distribution	Dallas-Fort Worth-Arlington, TX	420,000
	El Paso	8	Warehouse / Distribution	El Paso, TX	1,886,621
	Fort Worth	1	Warehouse / Distribution	Dallas-Fort Worth-Arlington, TX	101,500
	Garland	1	Light Manufacturing	Dallas-Fort Worth-Arlington, TX	253,900
	Garland	1	Warehouse / Distribution	Dallas-Fort Worth-Arlington, TX	164,914
	Houston	5	Warehouse / Distribution	Houston-The Woodlands-Sugar Land, TX	585,634
	Houston	2	Light Manufacturing	Houston-The Woodlands-Sugar Land, TX	408,599
	Laredo	1	Warehouse / Distribution	Laredo, TX	206,810
	Rockwall	1	Warehouse / Distribution	Dallas-Fort Worth-Arlington, TX	389,546
	San Antonio	1	Warehouse / Distribution	San Antonio-New Braunfels, TX	247,861
	Stafford	1	Warehouse / Distribution	Houston-The Woodlands-Sugar Land, TX	68,300
	Waco	1	Warehouse / Distribution	Waco, TX	66,400
Virginia					
	Buena Vista	1		—	172,759 ⁽²⁾

Chester	1	Light Manufacturing Warehouse / Distribution	Richmond, VA	100,000
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State	City	Number of Buildings	Asset Type	CBSA ⁽¹⁾	Total Rentable Square Feet
	Harrisonburg	1	Warehouse / Distribution	Harrisonburg, VA	357,673
	Independence	1	Warehouse / Distribution	—	120,000
Wisconsin	Chippewa Falls	2	Light Manufacturing	Eau Claire, WI	97,400
	De Pere	1	Warehouse / Distribution	Green Bay, WI	200,000
	DeForest	1	Warehouse / Distribution	Madison, WI	254,431
	East Troy	1	Warehouse / Distribution	Whitewater-Elkhorn, WI	149,624
	Germantown	1	Warehouse / Distribution	Milwaukee-Waukesha-West Allis, WI	202,500
	Hartland	1	Warehouse / Distribution	Milwaukee-Waukesha-West Allis, WI	121,050
	Janesville	1	Warehouse / Distribution	Janesville-Beloit, WI	700,000
	Kenosha	1	Light Manufacturing	Chicago-Naperville-Elgin, IL-IN-WI	175,052
	Madison	2	Warehouse / Distribution	Madison, WI	283,000
	Mayville	1	Light Manufacturing	Beaver Dam, WI	339,179
	New Berlin	1	Warehouse / Distribution	Milwaukee-Waukesha-West Allis, WI	205,063
	Sun Prairie	1	Warehouse / Distribution	Madison, WI	427,000
	West Allis	4	Warehouse / Distribution	Milwaukee-Waukesha-West Allis, WI	241,977
	Yorkville	1	Warehouse / Distribution	Racine, WI	98,151
		356			70,196,498

(1) We define Core Based Statistical Area ("CBSA") as a U.S. geographic area defined by the Office of Management and Budget that consists of one or more counties (or equivalents) anchored by an urban center of at least 10,000 people plus adjacent counties that are socioeconomically tied to the urban center by commuting.

(2) These buildings do not have a CBSA.

(3) Includes buildings that are classified as held for sale at December 31, 2017.

As of December 31, 2017, 25 of our 356 buildings were encumbered by mortgage indebtedness totaling approximately \$58.9 million (excluding unamortized deferred financing fees, debt issuance costs, and fair market value premiums). See Note 4 in the accompanying Notes to the Consolidated Financial Statements and the accompanying Schedule III for additional information.

Geographic Diversification

The following table sets forth information about the ten largest markets in our portfolio based on total annualized base rental revenue as of December 31, 2017.

Market ⁽¹⁾	% of Total Annualized Base Rental Revenue
Philadelphia, PA	9.9 %
Chicago, IL	8.8 %
Greenville/Spartanburg, SC	4.7 %
Charlotte, NC	4.2 %
Milwaukee/Madison, WI	3.8 %
Cincinnati/Dayton, OH	3.5 %
Detroit, MI	3.2 %

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El Paso, TX	2.7	%
West Michigan, MI	2.6	%
Westchester/So Connecticut, CT/NY	2.4	%
Total	45.8	%

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

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Industry Diversification

The following table sets forth information about the ten largest tenant industries in our portfolio based on total annualized base rental revenue as of December 31, 2017.

Top Ten Tenant Industries	% of Total Annualized Base Rental Revenue	
Automotive	13.8	%
Air Freight & Logistics	12.5	%
Ind Equip, Component & Metals	11.0	%
Containers & Packaging	9.8	%
Food & Beverages	9.3	%
Retail	6.7	%
Business Services	5.6	%
Personal Products	5.1	%
Household Durables	4.9	%
Building Materials	4.6	%
Total	83.3	%

Tenant Diversification

As of December 31, 2017, our buildings were leased to 312 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, 2017.

Top Ten Tenants	Number of Leases	% of Total Annualized Base Rental Revenue	
General Services Administration	1	2.6	%
XPO Logistics	4	1.9	%
Deckers Outdoor	2	1.6	%
TriMas Corporation	4	1.4	%
Solo Cup	1	1.4	%
DHL	4	1.1	%
FedEx	3	1.0	%
Generation Brands	1	1.0	%
Carolina Beverage Group	2	1.0	%
American Tire Distributors Inc	4	0.9	%
Total	26	13.9	%

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Scheduled Lease Expirations

As of December 31, 2017, our weighted average in place remaining lease term was approximately 4.8 years. The following table sets forth a summary of lease expirations for leases in place as of December 31, 2017, plus available space, for each of the ten calendar years beginning with 2018 and thereafter in our portfolio. The information in the following table assumes that tenants exercise no renewal options, purchase options, or early termination rights.

Lease Expiration Year	Number of Leases Expiring	Total Rentable Square Feet	% of Total Occupied Square Feet	Total Annualized Base Rental Revenue (in thousands)	% of Total Annualized Base Rental Revenue
Available	—	3,267,701	—	\$ —	—
Month-to-month leases	10	1,279,284	1.9	4,433	1.6
2018	41	5,665,228	8.5	23,537	8.6
2019	52	9,298,500	13.9	36,853	13.5
2020	48	9,598,197	14.3	40,721	14.9
2021	62	10,234,381	15.3	42,251	15.4
2022	46	5,757,530	8.6	24,585	9.0
2023	29	5,870,859	8.8	21,547	7.9
2024	20	3,854,240	5.8	15,278	5.6
2025	14	2,397,342	3.6	9,894	3.6
2026	21	4,704,170	7.0	18,037	6.6
2027	10	1,768,969	2.6	7,722	2.8
Thereafter	30	6,500,097	9.7	28,701	10.5
Total/weighted average	383	70,196,498	100.0	\$ 273,559	100.0

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

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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 2018 Annual Meeting of Stockholders.

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 13, 2018, as reported by the NYSE, was \$23.39 per share. For the year ended December 31, 2017, our total stockholder return was 20.7%, assuming an investment in our common stock on December 31, 2016 and that all dividends were reinvested. 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, 2017	\$28.91	\$27.10	\$0.352500
September 30, 2017	\$28.95	\$26.43	\$0.352500
June 30, 2017	\$28.66	\$24.84	\$0.350001
March 31, 2017	\$26.24	\$22.70	\$0.350001
December 31, 2016	\$24.41	\$21.21	\$0.347499
September 30, 2016	\$25.51	\$22.68	\$0.347499
June 30, 2016	\$23.83	\$19.42	\$0.347499
March 31, 2016	\$20.54	\$14.97	\$0.347499

On November 2, 2017, our board of directors declared the common stock dividend for the months ending (1) January 31, 2018, February 28, 2018 and March 31, 2018 at a monthly rate of \$0.118333 per share of common stock.

Holders of Our Common Stock

As of February 13, 2018, we had 65 stockholders of record. This figure does not reflect the beneficial ownership of shares held in the nominee name.

Dividends

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

Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Year ended	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽¹⁾	Total Number of Shares Purchased as Part of	Approximate Dollar Value of Shares that May Yet be
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			Publicity Announced Plans or Programs	Purchased Under the Plans or Programs	
December 31, 2017	40,836	\$ 23.73	—	\$	—
Total	40,836	\$ 23.73	—	\$	—

Reflects shares surrendered in January 2017 to the Company for payment of tax withholdings obligations in (1) connection with the vesting of restricted shares of common stock. The average price paid reflects the average market value of shares withheld for tax purposes.

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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 December 31, 2012 to December 31, 2017 and assumes that \$100 was invested in our common stock and in each index on December 31, 2012 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 Act, except as shall be expressly set forth by specific reference in such filing.

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Item 6. Selected Financial Data

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, 2017, 2016, 2015, 2014 and 2013, and our selected historical Consolidated Statement of Operations data for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, have been derived from the audited financial statements of STAG Industrial, Inc. Certain prior year amounts have been reclassified to conform to the current year presentation. The results of operations for all periods presented have been adjusted to reflect discontinued operations.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Statements of Operations Data:					
Revenue					
Total revenue	\$301,087	\$250,243	\$218,633	\$173,816	\$133,893
Expenses					
Property	57,701	48,904	42,627	33,388	24,010
General and administrative	33,349	33,395	28,750	26,396	17,867
Property acquisition costs	5,386	4,567	4,757	4,390	3,427
Depreciation and amortization	150,881	125,444	110,421	87,703	67,556
Loss on impairments	1,879	16,845	29,272	2,840	—
Gain on involuntary conversion	(325)) —	—	—	—
Other expenses	1,786	1,149	1,048	803	621
Total expenses	250,657	230,304	216,875	155,520	113,481
Other income (expense)					
Interest income	12	10	9	15	13
Interest expense	(42,469)	) (42,923)	) (36,098)	) (25,109)	) (20,319)
Loss on extinguishment of debt	(15)	) (3,261)	) —	(686)) —
Gain on the sales of rental property, net	24,242	61,823	4,986	2,799	—
Total other income (expense)	(18,230)	) 15,649	(31,103)	) (22,981)	) (20,306)
Net income (loss) from continuing operations	\$32,200	\$35,588	\$(29,345)	) \$(4,685)	) \$106
Total income attributable to discontinued operations	—	—	—	—	4,796
Net income (loss)	\$32,200	\$35,588	\$(29,345)	) \$(4,685)	) \$4,902
Less: income (loss) attributable to noncontrolling interest after preferred stock dividends	941	1,069	(1,962)	) (992)	) (620)
Less: preferred stock dividends	9,794	13,897	10,848	10,848	9,495
Less: amount allocated to participating securities	334	384	385	345	262
Net income (loss) attributable to common stockholders	\$21,131	\$20,238	\$(38,616)	) \$(14,886)	) \$(4,235)
Net income (loss) per share from continuing operations attributable to the common stockholders — basic	\$0.24	\$0.29	\$(0.58)	) \$(0.28)	) \$(0.20)
Income per share from discontinued operation attributable to common stockholders — basic	\$—	\$—	\$—	\$—	\$0.10
Net income (loss) per share attributable to common stockholders — basic	\$0.24	\$0.29	\$(0.58)	) \$(0.28)	) \$(0.10)
Net income (loss) per share from continuing operations attributable to the common	\$0.23	\$0.29	\$(0.58)) \$(0.28)) \$(0.20)

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stockholders — diluted

Income per share from discontinued operation attributable to common stockholders — diluted	\$—	\$—	\$—	\$—	\$0.10
Net income (loss) per share attributable to common stockholders — diluted	\$0.23	\$0.29	\$(0.58	) \$(0.28	) \$(0.10
Balance Sheets Data (December 31):					
Rental property, before accumulated depreciation and amortization	\$3,097,276	\$2,541,705	\$2,188,642	\$1,809,895	\$1,389,214
Rental property, after accumulated depreciation and amortization	\$2,567,577	\$2,116,836	\$1,839,967	\$1,558,434	\$1,222,360
Total assets	\$2,680,667	\$2,186,156	\$1,901,782	\$1,623,802	\$1,266,460
Total debt	\$1,173,781	\$1,036,139	\$980,248	\$680,478	\$552,270
Total liabilities	\$1,270,360	\$1,119,230	\$1,043,925	\$731,924	\$591,896
Total equity	\$1,410,307	\$1,066,926	\$857,857	\$891,878	\$674,564
Other Data:					
Dividend declared per common share	\$1.405002	\$1.389996	\$1.365	\$1.29	\$1.20
Cash flow provided by operating activities	\$162,562	\$135,423	\$121,707	\$96,676	\$82,687
Cash flow used in investing activities	\$566,053	\$347,112	\$372,038	\$421,713	\$325,231
Cash flow provided by financing activities	\$415,861	\$211,870	\$238,464	\$342,225	\$230,228

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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 consolidated financial statements and related notes included elsewhere in this report.

Overview

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

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

Our qualification and taxation as a REIT 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, 2017, we owned 356 buildings in 37 states with approximately 70.2 million rentable square feet, consisting of 287 warehouse/distribution buildings, 52 light manufacturing buildings, 14 flex/office buildings, and three buildings in redevelopment or classified as held for sale. As of December 31, 2017, our buildings were approximately 95.3% leased to 312 tenants, with no single tenant accounting for more than approximately 2.6% of our total annualized base rental revenue and no single industry accounting for more than approximately 13.8% of our total annualized base rental revenue.

We own the interests in all of our properties and conduct substantially all of our business through our Operating Partnership. We are the sole member of the sole general partner of the Operating Partnership. As of December 31, 2017, we owned approximately 95.9% of the common equity of our Operating Partnership, and our current and former executive officers, directors, senior employees and their affiliates, and third parties who contributed properties to us in exchange for common equity in our Operating Partnership, owned the remaining 4.1%. We completed our IPO and related formation transactions, pursuant to which we succeeded 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 over eight years of economic growth, some uncertainty regarding the new U.S. presidential administration and its policy initiatives, and continued asset appreciation. In December 2017, the federal funds target rate was raised 25 basis points to a target range of

1.25% to 1.50%. This announcement combined with the unwinding of its balance sheet by selling Treasury securities and anticipation of three rate increases in 2018 are signs of the Central Bank's confidence in the economy. The current trajectory of the federal funds target rate aligns with the Central Bank's consistent commentary that future rate increases would be gradual and rates will likely remain historically low for an extended period of time. If interest rates were to rise further 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 (taking into account our hedging activities) 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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The new U.S. presidential administration finished 2017 with the signing of a new tax law, most notably cutting the corporate tax rate to 21% from 35%. The new tax law is expected to provide at least a short-term boost to gross domestic product (“GDP”), capital markets, the U.S. dollar, the unemployment rate, and wage growth. The positive capital markets continued their upward momentum during the fourth quarter of 2017 and look favorable for the first half of 2018. The U.S. presidential administration is expected to focus on key initiatives including trade, regulation, infrastructure, and healthcare. The U.S. dollar weakened throughout 2017, but remains historically strong. A strong U.S. dollar can harm U.S. exporters and U.S. multi-nationals; however, it can also benefit foreign multi-nationals positively which support U.S. subsidiaries and operate U.S. industrial properties. Oil prices remain relatively low after significant declines in 2014, however, they showed some rebound in 2017 with WTI Crude Oil up 15% to \$60/bbl. If there is a sustained increase in oil prices, we may see improvement in the oil and gas sector credit profiles and real estate markets as well as weakening of margins in other industries (e.g. automotive, freight). The North American Free Trade Agreement (“NAFTA”) negotiations are ongoing, and the outcome is uncertain. We will continue to monitor NAFTA negotiations 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. light vehicle sales, and durable goods new orders. Below are recent trends in each of these factors.

Economic Indicators ⁽¹⁾	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
GDP Growth Rate	2.6%	3.2%	3.1%	1.2%	1.8%
Unemployment Rate	4.1%	4.2%	4.4%	4.5%	4.7%
Change in Non-Farm Employment (in thousands)	148	38	210	50	155
Consumer Confidence Index	122.1	119.8	118.9	125.6	113.3
ISM ⁽²⁾	59.7%	60.8%	57.8%	57.2%	54.5%
10-year Treasury Yield	2.40%	2.33%	2.31%	2.40%	2.45%
Seasonally Adjusted Annualized Rate US Light Vehicle Sales (in thousands)	17,765	18,485	16,608	16,719	18,051
Manufacturing New Orders: Durable Goods (in millions)	249,448	239,313	245,705	232,817	223,681

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Conference Board, Board of Governors of the (1) 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.

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, (2) 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 rate, average growth of non-farm employment, level of U.S. total vehicle sales, ISM level, consumer confidence, and low interest rates are positive fundamental signs for industrial demand. At the end of December, the ISM level and consumer confidence were very robust. The average consumer FICO score remained at an all-time high and lending standards loosened during the fourth quarter of 2017. These factors, combined with an expanding job count and ongoing low unemployment rate suggests consumers will be spending more money on goods in the foreseeable future. The strong U.S. dollar means that U.S. consumers may be purchasing a relatively larger amount of imported goods and that U.S. companies are likely to lower their rate of exports. This is likely to be a net positive for industrial real estate demand as imports tend to lead to greater net absorption than do exports.

From a corporate credit perspective, we expect U.S. default rates to be stable in the first half 2018 behind positive economic growth and lower corporate taxes. We believe improving commodity markets and capital markets stability will be important in supporting this outlook. Standard & Poor's trailing 12-month December 2017 U.S. speculative grade corporate default rate declined to 3.0% compared to 5.1% at December 2016. We continue to closely monitor the energy sector and other industries for technology disruption. Most notably, the retail sector is challenged by e-commerce growth and the automotive industry is facing potential trade and technology challenges. Additionally, we note that U.S. light vehicle sales declined in 2017 and are projected to decline further in 2018. We expect an increase in industrial activity and more demand for industrial space in the foreseeable future given the job growth, low-interest rate environment, and GDP growth.

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

- the rise of e-commerce (as compared to the traditional retail store distribution model) and the concomitant demand by e-commerce industry participants for well-located, functional distribution space;
- the increasing attractiveness of the 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); and
- the overall quality of the transportation infrastructure in the U.S.

Furthermore, the lack of material speculative development and the broader failure of supply to keep pace with demand in many of our markets has improved and may modestly further improve occupancy levels and rental rates in our portfolio. We believe, however, that industrial supply, more so than other real estate property types, 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 growing number of the more active industrial markets, and we believe this may be beginning to take a firmer hold on a broader scale. On the demand side, we note that the quality and availability of labor has taken a greater spotlight in recent months and is a major focus as tenants make occupancy decisions. We will continue to monitor the supply and demand fundamentals for industrial real estate and assess its impact on our business.

Conditions in Our Markets

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

Rental Income

We receive income primarily in the form of rental income from the tenants who occupy our buildings. The amount of rental income generated by the buildings in our portfolio depends principally on occupancy and rental rates. As of December 31, 2017, our Operating Portfolio was approximately 95.7% leased and our lease rates as defined by GAAP on new and renewal leases together grew approximately 10.8% and 7.3% during the years ended December 31, 2017 and 2016, respectively. We define the Operating Portfolio as including all warehouse and light manufacturing assets and excluding non-core flex/office assets and assets under redevelopment or classified as held for sale. The Operating Portfolio also excludes billboard, parking lot and cellular tower leases. 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.

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The following table provides a summary of our Operating Portfolio leases executed during the years ended December 31, 2017 and 2016. Certain leases contain rental concessions, which accounted for on a straight-line basis over the term of the lease.

Operating Portfolio	Square Feet	Cash Basis Rent Per Square Foot	GAAP Basis Rent Per Square Foot	Total Turnover Costs Per Square Foot ⁽¹⁾	Cash Rent Change ⁽²⁾	GAAP Rent Change ⁽³⁾	Weighted Average Lease Term ⁽⁴⁾ (years)	Rental Concessions per Square Foot ⁽⁵⁾
Year ended December 31, 2017								
New Leases ⁽⁶⁾	2,554,246	\$ 4.04	\$ 4.29	\$ 1.46	4.5 %	10.6 %	4.5	\$ 0.23
Renewal Leases ⁽⁷⁾	8,644,161	3.89	4.04	0.66	2.5 %	10.9 %	5.3	0.29
Total/weighted average	11,198,407	\$ 3.92	\$ 4.10	\$ 0.84	2.9 %	10.8 %	5.2	\$ 0.28
Year ended December 31, 2016								
New Leases ⁽⁶⁾	749,275	\$ 3.90	\$ 4.16	\$ 2.25	(0.5)%	4.0 %	8.2	\$ 0.42
Renewal Leases ⁽⁷⁾	4,817,462	4.02	4.14	0.56	1.4 %	7.4 %	4.8	0.15
Total/weighted average	5,566,737	\$ 4.00	\$ 4.14	\$ 0.79	1.3 %	7.3 %	5.3	\$ 0.18

We define Turnover Costs as the costs for improvements of vacant and renewal spaces, as well as the commissions (1) 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.

We define Cash Basis Rent Change as the percentage change in base rent (excluding straight-line rent adjustments and above/below market lease amortization as required by GAAP) of the Comparable Lease. We define a (2) Comparable Lease as a lease with a similar lease structure as compared to the previous in-place lease, excluding new leases for space that was not occupied under our ownership, leases on space with downtime in excess of two years, leases with materially different lease structures, leases associated with known vacates at the time of acquisition, and leases with credit-related modifications.

(3) We define GAAP Rent Change as the percentage change in the average base rent over the contractual lease term (excluding above/below market lease amortization) of the Comparable Lease.

(4) We define Weighted Average Lease Term as the contractual lease term in years as of the lease start date weighted by square footage.

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

(6) We define a New Lease as any lease that is signed for an initial term equal to or greater than 12 months for any vacant space; this includes a new tenant or an existing tenant that is expanding into new (additional) space.

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

Property Operating Expenses

Our property operating expenses generally consist of utilities, real estate taxes, management fees, insurance, and site repair and maintenance costs. For the majority of our tenants, our property operating expenses are controlled, in part, by the triple net provisions in tenant leases. In our triple net leases, the tenant is responsible for all aspects of and costs related to the building and its operation during the lease term, including utilities, taxes, insurance and maintenance costs. However, we also have modified gross leases and gross leases in our building portfolio. The terms of those leases vary and on some occasions we may absorb certain building related expenses of our tenants. In our modified gross leases, we are responsible for some building related expenses during the lease term, but the cost of most of the

expenses is passed through to the tenant for reimbursement to us. In our gross leases, we are responsible for all costs related to the building and its operation during the lease term. Our overall performance will be affected by the extent to which we are able to pass-through property operating expenses to our tenants.

Scheduled Lease Expirations

Our ability to re-lease space subject to expiring leases will impact our results of operations and is affected by economic and competitive conditions in our markets and by the desirability of our individual buildings. Leases that comprise approximately 8.6% of our total annualized base rental revenue will expire during the period from January 1, 2018 to December 31, 2018, excluding month-to-month leases. We assume, based upon internal renewal probability estimates, that some of our tenants will renew and others will vacate and the associated space will be re-let subject to downtime assumptions. Using the aforementioned assumptions, we expect that the rental rates on the respective new leases will generally be lower than the rates under existing leases expiring during the period January 1, 2018 to December 31, 2018, thereby resulting in slightly lower revenue from the same space.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied resulting in a

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different presentation of our financial statements. From time to time, we evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current information. Below is a discussion of accounting policies that we consider critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Rental Property and Deferred Leasing Intangibles

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

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

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

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 purchase price is further allocated to in-place lease values and tenant relationships based on our evaluation of the specific characteristics of each tenant's lease and its overall relationship with the respective tenant.

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

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

approximates the effective interest method.

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

Building	40 Years
Building and land improvements	Up to 20 years
Tenant improvements	Shorter of useful life or terms of related lease

Goodwill

In January of 2017, the Financial Accounting Standards Board issued Accounting Standards Update 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The new standard removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This standard is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. We elected to early adopt this standard effective January 1, 2017. The adoption of this standard did not have a material effect on our consolidated financial statements.

The excess of the cost of an acquired business over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Our goodwill of approximately \$4.9 million represents amounts allocated to the assembled workforce from the acquired management company, and is presented in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets. Goodwill has an indeterminate life and is not amortized, but is tested for impairment on an annual basis at December 31, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We take a qualitative approach to consider whether an impairment of goodwill exists prior to quantitatively determining the fair value of the reporting unit in step one of the impairment test. We have not recorded any impairments to goodwill through December 31, 2017.

Use of Derivative Financial Instruments

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

In accordance with fair value measurement guidance, we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting arrangements on a net basis by counterparty portfolio. Credit risk is the risk of failure of the counterparty to perform under the terms of the contract. We minimize the credit risk in 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.

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

Revenue Recognition

All current leases are classified as operating leases and rental revenue is recognized on a straight-line basis over the term of the lease (and expected bargain renewal terms or assumed exercise of early termination options) when collectability is reasonably assured. Differences between rental 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.

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

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

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

We 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. As of December 31, 2017, we no longer earned revenue from asset management fees.

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 (as defined below) net operating income (“NOI”) should be read in conjunction with our Consolidated Financial Statements. For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see “Non-GAAP Financial Measures” below. Same store results are considered to be useful to investors in evaluating our performance because they provide information relating to changes in building-level operating performance without taking into account the effects of acquisitions or dispositions. However, because we have generally acquired 100% occupied properties and grown the portfolio significantly every year since our IPO, 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.

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Comparison of the year ended December 31, 2017 to the year ended December 31, 2016

Our same store portfolio excludes flex/office buildings, redevelopment buildings, buildings classified as held for sale on the accompanying Consolidated Balance Sheets, and buildings acquired and disposed of or placed in service after January 1, 2016. On December 31, 2017, we owned 237 industrial buildings consisting of approximately 46.4 million square feet, which represents approximately 66.1% of our total portfolio, that are considered our same store portfolio in the analysis below. Same store occupancy decreased approximately 0.4% to 95.6% as of December 31, 2017 compared to 96.0% as of December 31, 2016.

The following table summarizes selected operating information for our same store portfolio and our total portfolio for the years ended December 31, 2017 and 2016 (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, 2017 and 2016 with respect to the buildings acquired and disposed of or placed into service after January 1, 2016 and our flex/office buildings, redevelopment buildings, and buildings classified as held for sale.

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	Same Store Portfolio				Acquisitions/Dispositions ⁽¹⁾				Total Portfolio			
	Year ended December 31,		Change		Year ended December 31,		Year ended December 31,		Year ended December 31,		Change	
	2017	2016	\$	%	2017	2016	2017	2016	2017	2016	\$	%
Revenue												
Operating revenue												
Rental income	\$177,231	\$175,366	\$1,865	1.1 %	\$66,350	\$25,639	\$12,250	\$11,736	\$255,831	\$212,741	\$43,090	20.3
Tenant recoveries	31,078	29,049	2,029	7.0 %	11,160	5,147	2,767	2,911	45,005	37,107	7,898	21.3
Other income	98	106	(8)	(7.5)%	96	66	57	223	251	\$395	(144)	(36.5)
Total operating revenue	208,407	204,521	3,886	1.9 %	77,606	30,852	15,074	14,870	301,087	250,243	50,844	20.3
Expenses												
Property	39,269	36,630	2,639	7.2 %	13,154	6,798	5,278	5,476	57,701	48,904	8,797	18.0
Net operating income ⁽²⁾	\$169,138	\$167,891	\$1,247	0.7 %	\$64,452	\$24,054	\$9,796	\$9,394	\$243,386	\$201,339	\$42,047	20.9
Other expenses												
General and administrative									33,349	33,395	(46)	(0.1)
Property acquisition costs									5,386	4,567	819	17.9
Depreciation and amortization									150,881	125,444	25,437	20.3
Loss on impairments									1,879	16,845	(14,966)	(88.8)
Gain on involuntary conversion									(325)	—	(325)	100.0
Other expenses									1,786	1,149	637	55.4
Total other expenses									192,956	181,400	11,556	6.4
Total expenses									250,657	230,304	20,353	8.8
Other income (expense)												
Interest income									12	10	2	20.0
Interest expense									(42,469)	(42,923)	454	(1.1)
Loss on extinguishment of debt									(15)	(3,261)	3,246	(99.5)
Gain on the sales of rental property, net									24,242	61,823	(37,581)	(60.8)
Total other income (expense)									\$(18,230)	\$15,649	\$(33,879)	(216.5)
Net income									\$32,200	\$35,588	\$(3,388)	(9.5)

(1)

Includes flex/office buildings, redevelopment buildings, buildings classified as held for sale, and buildings placed in service after January 1, 2016, which are excluded from the same store portfolio. Also includes asset management fee income, which is separated for purposes of calculating NOI.

(2) Excluding asset management fee income, NOI for the total portfolio for the years ended December 31, 2017 and 2016 was \$243.3 million and \$201.1 million, respectively. Asset management fee income is included in other income in the table above. 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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Net Income

Net income for our total portfolio decreased by \$3.4 million or 9.5% to \$32.2 million for the year ended December 31, 2017 compared to \$35.6 million for the year ended December 31, 2016.

Same Store Total Operating Revenue

Same store total 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”).

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

Same store rental income increased by \$1.9 million or 1.1% to \$177.2 million for the year ended December 31, 2017 compared to \$175.4 million for the year ended December 31, 2016. Approximately \$4.8 million of the increase was attributable to rental increases due to new leases and renewals of existing tenants. Same store rental income also increased approximately \$0.6 million due to a net decrease in the amortization of net above market leases and approximately \$1.2 million due to the recognition of straight-line income from termination fees at certain buildings, including our Buena Vista, VA, Belvidere, IL, and Golden, CO buildings, as discussed in Note 2 of the accompanying Notes to Consolidated Financial Statements. These increases were partially offset by an approximately \$4.8 million decrease due to a reduction of base rent due to tenants downsizing their spaces and vacancies.

Same store tenant recoveries increased by \$2.0 million or 7.0% to \$31.1 million for the year ended December 31, 2017 compared to \$29.0 million for the year ended December 31, 2016. Approximately \$2.8 million of the increase was primarily due to increases in occupancy and real estate taxes levied by the taxing authority, as well as changes to lease terms where we began paying the real estate taxes and operating expenses on behalf of tenants that had previously paid its taxes and operating expenses directly to respective vendors. The increase was also attributable to one of our properties where it was determined that the tenant will not be able to meet its requirements set forth by the taxing authority to be entitled to an abatement of real estate taxes. The abatement was applicable to prior periods, and as such the expense and related recovery recorded for the year ended December 31, 2017 includes an additional 36 months of real estate taxes, which attributed to approximately \$0.6 million of the increase in same store tenant recoveries. This increase was partially offset by a decrease of approximately \$1.4 million related to vacancy of previously occupied buildings, as well as decreases in real estate taxes levied by the taxing authority

Same Store Operating Expenses

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

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

Total same store expenses increased by \$2.6 million or 7.2% to \$39.3 million for the year ended December 31, 2017 compared to \$36.6 million for the year ended December 31, 2016. This increase was primarily related to net increases in real estate taxes levied by the related taxing authority of approximately \$1.4 million, as well as an increase of approximately \$0.7 million in general repairs and maintenance and utilities expenses. The remaining increase was attributable to one of our properties where it was determined that the tenant will not be able to meet its requirements set forth by the taxing authority to be entitled to an abatement of real estate taxes. The abatement was applicable to prior periods, and as such the expense and related recovery recorded for the year ended December 31, 2017 includes an additional 36 months of real estate taxes, which attributed to approximately \$0.6 million of the increase in same store operating expenses. These increases were partially offset by a decrease of approximately \$0.1 million in snow

removal expenses.

Acquisitions and Dispositions Net Operating Income

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

Subsequent to January 1, 2016, we acquired 99 buildings consisting of approximately 21.3 million square feet (excluding one building that was classified as held for sale at December 31, 2017), and sold 35 buildings consisting of approximately 6.1 million square feet. For the years ended December 31, 2017 and 2016, the buildings acquired after January 1, 2016 contributed approximately \$61.7 million and \$11.0 million to NOI, respectively. For the years ended December 31, 2017 and 2016, the buildings sold after January 1, 2016 contributed approximately \$2.8 million and \$13.1 million to net operating income, respectively. Refer

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to Note 3 in the accompanying Notes to Consolidated Financial Statements for additional discussion regarding buildings acquired or sold.

Other Net Operating Income

Our other assets include our flex/office buildings, redevelopment buildings, buildings classified as held for sale, and buildings placed in service after January 1, 2016. It also includes asset management fee income, which is separated for purposes of calculating NOI for the total portfolio.

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

At December 31, 2017 we owned 14 flex/office buildings consisting of approximately 0.9 million square feet, three buildings consisting of approximately 0.6 million square feet that were placed into service after January 1, 2016, and three buildings consisting of approximately 0.9 million square feet that were in redevelopment or classified as held for sale. These buildings contributed approximately \$9.7 million and \$9.2 million to NOI for the years ended December 31, 2017 and 2016, respectively. Additionally, we earned \$0.1 million and \$0.2 million in asset management fee income for the years ended December 31, 2017 and 2016, respectively.

Total Other Expenses

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

Total other expenses increased \$11.6 million or 6.4% for the year ended December 31, 2017 to \$193.0 million compared to \$181.4 million for the year ended December 31, 2016. The increase was primarily related to an increase of approximately \$25.4 million in depreciation and amortization as a result of buildings acquired which increased the depreciable asset base. This increase was also attributable to an increase in property acquisition costs of approximately \$0.8 million which was due to increased acquisition volume during the year ended December 31, 2017 as compared to the year ended December 31, 2016. Other expenses also increased approximately \$0.6 million which was primarily attributable to a loss on incentive fee due to the finalization of a one-time incentive fee payable to Columbus Nova Real Estate Acquisition Group, LLC as discussed in Note 11 of the accompanying Notes to Consolidated Financial Statements. These increases were partially offset by a decrease of approximately \$15.0 million in loss on impairments as there was one building that was impaired during the year ended December 31, 2017, whereas there were 12 buildings impaired for the year ended December 31, 2016. There was also a gain on involuntary conversion of approximately \$0.3 million, as discussed in Note 3 of the accompanying Notes to Consolidated Financial Statements. General and administrative expense remained relatively flat for the year ended December 31, 2017 compared to the year ended December 31, 2016. This was primarily attributable to a decrease of approximately \$3.1 million related to the severance of a former executive officer during the year ended December 31, 2016, which did not recur in 2017, but which was offset by an increase in non-cash compensation expense related to the 2017 equity grants for employees and independent directors, salary and other payroll costs, and other general and administrative expenses.

Total Other Income (Expense)

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

Total net other expense decreased \$33.9 million or 216.5% to a net other expense position of \$18.2 million for the year ended December 31, 2017 compared to a net other income position of \$15.6 million for the year ended December 31, 2016. This decrease was primarily the result of a decrease in the gain on the sales of rental property of approximately \$37.6 million. This was partially offset by a decrease in loss on extinguishment of debt of approximately \$3.2 million which was primarily attributable to the payment of prepayment fees for loans repaid during the year ended December 31, 2016 which did not recur in 2017. Additionally, interest expense decreased approximately \$0.5 million which was primarily related to a decrease in the weighted average interest rate, as well as an increase in gain on hedge ineffectiveness of approximately \$0.1 million for the year ended December 31, 2017 compared to the year ended December 31, 2016.

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Comparison of year ended December 31, 2016 to the year ended December 31, 2015

Our same store portfolio excludes flex/office buildings, redevelopment buildings, buildings classified as held for sale on the accompanying Consolidated Balance Sheets, and buildings acquired and disposed of or placed in service after January 1, 2015. On December 31, 2016 we owned 204 industrial buildings consisting of 41.0 million square feet, which represented approximately 67.3% of our total portfolio, that are considered our same store portfolio in the analysis below. Same store occupancy decreased approximately 1.1% to 95.3% as of December 31, 2016 compared to 96.4% as of December 31, 2015.

The following table summarizes selected operating information for our same store portfolio and our total portfolio for the years ended December 31, 2016 and 2015 (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, 2016 and 2015 with respect to the buildings acquired and disposed of or placed into service after January 1, 2015 and our flex/office buildings, redevelopment buildings, and those classified as held for sale.

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	Same Store Portfolio				Acquisitions/Dispositions ⁽¹⁾				Total Portfolio			
	Year ended December 31,		Change		Year ended December 31,		Year ended December 31,		Year ended December 31,		Change	
	2016	2015	\$	%	2016	2015	2016	2015	2016	2015	\$	%
Revenue												
Operating revenue												
Rental income	\$148,670	\$147,322	\$1,348	0.9 %	\$56,743	\$29,746	\$7,328	\$9,395	\$212,741	\$186,463	\$26,278	14.1
Tenant recoveries	24,317	23,317	1,000	4.3 %	10,282	5,754	2,508	2,595	37,107	31,666	5,441	17.2
Other income	102	84	18	21.4 %	71	25	222	395	395	504	(109)	(21.6)
Total operating revenue	173,089	170,723	2,366	1.4 %	67,096	35,525	10,058	12,385	250,243	218,633	31,610	14.5
Expenses												
Property	30,036	30,280	(244)	(0.8)%	13,920	8,235	4,948	4,112	48,904	42,627	6,277	14.7
Net operating income ⁽²⁾	\$143,053	\$140,443	\$2,610	1.9 %	\$53,176	\$27,290	\$5,110	\$8,273	201,339	176,006	25,333	14.4
Other expenses												
General and administrative									33,395	28,750	4,645	16.2
Property acquisition costs									4,567	4,757	(190)	(4.0)
Depreciation and amortization									125,444	110,421	15,023	13.6
Loss on impairments									16,845	29,272	(12,427)	(42.5)
Other expenses									1,149	1,048	101	9.6
Total other expenses									181,400	174,248	7,152	4.1
Total expenses									230,304	216,875	13,429	6.2
Other income (expense)												
Interest income									10	9	1	11.1
Interest expense									(42,923)	(36,098)	(6,825)	18.9
Loss on extinguishment of debt									(3,261)	—	(3,261)	100.0
Gain on the sales of rental property, net									61,823	4,986	56,837	1,139.9
Total other income (expense)									15,649	(31,103)	46,752	150.3
									\$35,588	\$(29,345)	\$64,933	221.3

Net
income
(loss)

Includes flex/office buildings, redevelopment buildings, and buildings classified as held for sale, which are (1) excluded from the same store portfolio. Also includes corporate sublease rental income and asset management fee income, which are separated for purposes of calculating NOI.

Excluding corporate sublease rental income and asset management fee income, NOI for the total portfolio for the years ended December 31, 2016 and 2015 was \$201.1 million and \$175.4 million, respectively. Corporate sublease (2) rental income and asset management fee income is included in other income in the table above. 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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Net Income (loss)

Net income (loss) for our total portfolio increased by \$64.9 million or 221.3% to a net income position of \$35.6 million for the year ended December 31, 2016, compared to a net loss position of \$29.3 million for the year ended December 31, 2015.

Same Store Total Operating Revenue

Same store total 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”).

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

Same store rental income increased by \$1.3 million or 0.9% to \$148.7 million for the year ended December 31, 2016, compared to \$147.3 million for the year ended December 31, 2015. Approximately \$3.7 million of the increase was attributable to rental increases due to new leases and renewals of existing tenants. Same store rental income also increased approximately \$0.4 million due to a net decrease in the amortization of net above market leases and approximately \$0.1 million due to the recognition of a straight-line termination fee at our Golden, CO property, as discussed in Note 2 of the accompanying Notes to Consolidated Financial Statements. These increases were partially offset by an approximately \$3.0 million decrease due to a reduction of base rent due to tenants downsizing their spaces and vacancies.

Same store tenant recoveries increased by \$1.0 million or 4.3% to \$24.3 million for the year ended December 31, 2016, compared to \$23.3 million for the year ended December 31, 2015. This increase is primarily related to an increase of approximately \$2.1 million related to increases of real estate taxes levied by the related taxing authority, occupancy in previously vacant buildings, as well as changes to lease terms where we began paying the real estate taxes and operating expenses on behalf of tenants that had previously paid its taxes and operating expenses directly to respective vendors. These increases were partially offset by a decrease of approximately \$1.1 million related to decreases of real estate taxes levied by the related taxing authority and vacancies.

Same Store Operating Expenses

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

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

Total same store expenses decreased by \$0.2 million or 0.8% to \$30.0 million for the year ended December 31, 2016, compared to \$30.3 million for the year ended December 31, 2015. This decrease is primarily related to a decrease of approximately \$0.1 million in snow removal expenses attributable to a more mild winter in 2016 as compared to 2015, as well as a decrease of approximately \$0.3 million in general repairs and maintenance expenses. These decreases were partially offset by an increase of approximately \$0.2 million related to increases of real estate taxes levied by the related taxing authority and changes to lease terms where we began paying the real estate taxes on behalf of tenants that had previously paid its taxes directly to the taxing authority.

Acquisitions and Dispositions Net Operating Income

For a detailed reconciliation of our acquisitions and dispositions net operating income to net income (loss), see the table above.

Subsequent to January 1, 2015, we acquired 96 buildings consisting of approximately 19.0 million square feet, and sold 30 buildings consisting of approximately 5.0 million square feet. For the years ended December 31, 2016 and 2015, the buildings acquired after January 1, 2015 contributed approximately \$46.4 million and \$14.6 million to NOI, respectively. For the years ended December 31, 2016 and 2015, the buildings sold after January 1, 2015 contributed approximately \$6.8 million and \$12.7 million to NOI, respectively. Refer to Note 3 in the accompanying Notes to Consolidated Financial Statements for additional discussion regarding buildings acquired or sold.

Other Net Operating Income

Our other assets include our flex/office buildings, redevelopment buildings, and buildings classified as held for sale. It also includes corporate sublease rental income and asset management fee income, which are separated for purposes of calculating NOI for the total portfolio.

For a detailed reconciliation of our other net operating income to net income (loss), see the table above.

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At December 31, 2016 we owned 15 flex/office buildings consisting of approximately 0.9 million square feet and one redevelopment building consisting of approximately 0.3 million square feet that are not included in our same store or acquisitions and dispositions portfolios. These building contributed approximately \$4.9 million and \$7.7 million to NOI for the years ended December 31, 2016 and 2015, respectively. Additionally, we earned \$0, \$0.2 million, \$0.2 million, and \$0.4 million in corporate sublease rental income and asset management fee income for the years ended December 31, 2016 and 2015, respectively.

Total Other Expenses

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

Total other expenses increased \$7.2 million or 4.1% for the year ended December 31, 2016 to \$181.4 million compared to \$174.2 million for the year ended December 31, 2015. The increase was primarily related to an increase of \$15.0 million in depreciation and amortization as a result of buildings acquired, net of buildings disposed, which increased the depreciable asset base. Approximately \$4.6 million of the increase relates to an increase in general and administrative expenses, primarily related to compensation expense of approximately \$3.1 million related to the severance costs of a former executive officer during the year ended December 31, 2016, as well as the 2016 equity grants for employees and independent directors. These increases are partially offset by a decrease of approximately \$12.4 million in loss on impairments recorded due to the impairment of 12 buildings for the year ended December 31, 2016 compared to the impairment of 14 buildings for 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 the sales of rental property. Interest expense includes interest incurred during the period as well as adjustments related to amortization of financing fees and debt issuance costs and amortization of fair market value adjustments associated with the assumption of debt, and gains or losses on hedge ineffectiveness.

Total other income (expense) increased \$46.8 million or 150.3% to a net other income of \$15.6 million for the year ended December 31, 2016 compared to a net other expense of \$31.1 million for the year ended December 31, 2015. This increase is primarily the result of an increase in the gain on the sales of rental property of approximately \$56.8 million due to the sales of 24 buildings, whereas there were six buildings sold during the year ended December 31, 2015. This was partially offset by a loss on extinguishment of debt of approximately \$3.3 million for the year ended December 31, 2016, whereas there was no loss on extinguishment of debt during the year ended December 31, 2015. This was also partially offset by an increase in interest expense of approximately \$6.8 million related to the increase in total average debt outstanding for the year ended December 31, 2016 compared to the year ended December 31, 2015.

Non-GAAP Financial Measures

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

Funds From Operations

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

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

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

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

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

Reconciliation of Net Income (Loss) to FFO (in thousands)	Year ended December 31,		
	2017	2016	2015
Net income (loss)	\$32,200	\$35,588	\$(29,345)
Rental property depreciation and amortization	150,591	125,182	110,241
Loss on impairments	1,879	16,845	29,272
Gain on the sales of rental property, net FFO	(24,242)	(61,823)	(4,986)
Preferred stock dividends	(9,794)	(13,897)	(10,848)
Other expenses	—	(384)	(385)
FFO attributable to common stockholders and unit holders	\$150,634	\$101,511	\$93,949

Net Operating Income

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

The following table sets forth a reconciliation of our NOI for the periods presented to net income (loss), the nearest GAAP equivalent.

Reconciliation of Net Income (Loss) to NOI (in thousands)	Year ended December 31,		
	2017	2016	2015
Net income (loss)	\$32,200	\$35,588	\$(29,345)
Asset management fee income	(52)	(210)	(379)
General and administrative	33,349	33,395	28,750
Property acquisition costs	5,386	4,567	4,757
Depreciation and amortization	150,881	125,444	110,421
Interest income	(12)	(10)	(9)
Interest expense	42,469	42,923	36,098
Loss on impairments	1,879	16,845	29,272
Gain on involuntary conversion	(325)	—	—
Loss on extinguishment of debt	15	3,261	—
Other expenses	1,097	1,149	1,048
Loss on incentive fee	689	—	—
Gain on the sales of rental property, net	(24,242)	(61,823)	(4,986)
Corporate sublease rental income	—	—	(187)
Net operating income	\$243,334	\$201,129	\$175,440

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Cash Flows

Comparison of the year ended December 31, 2017 to the year ended December 31, 2016

The following table summarizes our cash flows for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Cash Flows (dollars in thousands)	Year ended December 31,		Change	
	2017	2016	\$	%
Net cash provided by operating activities	\$162,562	\$135,423	\$27,139	20.0%
Net cash used in investing activities	\$566,053	\$347,112	\$218,941	63.1%
Net cash provided by financing activities	\$415,861	\$211,870	\$203,991	96.3%

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Net cash provided by operating activities increased \$27.1 million to \$162.6 million for the year ended December 31, 2017, compared to \$135.4 million for the year ended December 31, 2016. The increase was primarily attributable to incremental operating cash flows from property acquisitions completed after December 31, 2016, and operating performance at existing properties. These increases were partially offset by the loss of cash flows from property dispositions completed after December 31, 2016 and fluctuations in working capital due to timing of payments and rental receipts.

Net cash used in investing activities increased by \$218.9 million to \$566.1 million for the year ended December 31, 2017, compared to \$347.1 million for the year ended December 31, 2016. The increase was primarily attributable to an increase in cash paid for the acquisition of 53 buildings during the year ended December 31, 2017 of approximately \$593.0 million, compared to the acquisition of 47 buildings during the year ended December 31, 2016 of approximately \$467.3 million. The increase is also attributable to a decrease in net proceeds from the sales of rental property of approximately \$87.0 million. Additionally, we had an increase in cash paid for additions of land and building improvements of approximately \$15.3 million, primarily due to tenant improvement projects and the expansion of buildings. These increases were partially offset by proceeds received from insurance on involuntary conversion, as well as fluctuations in restricted cash and acquisition deposits.

Net cash provided by financing activities increased \$204.0 million to \$415.9 million for the year ended December 31, 2017, compared to \$211.9 million for the year ended December 31, 2016. The increase was primarily due to an increase of net cash inflow of \$271.0 million from our unsecured credit facility, and an increase in proceeds from sales of common stock of \$144.9 million during the year ended December 31, 2017 compared to the year ended December 31, 2016. Additionally, we redeemed the 9.0% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock") on November 2, 2016 for \$69.0 million, which did not recur during the year ended December 31, 2017. These increases were partially offset by a decrease in cash inflow from the issuance of the Series C Preferred Stock on March 17, 2016 of \$75.0 million and proceeds from our unsecured term loans of \$150.0 million that were drawn on December 29, 2016. The increases were also partially offset by an increase of the repayment of mortgage notes of approximately \$35.0 million, and an increase in dividends and distributions paid of approximately \$23.6 million as a result of the increased number of shares and units outstanding as well as a \$0.014172 increase in the dividend paid per share during the year ended December 31, 2017 compared to the year ended December 31, 2016.

Comparison of the year ended December 31, 2016 to the year ended December 31, 2015

The following table summarizes our cash flows for the year ended December 31, 2016 compared to the year ended December 31, 2015.

Cash Flows (dollars in thousands)	Year ended		Change	
	December 31, 2016	December 31, 2015	\$	%
Net cash provided by operating activities	\$135,423	\$121,707	\$13,716	11.3 %
Net cash used in investing activities	\$347,112	\$372,038	\$(24,926)	(6.7)%
Net cash provided by financing activities	\$211,870	\$238,464	\$(26,594)	(11.2)%

Net cash provided by operating activities increased \$13.7 million to \$135.4 million for the year ended December 31, 2016, compared to \$121.7 million for the year ended December 31, 2015. The increase was primarily attributable to incremental operating cash flows from property acquisitions completed after December 31, 2015, and operating performance at existing properties. These increases were partially offset by the loss of cash flows from property dispositions that occurred during the years ended December 31, 2016 and December 31, 2015, fluctuations in working capital due to timing of payments and rental receipts, and a higher cash interest paid due to an increase in our total average indebtedness outstanding.

Net cash used in investing activities decreased by \$24.9 million to \$347.1 million for the year ended December 31, 2016, compared to \$372.0 million for the year ended December 31, 2015. The change was primarily related to the sale of 24 buildings during the year ended December 31, 2016 for net proceeds of approximately \$152.1 million, compared to the year ended December 31, 2015 where we sold six buildings for net proceeds of approximately \$22.2 million. This was partially offset by an increase in cash paid for the acquisition of 47 buildings during the year ended December 31, 2016 of approximately \$467.3 million, compared to the acquisition of 49 buildings during the year ended December 31, 2015 of approximately \$377.8 million. Additionally, we had an increase in cash paid for additions of land and building improvements of approximately \$14.2 million, primarily due to a tenant improvements project and the expansion of a building.

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Net cash provided by financing activities decreased \$26.6 million to \$211.9 million for the year ended December 31, 2016, compared to \$238.5 million for the year ended December 31, 2015. The change is primarily due to a decrease in cash inflow from our unsecured notes of \$220.0 million from the issuance of unsecured notes on February 20, 2015 and December 15, 2015. The change is also attributable to an increase of repayment of mortgage notes of \$49.9 million, an increase of \$5.7 million in offering costs related to the issuance of the Series C Preferred Stock on March 17, 2016 and new at-the-market common stock offering programs on May 13, 2016 and November 8, 2016, the redemption of the Series A Preferred Stock on November 2, 2016 of \$69.0 million, and an increase in dividends and distributions paid of \$11.5 million as a result of the increased number of shares and units outstanding as well as a \$0.029163 increase in the dividend paid per share during the year ended December 31, 2016 compared to the year ended December 31, 2015. These decreases were offset by the issuance of the Series C Preferred Stock for proceeds of \$75.0 million, an increase of net cash inflow of \$47.0 million from our unsecured credit facility, and an increase in proceeds from sales of common stock of \$207.8 million during the year ended December 31, 2016 compared to the year ended December 31, 2015.

Liquidity and Capital Resources

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

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

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

As of December 31, 2017, we had total immediate liquidity of approximately \$347.7 million, comprised of \$24.6 million of cash and cash equivalents and \$323.1 million of immediate availability on our unsecured credit facility and unsecured term loans.

In addition, we require funds for future dividends to be paid to our common and preferred stockholders and common unit holders in our Operating Partnership. The table below sets forth the dividends attributable to our common stock that were declared or paid during the year ended December 31, 2017. These distributions on our common stock are voluntary (at the discretion of our board of directors), to the extent in excess of distribution requirements in order to maintain our REIT status for federal income tax purposes, and the excess portion may be reduced or stopped if needed to fund other liquidity requirements or for other reasons.

Month Ended 2017	Declaration Date	Record Date	Per Share	Payment Date
December 31	July 31, 2017	December 29, 2017	\$0.117500	January 16, 2018
November 30	July 31, 2017	November 30, 2017	0.117500	December 15, 2017
October 31	July 31, 2017	October 31, 2017	0.117500	November 15, 2017

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September 30	May 1, 2017	September 29, 2017	0.117500	October 16, 2017
August 31	May 1, 2017	August 31, 2017	0.117500	September 15, 2017
July 31	May 1, 2017	July 31, 2017	0.117500	August 15, 2017
June 30	February 15, 2017	June 30, 2017	0.116667	July 17, 2017
May 31	February 15, 2017	May 31, 2017	0.116667	June 15, 2017
April 30	February 15, 2017	April 28, 2017	0.116667	May 15, 2017
March 31	November 2, 2016	March 31, 2017	0.116667	April 17, 2017
February 28	November 2, 2016	February 28, 2017	0.116667	March 15, 2017
January 31	November 2, 2016	January 31, 2017	0.116667	February 15, 2017
Total			\$1.405002	

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On November 2, 2017, our board of directors declared the common stock dividend for the months ending January 31, 2018, February 28, 2018 and March 31, 2018 at a monthly rate of \$0.118333 per share of common stock.

We pay quarterly cumulative dividends on the Series B Preferred Stock and the Series C Preferred Stock (collectively, the “Preferred Stock Issuances”) at a rate equivalent to the fixed annual rate of \$1.65625 and \$1.71875 per share, respectively. The table below sets forth the dividends on the Preferred Stock Issuances during the year ended December 31, 2017.

Quarter Ended 2017	Declaration Date	Series B Preferred Stock Per Share	Series C Preferred Stock Per Share	Payment Date
December 31	November 2, 2017	\$0.4140625	\$0.4296875	December 29, 2017
September 30	July 31, 2017	0.4140625	0.4296875	September 29, 2017
June 30	May 1, 2017	0.4140625	0.4296875	June 30, 2017
March 31	February 15, 2017	0.4140625	0.4296875	March 31, 2017
Total		\$1.6562500	\$1.7187500	

On February 14, 2018, our board of directors declared the Series B Preferred Stock and Series C Preferred Stock dividend for the quarter ending March 31, 2018 at a quarterly rate of \$0.4140625 per share and \$0.4296875 per share, respectively.

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Indebtedness Outstanding

The following table sets forth certain information with respect to the indebtedness outstanding as of December 31, 2017.

Loan	Principal Outstanding as of December 31, 2017 (in thousands)	Interest Rate ⁽¹⁾	Maturity Date	Prepayment Terms ⁽²⁾
Unsecured credit facility:				
Unsecured Credit Facility ⁽³⁾	\$ 271,000	L + 1.15%	Dec-18-2019	i
Total unsecured credit facility	271,000			
Unsecured term loans:				
Unsecured Term Loan C	150,000	L + 1.30%	Sep-29-2020	i
Unsecured Term Loan B	150,000	L + 1.30%	Mar-21-2021	i
Unsecured Term Loan A	150,000	L + 1.30%	Mar-31-2022	i
Unsecured Term Loan D ⁽⁴⁾	—	L + 1.30%	Jan-04-2023	i
Total unsecured term loans	450,000			
Less: Total unamortized deferred financing fees and debt issuance costs	(3,735))		
Total carrying value unsecured term loans, net	446,265			
Unsecured notes:				
Series F Unsecured Notes	100,000	3.98 %	Jan-05-2023	ii
Series A Unsecured Notes	50,000	4.98 %	Oct-1-2024	ii
Series D Unsecured Notes	100,000	4.32 %	Feb-20-2025	ii
Series B Unsecured Notes	50,000	4.98 %	Jul-1-2026	ii
Series C Unsecured Notes	80,000	4.42 %	Dec-30-2026	ii
Series E Unsecured Notes	20,000	4.42 %	Feb-20-2027	ii
Total unsecured notes	400,000			
Less: Total unamortized deferred financing fees and debt issuance costs	(1,766))		
Total carrying value unsecured notes, net	398,234			
Mortgage notes (secured debt):				
Wells Fargo Bank, National Association CMBS Loan	54,949	4.31 %	Dec-1-2022	iii
Thrivent Financial for Lutherans	3,906	4.78 %	Dec-15-2023	iv
Total mortgage notes	58,855			
Total unamortized fair market value premiums	61			
Less: Total unamortized deferred financing fees and debt issuance costs	(634))		
Total carrying value mortgage notes, net	58,282			

Total / weighted average interest rate ⁽⁵⁾ \$ 1,173,781 3.53 %

Interest rate as of December 31, 2017. At December 31, 2017, the one-month LIBOR (“L”) was 1.56425%. The interest rate is not adjusted to include the amortization of deferred financing fees or debt issuance costs incurred in (1) obtaining debt or any unamortized fair market value premiums. The spread over the applicable rate for our unsecured credit facility and unsecured term loans is based on our consolidated leverage ratio, as defined in the respective loan agreements.

Prepayment terms consist of (i) pre-payable with no penalty; (ii) pre-payable with penalty; (iii) pre-payable without (2) penalty three months prior to the maturity date, however can be defeased beginning January 1, 2016; and (iv) pre-payable without penalty three months prior to the maturity date.

(3) The capacity of the unsecured credit facility is \$450.0 million.

(4) Capacity of \$150.0 million, which we have until July 27, 2018 to draw.

The weighted average interest rate was calculated using the fixed interest rate swapped on the current notional (5) amount of \$600.0 million of debt, and is not adjusted to include the amortization of deferred financing fees or debt issuance costs incurred in obtaining debt or any unamortized fair market value premiums.

The aggregate undrawn nominal commitments on the unsecured credit facility and unsecured term loans as of December 31, 2017 was approximately \$323.1 million, including issued letters of credit. Our actual borrowing capacity at any given point in time may be less and is restricted to a maximum amount based on our debt covenant compliance.

The Wells Fargo, National Association CMBS loan agreement is a commercial mortgage backed security that provides for a secured loan. There are 24 properties that are collateral for the CMBS loan. Wells Fargo, National Association had the right to securitize any portion or the entire CMBS loan in a single asset securitization or a pooled loan securitization, which it completed on December 19, 2012. The Operating Partnership guarantees the obligations under the CMBS loan.

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The chart below details our debt capital structure as of December 31, 2017.

Debt Capital Structure	December 31, 2017	
Total principal outstanding (in thousands)	\$1,179,855	
Weighted average duration (years)	4.4	
% Secured debt	5	%
% Debt maturing next 12 months	—	%
Net Debt to Real Estate Cost Basis ⁽¹⁾	37	%

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

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

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

Unsecured Credit Facility, Unsecured Term Loans and Unsecured Notes

The unsecured credit facility provides for a facility fee payable by us to the lenders at a rate per annum of 0.2% to 0.35%, depending on our leverage levels, of the aggregate commitments (currently \$450.0 million). The facility fee is due and payable quarterly.

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

- a maximum consolidated leverage ratio of not greater than 0.60:1.00;
- a maximum secured leverage ratio of not greater than 0.40:1.00;
- a maximum unencumbered leverage ratio of not greater than 0.60:1.00;
- a maximum secured recourse debt level of not greater than 0.075:1.00;
- a minimum fixed charge ratio of not less than 1.50:1.00;
- a minimum unsecured interest coverage ratio of not less than 1.75:1.00; and
- a minimum tangible net worth covenant test.

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

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

Our unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes are subject to ongoing compliance with a number of financial and other covenants. As of December 31, 2017, we were in compliance with the applicable financial covenants.

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

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

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Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2017, specifically our obligations under long term debt agreements and ground lease agreements.

Contractual Obligations (in thousands) ⁽¹⁾⁽²⁾	Payments by Period				
	Total	2018	2019-2020	2021-2022	Thereafter
Principal payments ⁽³⁾	\$1,179,855	\$1,844	\$424,932	\$349,784	\$403,295
Interest payments—Fixed rate debt ⁽⁴⁾	140,517	20,251	40,256	39,720	40,290
Interest payments—Variable rate debt ⁽⁵⁾	65,175	21,351	34,947	8,873	4
Property lease ⁽⁴⁾	3,881	1,165	2,413	303	—
Ground leases ⁽⁴⁾	35,521	797	1,602	1,634	31,488
Total	\$1,424,949	\$45,408	\$504,150	\$400,314	\$475,077

From time to time in the normal course of our business, we enter into various contracts with third parties that may obligate us to make payments, such as maintenance agreements at our buildings. Such contracts, in the aggregate, do not represent material obligations, are typically short-term and cancellable within 90 days and are not included in the table above.

The terms of the loan agreements for the Wells Fargo, National Association CMBS loan calls for a monthly leasing escrow payment of approximately \$0.1 million and the balance of the reserve is capped at \$2.1 million. The cap was met at December 31, 2017 and the balance at December 31, 2017 was approximately \$2.1 million. The funding of these reserves is not included in the table above.

The total payments do not include unamortized deferred financing fees, debt issuance costs, or fair market value premiums associated with certain loans.

This is not included in our Consolidated Balance Sheets included in this report.

Amounts include interest rate payments on the \$600.0 million current notional amount of our interest rate swaps, as discussed below.

Equity

Preferred Stock

The table below sets forth our outstanding preferred stock issuances as of December 31, 2017.

Preferred Stock Issuances	Issuance Date	Number of Shares	Liquidation Value Per Share	Interest Rate
6.625% Series B Cumulative Redeemable Preferred Stock	April 16, 2013	2,800,000	\$ 25.00	6.625%
6.875% Series C Cumulative Redeemable Preferred Stock	March 17, 2016	3,000,000	\$ 25.00	6.875%

The Preferred Stock Issuances rank on parity with each other and rank senior to our common stock with respect to dividend rights and rights upon the liquidation, dissolution or winding up of the Company. The Preferred Stock Issuances have no stated maturity date and are not subject to mandatory redemption or any sinking fund. Generally, we are not permitted to redeem the Series B Preferred Stock and Series C Preferred Stock prior to April 16, 2018 and March 17, 2021, respectively, except in limited circumstances relating to our ability to qualify as a REIT and in certain other circumstances related to a change of control.

Common Stock

The following sets forth our ATM common stock offering program as of December 31, 2017. We may from time to time sell common stock through sales agents under the program.

ATM Common Stock Offering Program	Date	Maximum Aggregate	Aggregate Common Stock

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		Offering Price (in thousands)	Available as of December 31, 2017 (in thousands)
2017 \$500 million ATM	November 13, 2017	\$ 500,000	\$ 489,674

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The tables below set forth the activity for the ATM common stock offering programs during the three months and year ended December 31, 2017 (in thousands, except share data).

ATM Common Stock Offering Program	Three months ended December 31, 2017				
	Shares Sold	Weighted Average Price Per Share	Gross Proceeds	Sales Agents' Fee	Net Proceeds
	2017 \$500 million ATM	363,843	\$ 28.38	\$ 10,326	\$ 129	$ 10,197
2017 \$300 million ATM ⁽¹⁾	2,732,536	\$ 28.40	77,592	970	76,622
Total/weighted average	3,096,379	\$ 28.39	\$ 87,918	\$ 1,099	\$ 86,819

(1) This program ended before December 31, 2017.

ATM Common Stock Offering Program	Year ended December 31, 2017				
	Shares Sold	Weighted Average Price Per Share	Gross Proceeds	Sales Agents' Fee	Net Proceeds
	2017 \$500 million ATM	363,843	\$ 28.38	\$ 10,326	\$ 129	$ 10,197
2017 \$300 million ATM ⁽¹⁾	11,098,748	\$ 27.03	\$ 300,000	\$ 3,637	\$ 296,363
2016 \$228 million ATM ⁽¹⁾	4,799,784	\$ 24.42	\$ 117,216	\$ 1,604	\$ 115,612
Total/weighted average	16,262,375	\$ 26.29	\$ 427,542	\$ 5,370	\$ 422,172

(1) These programs ended before December 31, 2017.

Noncontrolling Interest

We own our interests in all of our properties and conduct substantially all of our business through our Operating Partnership. We are the sole member of the sole general partner of the Operating Partnership. As of December 31, 2017, we owned approximately 95.9% of the common units of our Operating Partnership, and our current and former executive officers, directors, senior employees and their affiliates, and third parties who contributed properties to us in exchange for common units in our Operating Partnership, owned the remaining 4.1%.

Interest Rate Risk

We use interest rate swaps to fix the rate of our variable rate debt. As of December 31, 2017, all of our outstanding variable rate debt, with the exception of \$121.0 million under our unsecured credit facility, was fixed with interest rate swaps.

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

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

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The following table details our outstanding interest rate swaps as of December 31, 2017.

Interest Rate Derivative Counterparty	Trade Date	Effective Date	Notional Amount (in thousands)	Fair Value (in thousands)	Pay Fixed Interest Rate	Receive Variable Interest Rate	Maturity Date
Regions Bank	Mar-01-2013	Mar-01-2013	\$ 25,000	\$ 331	1.3300%	One-month L	Feb-14-2020
Capital One, N.A.	Jun-13-2013	Jul-01-2013	\$ 50,000	\$ 293	1.6810%	One-month L	Feb-14-2020
Capital One, N.A.	Jun-13-2013	Aug-01-2013	\$ 25,000	\$ 135	1.7030%	One-month L	Feb-14-2020
Regions Bank	Sep-30-2013	Feb-03-2014	\$ 25,000	\$ (18)	1.9925%	One-month L	Feb-14-2020
The Toronto-Dominion Bank	Oct-14-2015	Sep-29-2016	\$ 25,000	\$ 427	1.3830%	One-month L	Sep-29-2020
PNC Bank, N.A.	Oct-14-2015	Sep-29-2016	\$ 50,000	\$ 845	1.3906%	One-month L	Sep-29-2020
Regions Bank	Oct-14-2015	Sep-29-2016	\$ 35,000	\$ 596	1.3858%	One-month L	Sep-29-2020
U.S. Bank, N.A.	Oct-14-2015	Sep-29-2016	\$ 25,000	\$ 421	1.3950%	One-month L	Sep-29-2020
Capital One, N.A.	Oct-14-2015	Sep-29-2016	\$ 15,000	\$ 252	1.3950%	One-month L	Sep-29-2020
Royal Bank of Canada	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ 266	1.7090%	One-month L	Mar-21-2021
The Toronto-Dominion Bank	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ 263	1.7105%	One-month L	Mar-21-2021
The Toronto-Dominion Bank	Jan-08-2015	Sep-10-2017	\$ 100,000	\$ (566)	2.2255%	One-month L	Mar-21-2021
Wells Fargo, N.A.	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ 276	1.8280%	One-month L	Mar-31-2022
The Toronto-Dominion Bank	Jan-08-2015	Feb-14-2020	\$ 25,000	\$ (107)	2.4535%	One-month L	Mar-31-2022
Regions Bank	Jan-08-2015	Feb-14-2020	\$ 50,000	\$ (236)	2.4750%	One-month L	Mar-31-2022
Capital One, N.A.	Jan-08-2015	Feb-14-2020	\$ 50,000	\$ (290)	2.5300%	One-month L	Mar-31-2022
The Toronto-Dominion Bank	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ 327	1.8485%	One-month L	Jan-04-2023
Royal Bank of Canada	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ 329	1.8505%	One-month L	Jan-04-2023
Wells Fargo, N.A.	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ 329	1.8505%	One-month L	Jan-04-2023
PNC Bank, N.A.	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ 329	1.8485%	One-month L	Jan-04-2023
PNC Bank, N.A.	Jul-20-2017	Oct-30-2017	\$ 50,000	\$ 660	1.8475%	One-month L	Jan-04-2023

The swaps outlined in the above table were all designated as cash flow hedges of interest rate risk, and all are valued as Level 2 financial instruments. As of December 31, 2017, the fair values of 16 of the 21 of our interest rate swaps were in an asset position of approximately \$6.1 million and five interest rate swaps were in a liability position of approximately \$1.2 million, including any adjustment for nonperformance risk related to these agreements.

As of December 31, 2017, we had \$721.0 million of variable rate debt. As of December 31, 2017, all of our outstanding variable rate debt, with exception of \$121.0 million under our unsecured credit facility, was fixed with interest rate swaps. To the extent interest rates increase, interest costs on our floating rate debt not fixed with interest rate swaps (including, any unhedged future variable rate debt) also will increase, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our security holders. From time to time, we may enter into interest rate swap agreements and other interest rate hedging contracts, including swaps, caps and floors. In addition, an increase in interest rates could decrease the amounts third parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions.

Inflation

Our business could be impacted in multiple ways due to inflation. We believe, however, that we are well positioned to be able to manage our business in an inflationary environment. Specifically, as of December 31, 2017 our weighted average in place remaining lease term was approximately 4.8 years and, on average, approximately 10-20% of our leases will roll annually over the next few years. We expect that this lease roll will allow us to capture inflationary increases in rent on a relatively efficient basis. In addition, as of December 31, 2017 we have long term liabilities averaging approximately 5.2 years when excluding our unsecured credit facility. Our variable rate debt as of December 31, 2017 has been fully swapped to fixed rates through maturity with the exception of \$121.0 million on our unsecured credit facility. Therefore, as rents rise and increase our operating cash flow, this positive impact will flow more directly to the bottom line without the offset of higher in place debt costs. Lastly, while inflation will likely lead to increases in the operating costs of our portfolio, such as real estate taxes, utility expenses, and other operating expenses, the majority of our leases are either triple net leases or otherwise provide for tenant reimbursement for costs related to these expenses. Therefore, the increased costs in an inflationary environment would generally be passed through to our tenant.

Off-balance Sheet Arrangements

As of December 31, 2017, we had letters of credit related to development projects and certain other agreements of approximately \$5.9 million. As of December 31, 2017, we had no other material off-balance sheet arrangements. See the table under “Liquidity and Capital Resources—Contractual Obligations” above for information regarding certain off-balance sheet arrangements.

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Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

As of December 31, 2017, we had \$721.0 million of outstanding variable rate debt, all of which, with the exception of \$121.0 million under our unsecured credit facility, was fixed with interest rate swaps. To the extent we undertake additional variable rate indebtedness, if interest rates increase, then so will the interest costs on our unhedged variable rate debt, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our security holders. Further, rising interest rates could limit our ability to refinance existing debt when it matures or significantly increase our future interest expense. From time to time, we enter into interest rate swap agreements and other interest rate hedging contracts, including swaps, caps and floors. While these agreements are intended to lessen the impact of rising interest rates on us, they also expose us to the risk that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under GAAP. In addition, an increase in interest rates could decrease the amounts third parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions. If interest rates increased by 100 basis points and assuming we had an outstanding balance of \$121.0 million on the unsecured credit facility (the portion outstanding at December 31, 2017 not fixed by interest rate swaps) for the year ended December 31, 2017, our interest expense would have increased by approximately \$1.2 million for the year ended December 31, 2017.

Item 8. Financial Statements and Supplementary Data

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

The tables below reflect the Company's selected quarterly information for the quarters ended December 31, 2017 and 2016, September 30, 2017 and 2016, June 30, 2017 and 2016, and March 31, 2017 and 2016 (in thousands, except for per share data).

Selected Interim Financial Information	Three months ended,			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total revenue	\$81,270	78,144	\$72,193	\$69,480
Net income	\$8,924	21,839	\$1,368	\$69
Net income (loss) attributable to common stockholders	\$6,124	18,478	\$(1,119)	\$(2,359)
Net income (loss) per share attributable to common stockholders — basic and diluted	\$0.06	0.20	\$(0.01)	\$(0.03)

Selected Interim Financial Information	Three months ended,			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total revenue	\$66,534	\$62,595	\$60,242	\$60,872
Net income (loss)	\$33,067	\$130	\$(9,941)	\$12,332
Net income (loss) attributable to common stockholders	\$28,608	\$(3,776)	\$(13,319)	\$8,838
Net income (loss) per share attributable to common stockholders — basic and diluted	\$0.38	\$(0.05)	\$(0.20)	\$0.13

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

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Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by SEC Rule 13a-15(b), we have evaluated, under the supervision of and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of December 31, 2017. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures for the periods covered by this report were effective to provide reasonable assurance that information required to be disclosed by our Company in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control—Integrated Framework (2013), our management concluded that our internal control over financial reporting was effective as of December 31, 2017. The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears on page F-2 of this Annual Report on Form 10 K.

Changes in Internal Controls

There was no change to our internal control over financial reporting during the fourth quarter ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

As of the quarter ended December 31, 2017, all items required to be disclosed in a Current Report on Form 8-K were reported under Form 8-K.

Additional Material Federal Income Tax Considerations

The following is a summary of certain additional material federal income tax considerations with respect to the ownership of our securities. This summary supplements and should be read together with "Material Federal Income Tax Considerations" in the prospectus dated April 7, 2017 and filed as part of our registration statement on Form S-3 (No. 333-209722).

Recent Legislation

The recently passed Tax Cuts and Jobs Act ("TCJA") made many significant changes to the U.S. federal income tax laws applicable to businesses and their owners, including REITs and their stockholders, and may lessen the relative competitive advantage of operating as a REIT rather than as a C corporation. Pursuant to this legislation, as of January 1, 2018, (1) the federal income tax rate applicable to corporations is reduced to 21%, (2) the highest marginal individual income tax rate is reduced to 37% (through taxable years ending in 2025), (3) the corporate alternative minimum tax is repealed, and (4) the backup withholding rate for U.S. stockholders is reduced to 24%. In addition, individuals, estates and trusts may deduct up to 20% of certain pass-through income, including ordinary REIT dividends that are not "capital gain dividends" or "qualified dividend income," subject to certain limitations. For taxpayers

qualifying for the full deduction, the effective maximum tax rate on ordinary REIT dividends would be 29.6% (through taxable years ending in 2025). The maximum rate of withholding with respect to our distributions to non-U.S. stockholders that are treated as attributable to gains from the sale or exchange of U.S. real property interests is also reduced from 35% to 21%. The deduction of net interest expense is limited for all businesses; provided that certain businesses, including real estate businesses, may elect not to be subject to such limitations and instead to depreciate their real property related assets over longer depreciable lives. To the extent that STAG TRS or any other TRS we form has interest expense that exceeds its interest

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income, the net interest expense limitation could potentially apply to such TRS. The reduced corporate tax rate will apply to STAG TRS and any other TRS we form.

We urge you to consult your tax advisors regarding the impact of this legislation on the purchase, ownership and sale of our stock.

Distribution Requirements

We may satisfy the 90% distribution test with taxable distributions of our stock or debt securities. The IRS has issued a revenue procedure authorizing publicly offered REITs to treat certain distributions that are paid partly in cash and partly in stock as dividends that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for federal income tax purposes. We have no current intention to make a taxable dividend payable in our stock.

Taxation of Non-U.S. Stockholders - Qualified Shareholders and Qualified Foreign Pension Funds

REIT distributions received by a “qualified shareholder” or a “qualified foreign pension fund” that are exempt from FIRPTA withholding may still be subject to regular U.S. withholding tax.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be included in the Proxy Statement to be filed relating to our 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 will be included in the Proxy Statement to be filed relating to our 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

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

The information required by Item 12 will be included in the Proxy Statement to be filed relating to our 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

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

The information required by Item 13 will be included in the Proxy Statement to be filed relating to our 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 will be included in the Proxy Statement to be filed relating to our 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV.

Item 15. Exhibits and Financial Statement Schedules

1. Consolidated Financial Statements

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

2. Financial Statement Schedules

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

3. Exhibits

The following exhibits are filed as part of this report:

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Exhibit	Description of Document
3.1	<u>Articles of Amendment and Restatement of STAG Industrial, Inc. (including all articles of amendment and articles supplementary) (1)</u>
3.2	<u>Second Amended and Restated Bylaws of STAG Industrial, Inc. (2)</u>
4.1	<u>Form of Common Stock Certificate of STAG Industrial, Inc. (3)</u>
4.2	<u>Form of Certificate for the 6.625% Series B Cumulative Redeemable Preferred Stock of STAG Industrial, Inc. (4)</u>
4.3	<u>Form of Certificate for the 6.875% Series C Cumulative Redeemable Preferred Stock of STAG Industrial, Inc. (5)</u>
10.1	<u>Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P. (6)</u>
10.2	<u>First Amendment to the Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P. (7)</u>
10.3	<u>Second Amendment to the Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P. (8)</u>
10.4	<u>Third Amendment to the Amended and Restated Agreement of Limited Partnership of STAG Industrial Operating Partnership, L.P. (9)</u>
10.5	<u>2011 Equity Incentive Plan (10)*</u>
10.6	<u>Amendment to the 2011 Equity Incentive Plan, dated as of May 6, 2013 (11)*</u>
10.7	<u>Second Amendment to the 2011 Equity Incentive Plan, dated as of February 20, 2015 (12)*</u>
10.8	<u>Form of LTIP Unit Agreement (10)*</u>
10.9	<u>Form of Performance Award Agreement (1)*</u>
10.10	<u>Amended and Restated Executive Employment Agreement with Benjamin S. Butcher, dated May 4, 2015 (13)*</u>
10.11	<u>Executive Employment Agreement with William R. Crooker, dated February 25, 2016 (1)*</u>
10.12	<u>Executive Employment Agreement with Stephen C. Mecke, dated April 20, 2011 (6)*</u>
10.13	<u>Executive Employment Agreement with Jeffrey M. Sullivan, dated October 27, 2014 (14)*</u>
10.14	<u>Executive Employment Agreement with David G. King, dated April 20, 2011 (6)*</u>
10.15	<u>Executive Employment Agreement with Peter S. Fearey, dated February 25, 2016 (1)*</u>
10.16	<u>Form of Indemnification Agreement between STAG Industrial, Inc. and its directors and officers (15)*</u>
10.17	<u>Registration Rights Agreement, dated April 20, 2011, by and among STAG Industrial, Inc., STAG Industrial Operating Partnership, L.P. and the persons named therein (6)</u>
10.18	<u>Services Agreement between STAG Industrial Management, LLC and STAG Manager II, LLC, as amended (16)</u>
10.19	<u>Credit Agreement, dated as of December 18, 2014, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (17)</u>
10.20	<u>First Amendment to Credit Agreement, dated as of September 29, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (18)</u>
10.21	<u>Second Amendment to Credit Agreement, dated as of July 28, 2017, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (19)</u>
10.22	<u>Second Amended and Restated Term Loan Agreement, dated as of December 20, 2016, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (20)</u>
10.23	<u>First Amendment to Second Amended and Restated Term Loan Agreement, dated as of July 28, 2017, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (19)</u>
10.24	<u>Amended and Restated Term Loan Agreement, dated as of December 20, 2016, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (20)</u>

- 10.25 First Amendment to Amended and Restated Term Loan Agreement, dated as of July 28, 2017, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (19)
- 10.26 Term Loan Agreement, dated as of September 29, 2015, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (18)
- 10.27 Second Amendment to Term Loan Agreement, dated as of July 28, 2017, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Wells Fargo Bank, National Association, and the other lenders party thereto (19)

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Exhibit	Description of Document
10.28	<u>Term Loan Agreement, dated as of July 28, 2017, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc., Bank of America, N.A., and the other lenders party thereto (19)</u>
10.29	<u>Note Purchase Agreement, dated as of April 16, 2014, by and among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the purchasers named therein (21)</u>
10.30	<u>First Amendment to Note Purchase Agreement, dated as of December 18, 2014, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (17)</u>
10.31	<u>Second Amendment to Note Purchase Agreement, dated as of December 1, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (22)</u>
10.32	<u>Note Purchase Agreement, dated as of December 18, 2014, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the purchasers named therein (17)</u>
10.33	<u>First Amendment to Note Purchase Agreement, dated as of December 1, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the noteholders named therein (22)</u>
10.34	<u>Note Purchase Agreement, dated as of December 1, 2015, among STAG Industrial Operating Partnership, L.P., STAG Industrial, Inc. and the purchasers named therein (22)</u>
12.1	<u>Computation of ratios of earnings to fixed charges and earnings to fixed charges and preferred stock dividends</u>
21.1	<u>Subsidiaries of STAG Industrial, Inc.</u>
23.1	<u>Consent of PricewaterhouseCoopers LLP</u>
24.1	<u>Power of Attorney (included on signature page)</u>
31.1	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101	The following materials from STAG Industrial, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (vi) the Consolidated Statements of Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these consolidated financial statements.

*Represents management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to STAG Industrial, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on May 3, 2016.
- (2) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on February 14, 2018.
- (3) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form S-11/A (File No. 333-168368) filed with the SEC on September 24, 2010.
- (4) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form 8-A filed with the SEC on April 11, 2013.
- (5) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form 8-A filed with the SEC on March 10, 2016.
- (6) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on April 21, 2011.
- (7) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on November 2, 2011.
- (8) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on April 16, 2013.
- (9) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on March 18, 2016.
- (10) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form S-11/A (File No. 333-168368) filed with the SEC on April 5, 2011.

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- (11) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on May 6, 2013.
- (12) Incorporated by reference to STAG Industrial, Inc.'s Annual Report on Form 10-K filed with the SEC on February 23, 2015.
- (13) Incorporated by reference to STAG Industrial, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on July 23, 2015.
- (14) Incorporated by reference to STAG Industrial, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on October 31, 2014.
- (15) Incorporated by reference to STAG Industrial, Inc.'s Registration Statement on Form S-11/A (File No. 333-168368) filed with the SEC on February 16, 2011.
- (16) Incorporated by reference to STAG Industrial, Inc.'s Annual Report on Form 10-K filed with the SEC on February 26, 2014.

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- (17) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on December 19, 2014.
- (18) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on October 1, 2015.
- (19) Incorporated by reference to STAG Industrial, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on November 2, 2017.
- (20) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on December 27, 2016.
- (21) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on April 22, 2014.
- (22) Incorporated by reference to STAG Industrial, Inc.'s Current Report on Form 8-K filed with the SEC on December 4, 2015.

Item 16. Form 10-K Summary

None.

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SIGNATURES

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

STAG INDUSTRIAL, INC.

Dated: February 15, 2018

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

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

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

Date	Signature	Title
February 15, 2018	/s/ Benjamin S. Butcher Benjamin S. Butcher	Chairman, Chief Executive Officer (principal executive officer) and President
February 15, 2018	/s/ Virgis W. Colbert Virgis W. Colbert	Director
February 15, 2018	/s/ Jeffrey D. Furber Jeffrey D. Furber	Director
February 15, 2018	/s/ Larry T. Guillemette Larry T. Guillemette	Director
February 15, 2018	/s/ Francis X. Jacoby III Francis X. Jacoby III	Director
February 15, 2018	/s/ Christopher P. Marr Christopher P. Marr	Director
February 15, 2018	/s/ Hans S. Weger Hans S. Weger	Director

February 15,
2018

/s/ William R.
Crooker
William R. Crooker

Chief Financial Officer, Executive Vice President and Treasurer (principal
financial and accounting officer)

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STAG INDUSTRIAL, INC.

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Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of STAG Industrial, Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes and financial statement schedules listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
February 15, 2018

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

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STAG Industrial, Inc.

Consolidated Balance Sheets

(in thousands, except share data)

	December 31, 2017	December 31, 2016
Assets		
Rental Property:		
Land	\$ 321,560	\$ 272,162
Buildings and improvements, net of accumulated depreciation of \$249,057 and \$187,413, respectively	1,932,764	1,550,141
Deferred leasing intangibles, net of accumulated amortization of \$280,642 and \$237,456, respectively	313,253	294,533
Total rental property, net	2,567,577	2,116,836
Cash and cash equivalents	24,562	12,192
Restricted cash	3,567	9,613
Tenant accounts receivable, net	33,602	25,223
Prepaid expenses and other assets	25,364	20,821
Interest rate swaps	6,079	1,471
Assets held for sale, net	19,916	—
Total assets	\$ 2,680,667	\$ 2,186,156
Liabilities and Equity		
Liabilities:		
Unsecured credit facility	\$ 271,000	\$ 28,000
Unsecured term loans, net	446,265	446,608
Unsecured notes, net	398,234	397,966
Mortgage notes, net	58,282	163,565
Accounts payable, accrued expenses and other liabilities	43,216	35,389
Interest rate swaps	1,217	2,438
Tenant prepaid rent and security deposits	19,045	15,195
Dividends and distributions payable	11,880	9,728
Deferred leasing intangibles, net of accumulated amortization of \$13,555 and \$10,450, respectively	21,221	20,341
Total liabilities	1,270,360	1,119,230
Commitments and contingencies (Note 11)		
Equity:		
Preferred stock, par value \$0.01 per share, 15,000,000 shares authorized, Series B, 2,800,000 shares (liquidation preference of \$25.00 per share) issued and outstanding at December 31, 2017 and December 31, 2016	70,000	70,000
Series C, 3,000,000 shares (liquidation preference of \$25.00 per share) issued and outstanding at December 31, 2017 and December 31, 2016	75,000	75,000
Common stock, par value \$0.01 per share, 150,000,000 shares authorized, 97,012,543 and 80,352,304 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	970	804
Additional paid-in capital	1,725,825	1,293,706
Common stock dividends in excess of earnings	(516,691	) (410,978)
Accumulated other comprehensive income (loss)	3,936	(1,496)
Total stockholders' equity	1,359,040	1,027,036
Noncontrolling interest	51,267	39,890

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Total equity	1,410,307	1,066,926
Total liabilities and equity	\$2,680,667	\$2,186,156

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

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

	Year ended December 31,		
	2017	2016	2015
Revenue			
Rental income	\$255,831	\$212,741	\$186,463
Tenant recoveries	45,005	37,107	31,666
Other income	251	395	504
Total revenue	301,087	250,243	218,633
Expenses			
Property	57,701	48,904	42,627
General and administrative	33,349	33,395	28,750
Property acquisition costs	5,386	4,567	4,757
Depreciation and amortization	150,881	125,444	110,421
Loss on impairments	1,879	16,845	29,272
Gain on involuntary conversion	(325)	—	—
Other expenses	1,786	1,149	1,048
Total expenses	250,657	230,304	216,875
Other income (expense)			
Interest income	12	10	9
Interest expense	(42,469)	(42,923)	(36,098)
Loss on extinguishment of debt	(15)	(3,261)	—
Gain on the sales of rental property, net	24,242	61,823	4,986
Total other income (expense)	(18,230)	15,649	(31,103)
Net income (loss)	\$32,200	\$35,588	\$(29,345)
Less: income (loss) attributable to noncontrolling interest after preferred stock dividends	941	1,069	(1,962)
Net income (loss) attributable to STAG Industrial, Inc.	\$31,259	\$34,519	\$(27,383)
Less: preferred stock dividends	9,794	13,897	10,848
Less: amount allocated to participating securities	334	384	385
Net income (loss) attributable to common stockholders	\$21,131	\$20,238	\$(38,616)
Weighted average common shares outstanding — basic	89,537,714	70,637,185	66,307,972
Weighted average common shares outstanding — diluted	90,003,559	70,852,548	66,307,972
Net income (loss) per share — basic and diluted			
Net income (loss) per share attributable to common stockholders — basic	\$0.24	\$0.29	\$(0.58)
Net income (loss) per share attributable to common stockholders — diluted	\$0.23	\$0.29	\$(0.58)
The accompanying notes are an integral part of these consolidated financial statements.			

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STAG Industrial, Inc.

Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

	Year ended December 31,		
	2017	2016	2015
Net income (loss)	\$32,200	\$35,588	\$(29,345)
Other comprehensive income (loss):			
Income (loss) on interest rate swaps	5,670	898	(1,956)
Other comprehensive income (loss)	5,670	898	(1,956)
Comprehensive income (loss)	37,870	36,486	(31,301)
(Income) loss attributable to noncontrolling interest after preferred stock dividends	(941)	(1,069)	1,962
Other comprehensive (income) loss attributable to noncontrolling interest	(238)	(44)	95
Comprehensive income (loss) attributable to STAG Industrial, Inc.	\$36,691	\$35,373	\$(29,244)

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

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STAG Industrial, Inc.

Consolidated Statements of Equity

(in thousands, except share data)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Common Stock Dividends in excess of Earnings	Accumulated Other Comprehensive income (loss)	Total Stockholders' Equity	Noncontrolling Interest - Unit holders in Operating Partnership	Total Equity
Balance, December 31, 2014	\$ 139,000	64,434,852	\$ 644	\$ 928,251	\$(202,909)	\$(489)	\$ 864,497	\$ 27,381	\$ 891,878
Proceeds from sales of common stock	—	3,456,403	35	74,857	—	—	74,892	—	74,892
Offering costs	—	—	—	(1,229)	—	—	(1,229)	—	(1,229)
Dividends and distributions, net	(10,848)	—	—	—	(91,131)	—	(101,979)	(4,772)	(106,751)
Non-cash compensation activity	—	95,254	1	2,804	—	—	2,805	4,774	7,579
Redemption of common units to common stock	—	90,824	1	1,002	—	—	1,003	(1,003)	—
Redemption of common units for cash	—	—	—	—	—	—	—	(64)	(64)
Issuance of units	—	—	—	—	—	—	—	22,853	22,853
Rebalancing of noncontrolling interest	—	—	—	11,712	—	—	11,712	(11,712)	—
Other comprehensive loss	—	—	—	—	—	(1,861)	(1,861)	(95)	(1,956)
Net loss	10,848	—	—	—	(38,231)	—	(27,383)	(1,962)	(29,345)
Balance, December 31, 2015	\$ 139,000	\$ 68,077,333	\$ 681	\$ 1,017,397	\$(332,271)	\$(2,350)	\$ 822,457	\$ 35,400	\$ 857,857
Proceeds from sales of common stock	—	12,090,038	121	282,548	—	—	282,669	—	282,669
Issuance of series C preferred stock	75,000	—	—	—	—	—	75,000	—	75,000
Offering costs	—	—	—	(6,928)	—	—	(6,928)	—	(6,928)

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Dividends and distributions, net	(13,897)	—	—	—	(99,329)	—	(113,226)	(5,707)	(118,933)
Non-cash compensation activity	—	116,441	1	3,690	—	—	3,691	6,084	9,775
Redemption of series A preferred stock	(69,000)	—	—	—	—	—	(69,000)	—	(69,000)
Redemption of common units to common stock	—	68,492	1	616	—	—	617	(617)	—
Rebalancing of noncontrolling interest	—	—	—	(3,617)	—	—	(3,617)	3,617	—
Other comprehensive income	—	—	—	—	—	854	854	44	898
Net income	13,897	—	—	—	20,622	—	34,519	1,069	35,588
Balance, December 31, 2016	\$145,000	80,352,304	\$804	\$1,293,706	\$(410,978)	\$(1,496)	\$1,027,036	\$39,890	\$1,066,926
Proceeds from sales of common stock	—	16,262,375	163	427,379	—	—	427,542	—	427,542
Offering costs	—	—	—	(6,053)	—	—	(6,053)	—	(6,053)
Dividends and distributions, net	(9,794)	—	—	—	(126,984)	—	(136,778)	(6,378)	(143,156)
Non-cash compensation activity	—	46,604	—	4,138	(194)	—	3,944	4,676	8,620
Redemption of common units to common stock	—	351,260	3	3,929	—	—	3,932	(3,932)	—
Issuance of units	—	—	—	—	—	—	—	18,558	18,558
Rebalancing of noncontrolling interest	—	—	—	2,726	—	—	2,726	(2,726)	—
Other comprehensive income	—	—	—	—	—	5,432	5,432	238	5,670
Net income	9,794	—	—	—	21,465	—	31,259	941	32,200
Balance, December 31, 2017	\$145,000	97,012,543	\$970	\$1,725,825	\$(516,691)	\$3,936	\$1,359,040	\$51,267	\$1,410,307

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

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

	Year ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	\$32,200	\$35,588	\$(29,345)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	150,881	125,444	110,421
Loss on impairments	1,879	16,845	29,272
Gain on involuntary conversion	(325)	—	—
Non-cash portion of interest expense	1,897	1,632	1,262
Intangible amortization in rental income, net	4,583	6,213	8,526
Straight-line rent adjustments, net	(7,475)	(1,817)	(3,134)
Dividends on forfeited equity compensation	2	3	25
Loss on extinguishment of debt	15	3,261	—
Gain on the sales of rental property, net	(24,242)	(61,823)	(4,986)
Non-cash compensation expense	9,547	9,729	7,578
Change in assets and liabilities:			
Tenant accounts receivable, net	(2,125)	(1,435)	(1,334)
Restricted cash	464	(365)	(40)
Prepaid expenses and other assets	(9,103)	(4,580)	(3,155)
Accounts payable, accrued expenses and other liabilities	514	6,161	3,469
Tenant prepaid rent and security deposits	3,850	567	3,148
Total adjustments	130,362	99,835	151,052
Net cash provided by operating activities	162,562	135,423	121,707
Cash flows from investing activities:			
Acquisitions of land and buildings and improvements	(497,264)	(377,559)	(291,949)
Additions of land and building and improvements	(45,790)	(30,485)	(16,329)
Acquisitions of other assets	—	(158)	(565)
Proceeds from sales of rental property, net	65,075	152,079	22,163
Proceeds from insurance on involuntary conversion	1,796	—	—
Restricted cash	5,582	(853)	(1,449)
Acquisition deposits, net	255	(560)	1,420
Acquisitions of deferred leasing intangibles	(95,707)	(89,576)	(85,329)
Net cash used in investing activities	(566,053)	(347,112)	(372,038)
Cash flows from financing activities:			
Proceeds from sale of series C preferred stock	—	75,000	—
Redemption of series A preferred stock	—	(69,000)	—
Redemption of common units for cash	—	—	(64)
Proceeds from unsecured credit facility	677,500	513,000	300,750
Repayment of unsecured credit facility	(434,500)	(541,000)	(375,750)
Proceeds from unsecured term loans	—	150,000	150,000
Proceeds from unsecured notes	—	—	220,000
Repayment of mortgage notes	(105,470)	(70,444)	(20,571)
Payment of loan fees and costs	(1,209)	(715)	(3,672)
Payment of loan prepayment fees and costs	(15)	(3,278)	—
Dividends and distributions	(141,006)	(117,441)	(105,892)
Proceeds from sales of common stock	427,542	282,669	74,892

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Repurchase and retirement of restricted stock	(969)	—	—
Offering costs	(6,012)	(6,921)	(1,229)
Net cash provided by financing activities	415,861	211,870	238,464
Increase (decrease) in cash and cash equivalents	12,370	181	(11,867)
Cash and cash equivalents—beginning of period	12,192	12,011	23,878
Cash and cash equivalents—end of period	\$24,562	\$12,192	\$12,011
Supplemental disclosure:			
Cash paid for interest, net of capitalized interest	\$40,685	\$39,367	\$32,440
Supplemental schedule of non-cash investing and financing activities			
Issuance of units for acquisitions of land and building and improvements and deferred leasing intangibles	\$18,558	\$—	\$22,853
Contingent consideration for acquisition of land and building and improvements	\$—	\$—	\$(216)
Contingent consideration for acquisition of deferred leasing intangibles	\$—	\$—	\$(84)
Contingent consideration liability acquired	\$—	\$—	\$300
Additions to building and other capital improvements	\$(158)	\$(1,175)	\$(565)
Transfer of other assets to building and other capital improvements	\$158	\$—	\$565
Acquisitions of land and buildings and improvements	\$(17,461)	\$(3,572)	\$(38,339)
Acquisitions of deferred leasing intangibles	\$(2,079)	\$(1,008)	\$(11,199)
Partial disposal of building due to involuntary conversion of building	\$363	\$779	\$—
Investing other receivables due to involuntary conversion of building	\$(363)	\$(779)	\$—
Change in additions of land, building, and improvements included in accounts payable, accrued expenses, and other liabilities	\$(7,125)	\$(1,455)	\$(182)
Additions to building and other capital improvements from non-cash compensation	\$(26)	\$(18)	\$—
Assumption of mortgage notes	\$—	\$4,037	\$26,267
Fair market value adjustment to mortgage notes acquired	\$—	\$75	\$418
Change in loan fees, costs, and offering costs included in accounts payable, accrued expenses, and other liabilities	\$(15)	\$26	\$24
Dividends and distributions accrued	\$11,880	\$9,728	\$8,234

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

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STAG Industrial, Inc.

Notes to Consolidated Financial Statements

1. Organization and Description of Business

STAG Industrial, Inc. (the “Company”) is an industrial real estate operating company focused on the acquisition, ownership, and operation of single-tenant, industrial properties throughout the United States. The Company was formed as a Maryland corporation and has elected to be treated and intends to continue to qualify as a real estate investment trust (“REIT”) under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”). The Company is structured as an umbrella partnership REIT, commonly called an UPREIT, and owns substantially all of its properties and conducts substantially all of its business through its operating partnership, STAG Industrial Operating Partnership, L.P., a Delaware limited partnership (the “Operating Partnership”). As of December 31, 2017 and 2016, the Company owned a 95.9% and 95.7%, respectively, common equity interest in the Operating Partnership. The Company, through its wholly owned subsidiary, is the sole general partner of the Operating Partnership. As used herein, the “Company” refers to STAG Industrial, Inc. and its consolidated subsidiaries and partnerships, including the Operating Partnership, except where context otherwise requires.

As of December 31, 2017, the Company owned 356 buildings in 37 states with approximately 70.2 million rentable square feet (square feet unaudited herein and throughout the Notes), consisting of 288 warehouse/distribution buildings, 52 light manufacturing buildings, 14 flex/office buildings, and two buildings classified as held for sale. The Company’s buildings were approximately 95.3% leased to 312 tenants as of December 31, 2017.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Reclassifications and New Accounting Pronouncements

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

In August 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The purpose of this updated guidance is to better align a company’s financial reporting for hedging activities with the economic objectives of those activities. This standard is effective for fiscal years beginning after December 15, 2018 and interim periods within those years, with early adoption permitted, and should be applied using a modified retrospective transition method to each period presented. This adoption method will require the Company to recognize the cumulative effect of initially applying the ASU as an adjustment to accumulated other comprehensive income (loss) with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the update. The adoption of ASU 2017-12 is not expected to materially impact the Company’s consolidated financial statements. The Company plans to adopt this standard effective January 1, 2018. In May 2017, the FASB issued ASU 2017-09, Stock Compensation (Topic 718): Scope of Modification Accounting, which provides updated guidance about which changes to the terms or conditions of a share-based payment award

would require an entity to apply modification accounting under the topic. This standard is effective for fiscal years beginning after December 15, 2017 and interim periods within those years with early adoption permitted, and should be applied prospectively to an award modified on or after the adoption date. The adoption of ASU 2017-09 is not expected to materially impact the Company's consolidated financial statements. The Company plans to adopt this standard effective January 1, 2018.

In February 2017, the FASB issued ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets, which provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with non-customers. The new standard was issued as part of the new revenue standard (ASU 2014-09, as discussed below), and defines "in substance nonfinancial asset," unifies guidance related to partial sales of nonfinancial assets, eliminates rules specifically addressing sales of real estate, removes exceptions to the financial asset derecognition model, and clarifies the accounting for contributions of

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nonfinancial assets to joint ventures. As a result of the new guidance, the guidance specific to real estate sales in Subtopic 360-20 will be eliminated, and sales and partial sales of real estate assets will now be subject to the same derecognition model as all other nonfinancial assets. This standard is effective at the same time an entity adopts ASU 2014-09, and either the full retrospective approach or the modified retrospective approach may be used. The adoption of ASU 2017-05 is not expected to materially impact the Company's consolidated financial statements. The Company plans to adopt this standard effective January 1, 2018 using the modified retrospective approach.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The new standard removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This standard is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. The Company elected to early adopt this standard effective January 1, 2017. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The new standard provides a screen to determine when a set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This standard is effective for annual periods beginning after December 15, 2017 and interim periods within those periods, with early adoption permitted, and should be applied prospectively on or after the effective date. Upon the adoption of ASU 2017-01, it is expected that the majority of the Company's acquisitions will be accounted for as asset acquisitions, whereas under the current guidance the majority of the Company's acquisitions have been accounted for as business combinations. The most significant difference between the two accounting models that will impact the Company's consolidated financial statements is that in an asset acquisition, property acquisition costs are generally a component of the consideration transferred to acquire a group of assets and are capitalized as a component of the cost of the assets, whereas in a business combination, property acquisition costs are expensed and not included as part of the consideration transferred. The Company plans to adopt this standard effective January 1, 2018.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The new standard requires that the statement of cash flows explain the changes during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This standard is effective for fiscal years beginning after December 15, 2017 and interim periods within those years, with early adoption permitted, and should be applied using a retrospective transition method to each period presented. Upon the adoption of ASU 2016-18, the Company will reconcile both cash and cash equivalents and restricted cash in the accompanying Statements of Cash Flows, whereas under the current guidance the Company explains the changes during the period for cash and cash equivalents only. The Company plans to adopt this standard effective January 1, 2018.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). Topic 842 supersedes the previous leases standard, Topic 840, Leases. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 is expected to impact the Company's consolidated financial statements as the Company

has certain operating and land lease arrangements for which it is the lessee, which will result in the recording of a right of use asset and the related lease liability. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The new standard must be adopted using a modified retrospective transition and will require application of the new guidance at the beginning of the earliest comparative period. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on the Company's financial position or results of operations, and plans to adopt this standard effective January 1, 2019.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10). The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard primarily affects the accounting for equity investments, financial liabilities under

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the fair value option, and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for the annual periods beginning after December 31, 2017 and for annual periods and interim periods within those years. Early adoption is permitted for all financial statements of fiscal years and interim periods that have not yet been issued. The adoption of ASU 2016-01 is not expected to materially impact the Company's consolidated financial statements. The Company plans to adopt this standard effective January 1, 2018.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. While lease contracts with customers, which constitute a vast majority of the Company's revenues, are specifically excluded from the model's scope, certain of the Company's revenue streams may be impacted by the new guidance. Once the new guidance setting forth principles for the recognition, measurement, presentation and disclosure of leases (ASU 2016-02, as discussed above) goes into effect, the new revenue standard may apply to executory costs and other components of revenue due under leases that are deemed to be non-lease components (such as common area maintenance and provision of utilities), even when the revenue for such activities is not separately stipulated in the lease. In that case, revenue from these items previously recognized on a straight-line basis under current lease guidance would be recognized under the new revenue guidance as the related services are delivered. As a result, while the total revenue recognized over time would not differ under the new guidance, the recognition pattern would be different. The Company is in the process of evaluating the significance of the difference in the recognition pattern that would result from this change upon the adoption of ASU 2016-02 on January 1, 2019. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2017. Early adoption is permitted for the first interim period within annual reporting periods beginning after December 15, 2016. The adoption of ASU 2014-09 is not expected to materially impact the Company's consolidated financial statements. The Company plans to adopt this standard effective January 1, 2018 using the modified retrospective approach.

Use of Estimates

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

Rental Property and Deferred Leasing Intangibles

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

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

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

The Company allocates 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

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prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease term plus the term of any bargain renewal options. The purchase price is further allocated to in-place lease values and tenant relationships based on the Company's evaluation of the specific characteristics of each tenant's lease and its overall relationship with the respective tenant.

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

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

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

Using information available at the time of acquisition, the Company allocates the total consideration to tangible assets and liabilities and identified intangible assets and liabilities. The Company may adjust the preliminary purchase price allocations after obtaining more information about asset valuations and liabilities assumed.

The Company evaluates the carrying value of all tangible and intangible rental property 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.

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

Building	40 Years
Building and land improvements	Up to 20 years
Tenant improvements	Shorter of useful life or terms of related lease

Fully depreciated or amortized assets or liabilities and the associated accumulated depreciation or amortization are written-off. The Company wrote-off tenant improvements, deferred leasing intangible assets, and deferred leasing intangible liabilities of approximately \$2.2 million, \$30.0 million, \$1.5 million, respectively, for the year ended December 31, 2017 and approximately \$2.6 million, \$17.9 million, \$0, respectively, for the year ended December 31, 2016.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less. The Company maintains cash and cash equivalents in United States banking institutions that may

exceed amounts insured by the Federal Deposit Insurance Corporation. While the Company monitors the cash balances in its operating accounts, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Company has experienced no loss or lack of access to cash in its operating accounts, and mitigates this risk by using nationally recognized banking institutions.

Restricted Cash

Restricted cash may include tenant security deposits and cash held in escrow for real estate taxes and capital improvements as required in various mortgage loan agreements.

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Tenant Accounts Receivable, net

Tenant accounts receivable, net on the accompanying Consolidated Balance Sheets includes both tenant accounts receivable, net and accrued rental income, net. The Company provides an allowance for doubtful accounts against the portion of tenant accounts receivable that is estimated to be uncollectible. As of December 31, 2017 and 2016, the Company had an allowance for doubtful accounts of approximately \$0.1 million and \$0.2 million, respectively.

The Company accrues rental income earned, but not yet receivable, in accordance with GAAP. As of December 31, 2017 and 2016, the Company had accrued rental income, net of allowance of approximately \$24.7 million and \$18.4 million, respectively. The Company maintains an allowance for estimated losses that may result from those revenues, which as of December 31, 2017 and 2016, was approximately \$0.2 million and \$0, respectively.

As of December 31, 2017 and 2016, the Company had approximately \$12.7 million and \$9.0 million, respectively, of total lease security deposits available in the form of existing letters of credit, which are not reflected on the accompanying Consolidated Balance Sheets. As of December 31, 2017 and 2016, the Company had approximately \$7.4 million and \$5.4 million, respectively, of lease security deposits available in cash, which are included in cash and cash equivalents on the accompanying Consolidated Balance Sheets, and approximately \$0.7 million and \$0.4 million, respectively, of lease security deposits available in cash, which are included in restricted cash on the accompanying Consolidated Balance Sheets. These funds may be used to settle tenant accounts receivables in the event of a default under the related lease. As of December 31, 2017 and 2016, the Company's total liability associated with these lease security deposits was approximately \$8.1 million and \$5.8 million, respectively, which is included in tenant prepaid rent and security deposits on the accompanying Consolidated Balance Sheets.

Deferred Costs

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

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

Goodwill

The excess of the cost of an acquired business over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Goodwill of the Company of approximately \$4.9 million represents amounts allocated to the assembled workforce from the acquired management company, and is presented in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets. The Company's goodwill has an indeterminate life and is not amortized, but is tested for impairment on an annual

basis at December 31, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company takes a qualitative approach to consider whether an impairment of goodwill exists prior to quantitatively determining the fair value of the reporting unit in step one of the impairment test. The Company has recorded no impairments to goodwill through December 31, 2017.

Use of Derivative Financial Instruments

The Company records all derivatives on the accompanying Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a

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

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

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, restricted cash, tenant accounts receivable, interest rate swaps, accounts payable, accrued expenses, unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes. The fair values of the cash and cash equivalents, restricted cash, tenant accounts receivable, and accounts payable and accrued expenses approximate their carrying or contract values because of the short term maturity of these instruments. See Note 4 for the fair values of the Company's debt. See Note 5 for the fair values of the Company's interest rate swaps.

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

Offering Costs

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

Dividends

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

The Company paid approximately \$5.2 million (\$1.88125 per share) and \$6.2 million (\$2.25 per share) of the 9.0% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") dividends for the years ended December 31, 2016 and 2015, respectively, that were treated as ordinary income for tax purposes.

The Company paid approximately \$4.6 million (\$1.65625 per share), \$4.6 million (\$1.65625 per share) and \$4.6 million (\$1.65625 per share) of the 6.625% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock") dividends for the years ended December 31, 2017, 2016 and 2015, respectively, that were treated as ordinary income for tax purposes.

The Company paid approximately \$5.2 million (\$1.71875 per share) and \$4.1 million (\$1.355905 per share) of the 6.875% Series C Cumulative Redeemable Preferred Stock ("Series C Preferred Stock") dividends for the years ended December 31, 2017 and 2016, respectively, that were treated as ordinary income for tax purposes

The tax treatment of common dividends per share for federal income tax purposes is as follows.

	Year ended December 31,					
	2017		2016		2015	
	Per Share	%	Per Share	%	Per Share	%
Ordinary income	\$0.965483	68.8 %	\$0.944038	68.0 %	\$0.777244	57.2 %
Return of capital	0.437852	31.2 %	0.445125	32.0 %	0.582756	42.8 %
Total ⁽¹⁾	\$1.403335	100.0%	\$1.389163	100.0%	\$1.360000	100.0%

The December 2015 monthly common stock dividend of \$0.115 per share was included in the stockholder's 2016 tax year. The December 2016 monthly common stock dividend of \$0.115833 per share was included in the stockholder's 2017 tax year. The December 2017 monthly common stock dividend of \$0.1175 per share will be included in the stockholder's 2018 tax year.

Revenue Recognition

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

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

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

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

Tenant Recoveries

By the terms of their leases, certain tenants are obligated to pay directly the costs of their properties' insurance, real estate taxes, ground lease payments, and certain other expenses, and these costs are not reflected on the Company's consolidated financial statements. The Company does not recognize recovery revenue related to leases where the

tenant has assumed the cost for real estate taxes, insurance, ground lease payments and certain other expenses. To the extent any tenant is 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, the Company will record a liability for such obligation. The Company estimates that real estate taxes, which are the responsibility of these certain tenants, were approximately \$12.4 million, \$10.9 million and \$10.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. These amounts would have been the maximum real estate tax expense of the Company, excluding any penalties or interest, had the tenants not met their contractual obligations for these periods.

Termination Income

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.

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On March 27, 2017, the tenant at the Buena Vista, VA property exercised its early lease termination option per the terms of the lease agreement. The option provided that the tenant's lease terminate effective March 31, 2018 and required the tenant to pay a termination fee of approximately \$0.5 million. The termination fee is being recognized on a straight-line basis from March 27, 2017 through the relinquishment of the space on March 31, 2018. The termination fee income of approximately \$0.4 million is included in rental income on the accompanying Consolidated Statements of Operations for the year ended December 31, 2017.

On February 9, 2017, the Company entered into a lease termination agreement with the tenant located at the Belvidere, IL building. The agreement provided that the tenant's lease terminate effective February 9, 2017 and required the tenant to pay a termination fee of \$54,000. The full termination fee was recognized on February 9, 2017 and is included in rental income on the accompanying Consolidated Statements of Operations for the year ended December 31, 2017.

On December 21, 2016, the tenant at the Golden, CO property exercised its early lease termination option per the terms of the lease agreement. The option provided that the tenant's lease terminate effective December 31, 2017 and required the tenant to pay a termination fee of approximately \$0.9 million. The termination fee was recognized on a straight-line basis from December 21, 2016 through the relinquishment of the space on December 31, 2017. The termination fee income of approximately \$0.8 million and \$0.1 million is included in rental income on the accompanying Consolidated Statements of Operations for the years ended December 31, 2017 and 2016, respectively.

On October 20, 2015, the tenant at the Dayton, OH property exercised its early lease termination option per the terms of the lease agreement. The option provided that the tenant's lease terminate effective October 31, 2016 and required the tenant to pay a termination fee of approximately \$0.2 million. The termination fee was being recognized on a straight-line basis from October 20, 2015 through the relinquishment of the space on October 31, 2016. On August 29, 2016, the Company sold the Dayton, OH property to an unaffiliated third party and recognized the remaining unamortized termination fee. The termination fee income of approximately \$0.2 million and \$0.1 million is included in rental income on the accompanying Consolidated Statements of Operations for the years ended December 31, 2016 and 2015, respectively.

On October 19, 2015, the Company entered into a lease termination agreement with the tenant located at the Southfield, MI building. The agreement provided that the tenant's lease terminated effective October 19, 2015 and required the tenant to pay a termination fee of approximately \$0.9 million. The full termination fee is included in rental income on the accompanying Consolidated Statements of Operations for the year ended December 31, 2015.

On December 17, 2014, the Company entered into the first amendment to the lease with the tenant located at the Belfast, ME buildings. The terms of the amendment renewed 90,051 square feet of the premise and early terminated the remaining 228,928 square feet effective November 30, 2015. The tenant was required to pay a termination fee for the returned premise on or before October 31, 2015 in the amount of approximately \$2.1 million, and the Company received the termination fee payment in full on September 23, 2015. This termination fee along with the reimbursement of certain miscellaneous costs per the lease amendment was being recorded on a straight-line basis from December 17, 2014 through the relinquishment of the space on November 30, 2015. On May 18, 2015, the Company entered into a second lease amendment with the tenant. The terms of the second lease amendment accelerated the termination of 35,295 square feet of the previously terminated square feet to April 30, 2015. The Company recognized the termination fee associated with the 35,295 square feet through the shortened lease life of April 30, 2015. The Company recognized the remaining termination fee over the shortened lease life of the remaining 193,633 square feet through November 30, 2015. The termination fee of approximately \$2.0 million are included in rental income on the accompanying Consolidated Statements of Operations for the year ended December 31, 2015.

Gain on the Sales of Rental Property, net

The timing of the recognition of gain on the sales of rental property, net is measured against various criteria related to the terms of the transaction and continuing involvement in the form of management or financial assistance associated with the properties. If the sales criteria for the full accrual method are not met, the Company defers some or all of the gain recognition and accounts for the continued operations of the property by applying the finance, leasing, profit sharing, deposit, installment or cost recovery methods, as appropriate, until the sales criteria are met.

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Incentive and Equity-Based Employee Compensation Plans

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

Taxes

Federal Income Taxes

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

The Company will not be required to make distributions with respect to income derived from the activities conducted through subsidiaries that the Company elects to treat as taxable REIT subsidiaries ("TRS") for federal income tax purposes, nor will it have to comply with income, assets, or ownership restrictions inside of the TRS. Certain activities that the Company undertakes must or should be conducted by a TRS, such as performing non-customary services for its tenants and holding assets that it cannot hold directly. A TRS is subject to federal and state income taxes. The Company's TRS recognized a net loss of approximately \$0.4 million, \$0.1 million and \$25,000, for the years ended December 31, 2017, 2016 and 2015, respectively, which has been included on the accompanying Consolidated Statements of Operations.

The following table reconciles net income (loss) to taxable income for the years ended December 31, 2017, 2016 and 2015.

Reconciliation of Net Income (Loss) to Taxable Income (in thousands)	Year ended December 31,		
	2017	2016	2015
Net income (loss)	\$32,200	\$35,588	\$(29,345)
Book/tax differences from depreciation and amortization	80,416	66,763	60,959
Above/below market lease amortization	4,583	6,213	8,526
Loss on impairments	1,879	16,845	29,272
Book/tax difference on termination income	(786)	) 678	(1,815)
Book/tax difference on property acquisition costs	5,262	4,498	4,400
Book/tax difference on extinguishment of debt	15	(17)) —
Book/tax difference on accrued bonus payment	745	1,170	(337)
Book/tax difference on bad debt expense	(91)	) 83	2
Book/tax difference on non-cash compensation	6,270	7,188	4,662
Book/tax difference on gain on the sales of rental property, net	(26,134)	) (53,580)	) (10,653)
Straight-line rent adjustments, net	(6,689)	) (2,495)	) (3,405)
Book/tax difference on non-cash portion of interest expense	1,897	1,631	1,266
Book/tax difference on prepaid rent of Sec. 467 leases	(122)	) (274)	) 1,887
Book/tax difference on gain on involuntary conversion	(325)) —	—
Other book/tax differences, net	465	284	180

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Loss attributable to noncontrolling interest	(4,572)	(4,069)	(3,011)
Taxable income subject to distribution requirement ⁽¹⁾	\$95,013	\$80,506	\$62,588

(1) The Company distributed in excess of 100% of its taxable income to its stockholders during the years ended December 31, 2017, 2016 and 2015, respectively.

State and Local Income, Excise, and Franchise Tax

The Company and certain of its subsidiaries are subject to certain state and local income, excise and franchise taxes. Taxes in the amount of approximately \$1.0 million, \$1.0 million and \$0.9 million have been recorded in other expenses on the accompanying Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015, respectively.

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Uncertain Tax Positions

Tax benefits of uncertain tax positions are recognized only if it is more likely than not that the tax position will be sustained based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The measurement of a tax benefit for an uncertain tax position that meets the “more likely than not” threshold is based on a cumulative probability model under which the largest amount of tax benefit recognized is the amount with a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority having full knowledge of all the relevant information. As of December 31, 2017, 2016 and 2015, there were no liabilities for uncertain tax positions.

Earnings Per Share

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

Segment Reporting

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

Concentrations of Credit Risk

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

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

3. Rental Property

The following table summarizes the components of rental property, net as of December 31, 2017 and 2016.

Rental Property, net (in thousands)	December 31, 2017	December 31, 2016	
Land	\$ 321,560	\$ 272,162	
Buildings, net of accumulated depreciation of \$160,281 and \$125,971, respectively	1,756,579	1,408,406	(1)
	30,138	24,974	

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Tenant improvements, net of accumulated depreciation of \$32,714 and \$28,388, respectively		
Building and land improvements, net of accumulated depreciation of \$56,062 and \$33,054, respectively	143,170	107,463
Construction in progress	2,877	9,298
Deferred leasing intangibles, net of accumulated amortization of \$280,642 and \$237,456, respectively	313,253	294,533
Total rental property, net	\$ 2,567,577	\$ 2,116,836

(1) Includes one building in redevelopment.

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Acquisitions

The following tables summarize the acquisitions of the Company during the years ended December 31, 2017 and 2016.

Year ended December 31, 2017

Location of Property	Square Feet	Buildings	Purchase Price (in thousands)
Jacksonville, FL	1,025,720	4	\$ 34,264
Sparks, NV	174,763	1	8,380
Salisbury, NC	288,000	1	8,250
Franklin Township, NJ	183,000	1	12,800
Milford, CT	200,000	1	12,762
Bedford Heights, OH	173,034	1	7,622
Redford, MI	135,728	1	7,769
Warren, MI	154,377	1	7,940
Three months ended March 31, 2017	2,334,622	11	99,787
Waukegan, IL	261,075	2	13,850
Gaffney, SC	226,968	1	7,200
Dayton, OH	569,966	1	29,750
Belvidere, IL	336,204	1	22,867
San Diego, CA	205,440	1	19,362
Edwardsville, KS	270,869	1	16,270
Pedricktown, NJ	245,749	1	16,000
Walton, KY	224,921	1	11,450
Rock Hill, SC	275,000	1	6,675
Laredo, TX	206,810	1	13,500
Clinton, PA	297,200	1	23,650
Batavia, IL	102,500	1	5,900
Wallingford, CT	105,000	1	8,200
Rockwall, TX	389,546	1	28,600
Houston, TX	232,800	3	25,000
Lebanon, PA	211,358	1	7,950
Maple Grove, MN	108,628	1	10,031
Romulus, MI	303,760	1	19,351
Three months ended June 30, 2017	4,573,794	21	285,606
Stone Mountain, GA	78,000	1	4,175
York, PA	382,886	1	18,981
Pittston, PA	437,446	1	23,950
O'Fallon, MO	109,854	1	5,740
Belleville, MI	160,464	1	8,641
Columbus, OH	147,645	1	6,954
Groveport, OH	320,657	1	13,643
Las Vegas, NV	34,916	1	4,642
Mooresville, NC	499,200	1	25,750
Swedesboro, NJ	123,962	1	7,250
Three months ended September 30, 2017	2,295,030	10	119,726
Council Bluffs, IA	90,000	1	6,600
Hilliard, OH	237,500	1	8,717
Fountain Inn, SC	264,385	1	18,200
West Columbia, SC	200,000	1	10,000

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Avondale, AZ	186,643	1	16,500
El Paso, TX	498,382	2	16,850
Stafford, TX	68,300	1	8,100
South Easton, MA	86,000	1	8,125
Madison, WI	283,000	2	14,300
Three months ended December 31, 2017	1,914,210	11	107,392
Year ended December 31, 2017	11,117,656	53	\$ 612,511

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Year ended December 31, 2016

Location of Property	Square Feet	Buildings	Purchase Price (in thousands)
Biddeford, ME	265,126	2	\$ 12,452
Fairfield, OH	206,448	1	5,330
Mascot, TN	130,560	1	4,500
Erlanger, KY	108,620	1	5,600
Three months ended March 31, 2016	710,754	5	27,882
West Chicago, IL	249,470	1	8,663
Visalia, CA	635,281	1	27,921
Norcross, GA	152,036	1	5,508
Reading, PA	248,000	1	9,594
Charlotte, NC	104,852	1	6,517
Three months ended June 30, 2016	1,389,639	5	58,203
Columbia, SC	185,600	1	7,300
Graniteville, SC	450,000	1	15,675
Fountain Inn, SC	168,087	1	7,025
Langhorne, PA	217,000	2	11,250
Warren, MI	268,000	1	18,700
New Castle, DE	485,987	1	27,500
Westborough, MA	121,700	1	7,885
Cedar Hill, TX	420,000	1	19,100
Forest Park, GA	799,200	2	24,915
Rock Hill, SC	315,520	1	9,850
Gardiner, ME	265,000	1	16,800
Three months ended September 30, 2016	3,696,094	13	166,000
Langhorne, PA	172,647	1	9,500
Grove City, OH	175,512	1	5,400
Olathe, KS	496,373	1	23,194
Houston, TX	223,599	1	13,444
Itasca, IL	202,000	1	20,641
Kenosha, WI	175,052	1	5,975
Oklahoma City, OK	80,400	1	3,400
San Antonio, TX	247,861	1	12,050
Wood Dale, IL	137,607	1	8,565
Hartland, WI	121,050	1	7,400
Earth City, MO	116,783	1	5,450
Spartanburg, SC	572,038	1	20,762
West Columbia, SC	119,852	1	5,725
West Chicago, IL	305,874	5	10,400
DeForest, WI	254,431	1	7,800
Montgomery, AL	332,000	1	8,750
West Chester, OH	269,868	1	11,150
West Columbia, SC	176,400	1	11,850
Brooklyn Park, MN	200,720	1	20,532
East Windsor, CT	126,111	1	7,725
Three months ended December 31, 2016	4,506,178	24	219,713
Year ended December 31, 2016	10,302,665	47	\$ 471,798

The following table summarizes the allocation of the consideration paid at the date of acquisition during the years ended December 31, 2017 and 2016, respectively, for the acquired assets and liabilities in connection with the acquisitions identified in the tables above.

Acquired Assets and Liabilities	Year ended December 31, 2017		Year ended December 31, 2016	
	Purchase price (in thousands)	Weighted average amortization period (years) of intangibles at acquisition	Purchase price (in thousands)	Weighted average amortization period (years) of intangibles at acquisition
Land	\$59,004	N/A	\$59,630	N/A
Buildings	413,829	N/A	283,758	N/A
Tenant improvements	10,044	N/A	8,670	N/A
Building and land improvements	31,848	N/A	29,073	N/A
Deferred leasing intangibles - In-place leases	62,493	8.3	62,533	8.2
Deferred leasing intangibles - Tenant relationships	27,056	10.8	30,446	10.4
Deferred leasing intangibles - Above market leases	14,375	10.6	10,576	9.2
Deferred leasing intangibles - Below market leases	(5,222)	8.5	(12,971)	8.5
Deferred leasing intangibles - Above market ground leases	(916)	49.0	—	N/A
Above market assumed debt adjustment	—	N/A	(75)	7.2
Other assets	—	N/A	158	N/A
Total purchase price	612,511		471,798	
Less: Mortgage note assumed	—		(4,037)	
Net assets acquired	\$612,511		\$467,761	

On May 31, 2017, the Company acquired a property located in San Diego, CA for approximately \$19.4 million. As partial consideration for the property acquired, the Company granted 687,827 Other Common Units with a fair value of approximately \$18.6 million. For a discussion of the method used to determine the fair value of the Other Common Units issued, see Note 7.

On September 29, 2016, the Company assumed a mortgage note of approximately \$4.0 million in connection with the acquisition of the property located in Rock Hill, SC. For a discussion of the method used to determine the fair value of the mortgage notes, see Note 4.

The table below sets forth the results of operations for the years ended December 31, 2017 and 2016 for the properties acquired during the years ended December 31, 2017 and 2016, respectively, included in the Company's Consolidated Statements of Operations from the date of acquisition.

Results of Operations (in thousands)	Year ended	Year ended
	December 31, 2017	December 31, 2016
Total revenue	\$ 27,918	\$ 13,105
Property acquisition costs	\$ 5,181	\$ 4,386
Net loss	\$ 1,473	\$ 3,560

The following table sets forth pro forma information for the years ended December 31, 2017 and 2016. The below pro forma information does not purport to represent what the actual results of operations of the Company would have been had the acquisitions outlined above occurred on the first day of the applicable reporting period, nor do they purport to predict the results of operations of future periods. The pro forma information has not been adjusted for property sales.

Pro Forma (in thousands) ⁽¹⁾	Year ended December 31, 2017	Year ended December 31, 2016
Total revenue	\$ 326,994	\$ 321,512
Net income ⁽²⁾	\$ 40,519	\$ 24,520
Net income attributable to common stockholders	\$ 29,101	\$ 9,715

The unaudited pro forma information for the years ended December 31, 2017 and 2016 is presented as if the (1) properties acquired during the years ended December 31, 2017 and 2016 were completed on January 1, 2016 and January 1, 2015, respectively.

(2) The net income for the year ended December 31, 2017 excludes approximately \$5.2 million of property acquisition costs related to the acquisition of buildings that closed during the year ended December 31, 2017, and the net income for the year ended December 31, 2016 was adjusted to include these acquisition costs. Net income for the year ended December 31, 2016 excludes approximately \$4.4 million of property acquisition costs related to the acquisition of buildings that closed during the year ended December 31, 2016.

Dispositions

During the year ended December 31, 2017, the Company sold 11 buildings comprised of approximately 1.9 million square feet with a net book value of approximately \$40.9 million to third parties. These buildings contributed approximately \$3.8 million, \$7.0 million and \$6.9 million to revenue for the years ended December 31, 2017, 2016 and 2015, respectively. These buildings contributed approximately \$1.5 million, \$1.5 million and \$1.7 million to net income (exclusive of loss on impairment and gain on the sales of rental property, net) for the years ended December 31, 2017, 2016 and 2015, respectively. Net proceeds from the sales of rental property were approximately \$65.1 million and the Company recognized a gain on the sales of rental property, net of approximately \$24.2 million for the year ended December 31, 2017. All of the dispositions were accounted for under the full accrual method.

During the year ended December 31, 2016, the Company sold 24 buildings comprised of approximately 4.2 million square feet with a net book value of approximately \$90.3 million to third parties. These buildings contributed approximately \$11.2 million and \$15.6 million to revenue (exclusive of termination income and acceleration of straight line rent) for the years ended December 31, 2016 and 2015, respectively. These buildings contributed approximately \$1.3 million and \$1.3 million to net income (exclusive of loss on impairments, loss on extinguishment of debt, gain on the sales of rental property, net, termination income, and acceleration of straight line rent and lease intangibles) for the years ended December 31, 2016 and 2015, respectively. Net proceeds from the sales of rental property were approximately \$152.1 million and the Company recognized a gain on the sales of rental property, net of approximately \$61.8 million for the year ended December 31, 2016. All of the dispositions were accounted for under the full accrual method.

During the year ended December 31, 2015, the Company sold six buildings comprised of approximately 0.8 million square feet with a net book value of approximately \$17.2 million to third parties. These buildings contributed approximately \$2.0 million to revenue (exclusive of termination income and acceleration of straight line rent and above market rent) for the year ended December 31, 2015. These buildings contributed approximately \$0.8 million to net income (exclusive of gain on the sales of rental property, net, loss on impairments, termination income and acceleration of straight line rent and above market rent) for the year ended December 31, 2015. Net proceeds from the sales of rental property were approximately \$22.2 million and the Company recognized a gain on the sales of rental property, net of approximately \$5.0 million for the year ended December 31, 2015. All of the dispositions were accounted for under the full accrual method.

Assets Held for Sale, net

As of December 31, 2017, the related land, building and improvements, net, and deferred leasing intangibles, net, of approximately \$4.2 million, \$13.6 million, and \$2.1 million, respectively, for two buildings located in Charlotte, NC were classified as assets held for sale, net on the accompanying Consolidated Balance Sheets. These buildings contributed approximately \$2.9 million, \$2.6 million and \$2.2 million to revenue for the years ended December 31, 2017, 2016 and 2015, respectively. These buildings contributed approximately \$0.9 million, \$0.3 million and \$0.3 million to net income (exclusive of gain on involuntary conversion) for the years ended December 31, 2017, 2016 and 2015, respectively.

Involuntary Conversion

During the year ended December 31, 2017, the Company wrote down a building in the amount of approximately \$0.8 million, related to the involuntary conversion event that occurred on September 1, 2016. The cumulative write down of the building since the involuntary conversion event was approximately \$1.5 million as of December 31, 2017. The Company recognized a gain on involuntary conversion of approximately \$0.3 million, \$0 and \$0 during the years ended December 31, 2017, 2016 and 2015, respectively.

Loss on Impairments

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

Property Location	Buildings	Event or Change in Circumstance Leading to Impairment Evaluation ⁽¹⁾	Valuation technique utilized to estimate fair value	Fair Value ⁽²⁾ (in thousands)	Loss on Impairments (in thousands)
Cincinnati, OH	1	Market leasing conditions	(3) Discounted cash flows		
Three months ended December 31, 2017				\$1,543	\$ 1,879
Year ended December 31, 2017				\$1,543	\$ 1,879

The Company tested the asset group for impairment utilizing a probability weighted recovery analysis of certain (1) scenarios, and it was determined that the carrying value of the property and intangibles were not recoverable from the estimated future undiscounted cash flows.

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

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

The following table summarizes the Company's loss on impairments for assets held and used during the year ended December 31, 2016.

Property Location	Buildings	Event or Change in Circumstance Leading to Impairment Evaluation ⁽¹⁾	Valuation technique utilized to estimate fair value	Fair Value ⁽²⁾ (in thousands)	Loss on Impairments (in thousands)
Fairfield, VA	1	Change in estimated hold period	(3) Executed purchase and sale agreement		
Jackson, MS	1	Change in estimated hold period	(3) Executed purchase and sale agreement		
Jackson, MS	1	Change in estimated hold period	(3) Executed purchase and sale agreement		
Mishawaka, IN	1	Market leasing conditions	(3) Discounted cash flows	(5)	
Newark, DE	1	Market leasing conditions	Discounted cash flows	(5)	
Seville, OH	2	Market leasing conditions	Discounted cash flows	(5)	
Sparks, MD	2	Change in estimated hold period	(4) Discounted cash flows	(5)	
Three months ended June 30, 2016				\$10,598	\$ 11,231
Boardman, OH	1	Change in estimated hold period	(4) Discounted cash flows	(6)	
Holland, MI	1	Change in estimated hold period	(4) Discounted cash flows	(6)	
Pensacola, FL	1	Change in estimated hold period	(3) Discounted cash flows	(6)	
Three months ended December 31, 2016				\$4,360	\$ 5,614
Year ended December 31, 2016				\$14,958	\$ 16,845

The Company tested the asset group for impairment utilizing a probability weighted recovery analysis of certain (1) scenarios, and it was determined that the carrying value of the property and intangibles were not recoverable from the estimated future undiscounted cash flows.

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

(3) This property was sold during the year ended December 31, 2016.

(4) This property was sold during the year ended December 31, 2017.

(5) Level 3 inputs used to determine fair value for the properties impaired for the three months ended June 30, 2016: discount rates ranged from 8.5% to 13.0% and exit capitalization rates ranged from 8.5% to 12.0%.

(6)

Level 3 inputs used to determine fair value for the properties impaired for the three months ended December 31, 2016: discount rate of 12.0% and exit capitalization rates ranging from 10.0% to 12.0%.

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The following table summarizes the Company's loss on impairments for assets held and used during the year ended December 31, 2015.

Property Location	Buildings	Event or Change in Circumstance Leading to Impairment Evaluation ⁽¹⁾	Valuation technique utilized to estimate fair value	Fair Value ⁽²⁾ (in thousands)	Loss on Impairments
Hazelwood, MO	1	Change in estimated hold period	(3) Executed purchase and sale agreement		
Three months ended June 30, 2015				\$4,400	\$ 2,645
Canton, OH	1	Change in estimated hold period	(4) Discounted cash flows	(6)	
Jefferson, NC	1	Change in estimated hold period	(3) Market transactions for comparable properties		
Milwaukee, WI	1	Change in estimated hold period	(3) Market transactions for comparable properties		
Three months ended September 30, 2015				6,515	5,733
Canton, OH	1	Change in estimated hold period	(4) Market transactions for comparable properties	(7)	
Cincinnati, OH	1	Change in estimated hold period	Discounted cash flows	(8)	
Dayton, OH	1	Change in estimated hold period	(4) Discounted cash flows	(8)	
Gloversville, NY	1	Change in estimated hold period	(4) Discounted cash flows	(8)	
Jackson, MS	1	Change in estimated hold period	(4) Discounted cash flows	(8)	
Jackson, MS	1	Change in estimated hold period	(4) Discounted cash flows	(8)	
Rapid City, SD	1	Change in estimated hold period	Discounted cash flows	(8)	
Sergeant Bluff, IA	1	Change in estimated hold period	Discounted cash flows	(8)	
Sparks, MD	2	Change in estimated hold period	(5) Discounted cash flows	(8)	
Three months ended December 31, 2015				22,238	20,894
Year ended December 31, 2015				\$33,153	\$ 29,272

The Company tested the asset group for impairment utilizing a probability weighted recovery analysis of certain (1) scenarios, and it was determined that the carrying value of the property and intangibles were not recoverable from the estimated future undiscounted cash flows.

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

(3) This property was sold during the year ended December 31, 2015.

(4) This property was sold during the year ended December 31, 2016.

(5) This property was sold during the year ended December 31, 2017.

(6) Level 3 inputs used to determine fair value: discount rate of 9.0% and exit capitalization rate of 12.0%

The future cash flows of the existing building were not estimated to generate a net positive cash flow. Accordingly, (7) the property was valued at its highest and best use as a vacant/developable land parcel. Market transactions for comparable properties were utilized to estimate a land value. Estimated fair market value of the property represents the land value, less estimated expense of demolition of the building, plus estimated salvage value.

(8) Level 3 inputs used to determine fair value for the properties impaired for the three months ended December 31, 2015: discount rates ranged from 8.5% to 16.0% and exit capitalization rates ranged from 8.0% to 14.0%.

Deferred Leasing Intangibles

The following table summarizes the deferred leasing intangibles on the accompanying Consolidated Balance Sheets as of December 31, 2017 and 2016.

December 31, 2017

December 31, 2016

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Deferred Leasing Intangibles (in thousands)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Above market leases	\$78,558	\$(36,810)	\$41,748	\$70,668	\$(32,868)	\$37,800
Other intangible lease assets	515,337	(243,832)	271,505	461,321	(204,588)	256,733
Total deferred leasing intangible assets	\$593,895	\$(280,642)	\$313,253	\$531,989	\$(237,456)	\$294,533
Below market leases	\$34,776	\$(13,555)	\$21,221	\$30,791	\$(10,450)	\$20,341
Total deferred leasing intangible liabilities	\$34,776	\$(13,555)	\$21,221	\$30,791	\$(10,450)	\$20,341

The following table sets forth the amortization expense and the net decrease to rental income for the amortization of deferred leasing intangibles during the years ended December 31, 2017, 2016 and 2015.

Year ended December 31,

Deferred Leasing Intangibles Amortization (in thousands)	2017	2016	2015
Net decrease to rental income related to above and below market lease amortization	\$ 4,583	\$ 6,213	\$ 8,526
Amortization expense related to other intangible lease assets	\$ 72,936	\$ 66,291	\$ 60,834

The following table sets forth the amortization of deferred leasing intangibles over the next five years as of December 31, 2017.

Year	Net Decrease	
	Amortization to Rental Expense Related to Other Intangible Lease Assets (in thousands)	Income Related to Above and Below Market Lease Amortization (in thousands)
2018	\$ 63,957	\$ 4,475
2019	\$ 49,758	\$ 3,881
2020	\$ 39,765	\$ 3,466
2021	\$ 29,093	\$ 2,140
2022	\$ 22,037	\$ 1,172

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4. Debt

The following table sets forth a summary of the Company's outstanding indebtedness, including borrowings under the Company's unsecured credit facility, unsecured term loans, unsecured notes and mortgage notes as of December 31, 2017 and 2016.

Loan	Principal Outstanding as of December 31, 2017 (in thousands)	Principal Outstanding as of December 31, 2016 (in thousands)	Interest Rate ⁽¹⁾	Maturity Date	Prepayment Terms ⁽²⁾
Unsecured credit facility:					
Unsecured Credit Facility ⁽³⁾	\$ 271,000	\$ 28,000	L + 1.15%	Dec-18-2019	i
Total unsecured credit facility	271,000	28,000			
Unsecured term loans:					
Unsecured Term Loan C	150,000	150,000	L + 1.30%	Sep-29-2020	i
Unsecured Term Loan B	150,000	150,000	L + 1.30%	Mar-21-2021	i
Unsecured Term Loan A	150,000	150,000	L + 1.30%	Mar-31-2022	i
Unsecured Term Loan D ⁽⁴⁾	—	—	L + 1.30%	Jan-04-2023	i
Total unsecured term loans	450,000	450,000			
Less: Total unamortized deferred financing fees and debt issuance costs	(3,735)	(3,392)			
Total carrying value unsecured term loans, net	446,265	446,608			
Unsecured notes:					
Series F Unsecured Notes	100,000	100,000	3.98 %	Jan-05-2023	ii
Series A Unsecured Notes	50,000	50,000	4.98 %	Oct-1-2024	ii
Series D Unsecured Notes	100,000	100,000	4.32 %	Feb-20-2025	ii
Series B Unsecured Notes	50,000	50,000	4.98 %	Jul-1-2026	ii
Series C Unsecured Notes	80,000	80,000	4.42 %	Dec-30-2026	ii
Series E Unsecured Notes	20,000	20,000	4.42 %	Feb-20-2027	ii
Total unsecured notes	400,000	400,000			
Less: Total unamortized deferred financing fees and debt issuance costs	(1,766)	(2,034)			
Total carrying value unsecured notes, net	398,234	397,966			
Mortgage notes (secured debt):					
Union Fidelity Life Insurance Company	—	5,384	5.81 %	Apr-30-2017	iii
Webster Bank, National Association	—	2,853	3.66 %	May-29-2017	iv
Webster Bank, National Association	—	3,073	3.64 %	May-31-2017	iv
Wells Fargo, National Association	—	4,043	5.90 %	Aug-1-2017	v

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Connecticut General Life Insurance Company -1 Facility	—	35,320	6.50	%	Feb-1-2018	vi
Connecticut General Life Insurance Company -2 Facility	—	36,892	5.75	%	Feb-1-2018	vi
Connecticut General Life Insurance Company -3 Facility	—	16,141	5.88	%	Feb-1-2018	vi
Wells Fargo Bank, National Association CMBS Loan	54,949	56,608	4.31	%	Dec-1-2022	vii
Thrivent Financial for Lutherans	3,906	4,012	4.78	%	Dec-15-2023	iv
Total mortgage notes	58,855	164,326				
Total unamortized fair market value premiums	61	112				
Less: Total unamortized deferred financing fees and debt issuance costs	(634)	(873)				
Total carrying value mortgage notes, net	58,282	163,565				
Total / weighted average interest rate ⁽⁵⁾	\$ 1,173,781	\$ 1,036,139	3.53	%		

(1) Current interest rate as of December 31, 2017. At December 31, 2017 and 2016, the one-month LIBOR (“L”) was 1.56425% and 0.77167%, respectively. The current interest rate is not adjusted to include the amortization of deferred financing fees or debt issuance costs incurred in obtaining debt or any unamortized fair market value premiums.

(2) Prepayment terms consist of (i) pre-payable with no penalty; (ii) pre-payable with penalty; (iii) pre-payable without penalty two months prior to the maturity date; (iv) pre-payable without penalty three months prior to the maturity date; (v) pre-payable without penalty three months prior to the maturity date, however can be defeased; (vi) pre-payable without penalty six months prior to the maturity date; and (vii) pre-payable without penalty three months prior to the maturity date, however can be defeased beginning January 1, 2016.

(3) The capacity of the unsecured credit facility is \$450.0 million. Deferred financing fees and debt issuance costs, net of accumulated amortization related to the unsecured credit facility of approximately \$1.5 million and \$2.3 million are included in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets as of December 31, 2017 and 2016, respectively.

(4) Capacity of \$150.0 million, which the Company has until July 27, 2018 to draw.

(5) The weighted average interest rate was calculated using the fixed interest rate swapped on the current notional amount of \$600.0 million of debt, and is not adjusted to include the amortization of deferred financing fees or debt issuance costs incurred in obtaining debt or any unamortized fair market value premiums.

The aggregate undrawn nominal commitment on the unsecured credit facility and term loans as of December 31, 2017 was approximately \$323.1 million, including issued letters of credit. The Company's actual borrowing capacity at any given point in

time may be less and is restricted to a maximum amount based on the Company's debt covenant compliance. Total accrued interest for the Company's indebtedness was approximately \$5.6 million and \$5.7 million as of December 31, 2017 and 2016, respectively, and is included in accounts payable, accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets.

The table below sets forth the costs included in interest expense related to the Company's debt arrangements on the accompanying Consolidated Statement of Operations for the years ended December 31, 2017, 2016 and 2015.

Costs Included in Interest Expense (in thousands)	Year ended December 31,		
	2017	2016	2015
Amortization of deferred financing fees and debt issuance costs and fair market value premiums	\$2,087	\$1,698	\$1,262
Facility fees and unused fees	1,169	1,380	1,202

2017 Debt Activity

On August 1, 2017, the three mortgage notes held with Connecticut General Life Insurance Company, in which multiple properties served as collateral for the mortgage notes, were paid in full.

On July 28, 2017, the Company entered into a \$150.0 million unsecured term loan agreement ("Unsecured Term Loan D"). As of December 31, 2017, the interest rate on the Unsecured Term Loan D was LIBOR plus a spread of 1.3% based on the Company's consolidated leverage ratio, as defined in the loan agreement. Unless otherwise terminated pursuant to the loan agreement, the Unsecured Term Loan D will mature on January 4, 2023. The Unsecured Term Loan D has an accordion feature that allows the Company to increase its borrowing capacity to \$250.0 million, subject to the satisfaction of certain conditions and lender consents. The agreement includes a delayed draw feature that allows the Company to draw up to six advances of at least \$25.0 million each until July 27, 2018. To the extent that the Company does not request advances of the \$150.0 million of aggregate commitments by July 27, 2018, the unadvanced commitments terminate. The Company incurred approximately \$1.0 million in deferred financing fees associated with the Unsecured Term Loan D, which will begin to be amortized through the maturity date on the date that the Company draws on the Unsecured Term Loan D. The Company also is required to pay an annual fee of \$35,000. The Unsecured Term Loan D has an unused commitment fee equal to 0.15% of its unused commitments, which began to accrue on October 26, 2017 and are due and payable monthly until the earlier of (i) the date that commitments of \$150.0 million have been fully advanced, (ii) July 27, 2018, and (iii) the date that commitments of \$150.0 million have been reduced to zero pursuant to the Company's ability to terminate the aggregate commitments at any time upon notice. The Company and certain wholly owned subsidiaries of the Operating Partnership are guarantors of the Unsecured Term Loan D. The agreement also contains financial and other covenants substantially similar to the covenants in the Company's unsecured credit facility.

On July 28, 2017, the Company entered into an amendment to its unsecured credit facility agreement and amendments to its unsecured term loan agreements to conform certain provisions to the Unsecured Term Loan D agreement.

On May 30, 2017, the mortgage note held with Wells Fargo, National Association, in which the property located in Yorkville, WI served as collateral for the mortgage note, was paid in full.

On March 3, 2017, the mortgage note held with Webster Bank, National Association, in which the property located in East Windsor, CT served as collateral for the mortgage note, was paid in full.

On March 1, 2017, the mortgage note held with Webster Bank, National Association, in which the property located in Portland, ME served as collateral for the mortgage note, was paid in full.

On March 1, 2017, the mortgage note held with Union Fidelity Life Insurance Company, in which the property located in Hazelwood, MO served as collateral for the mortgage note, was paid in full.

2016 Debt Activity

On December 29, 2016, the Company drew the unsecured term loan with Wells Fargo, National Association and other lenders ("Unsecured Term Loan C") in the amount of \$150.0 million.

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On December 20, 2016, the Company amended and restated the unsecured term loans with Wells Fargo, National Association and other lenders ("Unsecured Term Loan A" and "Unsecured Term Loan B"). The transaction reduced the spread over the applicable rate, which is based on the Company's consolidated leverage ratio, as defined in the loan agreement, with no changes to maturity dates or other material terms of the loan. The spread over the LIBOR for the Unsecured Term Loan A was reduced from 1.65% to 1.30%, and the spread over the LIBOR for the Unsecured Term Loan B was reduced from 1.70% to 1.30%, assuming the most recently reported consolidated leverage ratios.

On December 8, 2016, the mortgage note held with Connecticut General Life Insurance Company (Facility 2) was partially paid in the amount of approximately \$3.6 million in connection with the sale of the Georgetown, KY property, which had served as partial collateral for the mortgage note. The prepayment fees and associated unamortized deferred financing fees and debt issuance costs of approximately \$0.1 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statements of Operations during the year ended December 31, 2016.

On November 14, 2016, the mortgage note held with Connecticut General Life Insurance Company (Facility 2) was partially paid in the amount of approximately \$6.2 million in connection with the sale of the Conyers, GA property, which had served as partial collateral for the mortgage note. The prepayment fees and associated unamortized deferred financing fees and debt issuance costs of approximately \$0.2 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statements of Operations during the year ended December 31, 2016.

On November 14, 2016, the mortgage note held with Connecticut General Life Insurance Company (Facility 1) was partially paid in the amount of approximately \$21.0 million in connection with the sale of the Charlotte, NC property, which had served as partial collateral for the mortgage note. The prepayment fees and associated unamortized deferred financing fees and debt issuance costs of approximately \$0.9 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statements of Operations during the year ended December 31, 2016.

On November 14, 2016, the mortgage note held with Principal Life Insurance Company, for which the property located in Conyers, GA served as collateral for the mortgage note, was paid in full. The prepayment fees and associated unamortized deferred financing fees and debt issuance costs of approximately \$0.1 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statements of Operations during the year ended December 31, 2016.

On September 29, 2016, the Company assumed a mortgage note held with Thrivent Financial for Lutherans of approximately \$4.0 million in connection with the acquisition of the property located in Rock Hill, SC, which serves as collateral for the debt. The debt matures on December 15, 2023 and bears interest at 4.78% per annum. The assumed debt was recorded at fair value and a fair value premium of approximately \$0.1 million was recorded. The fair value of debt was determined by discounting the future cash flows using the then current rate of approximately 4.45% at which loans would be made to borrowers with similar credit ratings for loans with similar remaining maturities, similar terms, and similar loan-to-value ratios. The fair value of the debt is based on Level 3 inputs and is a nonrecurring fair value measurement.

On June 22, 2016, the mortgage note held with Wells Fargo, National Association (CMBS loan) was partially defeased in the amount of approximately \$1.5 million in connection with the sale of the Gloversville, NY property, which had served as partial collateral for the mortgage note. The associated defeasance fees and unamortized deferred financing fees and debt issuance costs of approximately \$0.3 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statement of Operations for the year ended December 31, 2016.

On May 18, 2016, the mortgage note held with National Life Insurance Company, for which the property located in Charlotte, NC served as collateral, was paid in full.

On May 5, 2016, the mortgage note held with Webster Bank, National Association, for which the property located in Norton, MA served as collateral, was paid in full.

On April 26, 2016, the mortgage note held with Wells Fargo, National Association (CMBS loan) was partially defeased in the amount of approximately \$1.7 million in connection with the sale of the Parsons, KS property, which had served as partial collateral for the mortgage note. The associated defeasance fees and unamortized deferred financing fees and debt issuance costs of approximately \$0.2 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statement of Operations for the year ended December 31, 2016.

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On April 26, 2016, the mortgage note held with Wells Fargo, National Association (CMBS loan) was partially defeased in the amount of approximately \$1.8 million in connection with the sale of the Kansas City, KS property, which had served as partial collateral for the mortgage note. The associated defeasance fees and unamortized deferred financing fees and debt issuance costs of approximately \$0.3 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statement of Operations for the year ended December 31, 2016.

On March 17, 2016, the mortgage note held with Connecticut General Life Insurance Company (Facility 2) was partially paid in the amount of approximately \$10.5 million in connection with the sale of the Gresham, OR property, which had served as partial collateral for the mortgage note. The prepayment fees and associated unamortized deferred financing fees and debt issuance costs of approximately \$0.9 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statement of Operations during the year ended December 31, 2016.

On March 3, 2016, the mortgage note held with Wells Fargo, National Association (CMBS loan) was partially defeased in the amount of approximately \$1.2 million in connection with the sale of the Wichita, KS property, which had served as partial collateral for the mortgage note. The associated defeasance fees and unamortized deferred financing fees and debt issuance costs of approximately \$0.2 million were written off to loss on extinguishment of debt in the accompanying Consolidated Statement of Operations during the year ended December 31, 2016.

On March 1, 2016 the mortgage note held with Sun Life Assurance Company of Canada (U.S.), for which the property located in Gahanna, OH served as collateral, was paid in full.

Financial Covenant Considerations

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

- a maximum consolidated leverage ratio of not greater than 0.60:1.00;
- a maximum secured leverage ratio of not greater than 0.40:1.00;
- a maximum unencumbered leverage ratio of not greater than 0.60:1.00;
- a maximum secured recourse debt level of not greater than 0.075:1.00;
- a minimum fixed charge ratio of not less than 1.50:1.00;
- a minimum unsecured interest coverage ratio of not less than 1.75:1.00; and
- a minimum tangible net worth covenant test.

The unsecured notes are also subject to a minimum interest coverage ratio of not less than 1.50:1.00. The Company was in compliance with all such applicable restrictions and financial covenants as of December 31, 2017 and 2016. In the event of a default under the unsecured credit facility or the unsecured term loans, the Company's dividend distributions are limited to the minimum amount necessary for the Company to maintain its status as a REIT.

Each of the Company's mortgage notes has specific properties and assignments of rents and leases that are collateral for these loans. These debt facilities contain certain financial and other covenants. The Company was in compliance with all such applicable restrictions and financial covenants as of December 31, 2017 and 2016. The real estate net book value of the properties that are collateral for the Company's mortgage notes was approximately \$90.9 million and \$229.9 million at December 31, 2017 and 2016, respectively, and is limited to senior, property-level secured debt financing arrangements.

Fair Value of Debt

The fair value of the Company's debt is determined by discounting the future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings for loans with similar remaining maturities, similar terms, and similar loan-to-value ratios. The discount rates ranged from approximately 2.61% to 4.40% and 1.92% to 4.85% at December 31, 2017 and 2016, respectively, and were applied to each individual debt instrument. The applicable fair value guidance establishes a three tier value hierarchy, which prioritizes the inputs used in measuring fair value. The fair value of the Company's debt is based on Level

3 inputs. The following table presents the aggregate principal outstanding of the Company's debt and the corresponding estimate of fair value as of December 31, 2017 and 2016 (in thousands).

	December 31, 2017		December 31, 2016	
	Principal Outstanding	Fair Value	Principal Outstanding	Fair Value
Unsecured credit facility	\$271,000	\$271,528	\$28,000	\$28,000
Unsecured term loans	450,000	451,463	450,000	450,000
Unsecured notes	400,000	415,599	400,000	399,091
Mortgage notes	58,855	59,769	164,326	166,099
Total principal amount	1,179,855	\$1,198,359	1,042,326	\$1,043,190
Add: Total unamortized fair market value premiums	61		112	
Less: Total unamortized deferred financing fees and debt issuance costs	(6,135)		(6,299)	
Total carrying value	\$1,173,781		\$1,036,139	

Future Principal Payments of Debt

The following table reflects the Company's aggregate future principal payments of the Company's debt at December 31, 2017.

Year	Future Principal Payments of Debt (in thousands)
2018	\$1,844
2019	272,926
2020	152,006
2021	152,103
2022	197,681
Thereafter	403,295
Total aggregate principal payments	1,179,855
Add: Total unamortized fair market value premiums	61
Less: Total unamortized deferred financing fees and debt issuance costs	(6,135)
Total carrying value	\$1,173,781

5. Use of Derivative Financial Instruments

Risk Management Objective of Using Derivatives

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

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The following table details the Company's outstanding interest rate swaps as of December 31, 2017. All of the Company's interest rate swaps are designated as qualifying cash flow hedges.

Interest Rate Derivative Counterparty	Trade Date	Effective Date	Notional Amount (in thousands)	Fair Value (in thousands)	Pay Fixed Interest Rate	Receive Variable Interest Rate	Maturity Date
Regions Bank	Mar-01-2013	Mar-01-2013	\$ 25,000	\$ 331	1.3300%	One-month L	Feb-14-2020
Capital One, N.A.	Jun-13-2013	Jul-01-2013	\$ 50,000	\$ 293	1.6810%	One-month L	Feb-14-2020
Capital One, N.A.	Jun-13-2013	Aug-01-2013	\$ 25,000	\$ 135	1.7030%	One-month L	Feb-14-2020
Regions Bank	Sep-30-2013	Feb-03-2014	\$ 25,000	\$ (18)	1.9925%	One-month L	Feb-14-2020
The Toronto-Dominion Bank	Oct-14-2015	Sep-29-2016	\$ 25,000	\$ 427	1.3830%	One-month L	Sep-29-2020
PNC Bank, N.A.	Oct-14-2015	Sep-29-2016	\$ 50,000	\$ 845	1.3906%	One-month L	Sep-29-2020
Regions Bank	Oct-14-2015	Sep-29-2016	\$ 35,000	\$ 596	1.3858%	One-month L	Sep-29-2020
U.S. Bank, N.A.	Oct-14-2015	Sep-29-2016	\$ 25,000	\$ 421	1.3950%	One-month L	Sep-29-2020
Capital One, N.A.	Oct-14-2015	Sep-29-2016	\$ 15,000	\$ 252	1.3950%	One-month L	Sep-29-2020
Royal Bank of Canada	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ 266	1.7090%	One-month L	Mar-21-2021
The Toronto-Dominion Bank	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ 263	1.7105%	One-month L	Mar-21-2021
The Toronto-Dominion Bank	Jan-08-2015	Sep-10-2017	\$ 100,000	\$ (566)	2.2255%	One-month L	Mar-21-2021
Wells Fargo, N.A.	Jan-08-2015	Mar-20-2015	\$ 25,000	\$ 276	1.8280%	One-month L	Mar-31-2022
The Toronto-Dominion Bank	Jan-08-2015	Feb-14-2020	\$ 25,000	\$ (107)	2.4535%	One-month L	Mar-31-2022
Regions Bank	Jan-08-2015	Feb-14-2020	\$ 50,000	\$ (236)	2.4750%	One-month L	Mar-31-2022
Capital One, N.A.	Jan-08-2015	Feb-14-2020	\$ 50,000	\$ (290)	2.5300%	One-month L	Mar-31-2022
The Toronto-Dominion Bank	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ 327	1.8485%	One-month L	Jan-04-2023
Royal Bank of Canada	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ 329	1.8505%	One-month L	Jan-04-2023
Wells Fargo, N.A.	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ 329	1.8505%	One-month L	Jan-04-2023
PNC Bank, N.A.	Jul-20-2017	Oct-30-2017	\$ 25,000	\$ 329	1.8485%	One-month L	Jan-04-2023
PNC Bank, N.A.	Jul-20-2017	Oct-30-2017	\$ 50,000	\$ 660	1.8475%	One-month L	Jan-04-2023

The fair value of the interest rate swaps outstanding as of December 31, 2017 and 2016 was as follows.

Balance Sheet Line Item (in thousands)	Notional Amount December 31, 2017	Fair Value December 31, 2017	Notional Amount December 31, 2016	Fair Value December 31, 2016
Interest rate swaps-Asset	\$ 475,000	\$ 6,079	\$ 300,000	\$ 1,471
Interest rate swaps-Liability	\$ 250,000	\$ (1,217)	\$ 375,000	\$ (2,438)

Cash Flow Hedges of Interest Rate Risk

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

The effective portion of changes in the fair value of derivatives designated as qualifying cash flow hedges is recorded in accumulated other comprehensive income (loss) and will be reclassified to interest expense in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings into interest expense. For the years ended December 31, 2017 and 2016, the Company recorded a gain of \$0.2 million and \$0.1 million, respectively, of hedge ineffectiveness in interest expense due to short-term, partial mismatches in notional amounts. For the year ended December 31, 2015, the Company did not record any hedge ineffectiveness related to the hedged derivatives.

Amounts reported in accumulated other comprehensive income (loss) related to derivatives designated as qualifying cash flow hedges will be reclassified to interest expense as interest payments are made on the Company's variable rate debt. The Company estimates that approximately \$0.1 million will be reclassified from accumulated other comprehensive income (loss) as a decrease to interest expense over the next 12 months.

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The table below details the location in the financial statements of the gain or loss recognized on interest rate swaps designated as cash flow hedges for the years ended December 31, 2017, 2016 and 2015, (in thousands).

	Year ended December 31,		
	2017	2016	2015
Amount of gain (loss) recognized in accumulated other comprehensive income (loss) on interest rate swaps (effective portion)	\$3,597	\$(2,244)	\$(5,387)
Amount of loss reclassified from accumulated other comprehensive income (loss) into income (loss) as interest expense (effective portion)	\$2,073	\$3,142	\$3,431
Amount of gain recognized in interest expense (ineffective portion)	\$190	\$66	\$—

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness. As of December 31, 2017, the Company had not breached the provisions of these agreements and has not posted any collateral related to these agreements.

As of December 31, 2017, the Company had no derivatives that were in a net liability position by counterparty.

Fair Value of Interest Rate Swaps

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

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

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2017 and 2016, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following tables set forth the Company's financial instruments that are accounted for at fair value on a recurring basis as of December 31, 2017 and 2016.

Balance Sheet Line Item (in thousands)	Fair Value Measurements as of December 31, 2017 Using		
	Fair Value December 31, 2017	Level 2	Level 3
Interest rate swaps-Asset	\$ 6,079	\$ 6,079	\$ —
Interest rate swaps-Liability	\$ (1,217)	\$ (1,217)	\$ —

Balance Sheet Line Item (in thousands)	Fair Value Measurements as of December 31, 2016 Using		
	Fair Value December 31, 2016	Level 2	Level 3
Interest rate swaps-Asset	\$ 1,471	\$ 1,471	\$ —
Interest rate swaps-Liability	\$ (2,438)	\$ (2,438)	\$ —

6. Equity

Preferred Stock

Pursuant to its charter, the Company is authorized to issue 15,000,000 shares of preferred stock, par value \$0.01 per share. The following table sets forth the Company's outstanding preferred stock issuances as of December 31, 2017.

Preferred Stock Issuances	Issuance Date	Number of Shares	Liquidation Value Per Share	Interest Rate
Series B Cumulative Redeemable Preferred Stock	April 16, 2013	2,800,000	\$ 25.00	6.625%
Series C Cumulative Redeemable Preferred Stock	March 17, 2016	3,000,000	\$ 25.00	6.875%

Dividends on the Series B Preferred Stock and Series C Preferred Stock (collectively, the "Preferred Stock Issuances") are payable quarterly in arrears on or about the last day of March, June, September, and December of each year. The Preferred Stock Issuances rank on parity with each other and rank senior to the Company's common stock with respect to dividend rights and rights upon the liquidation, dissolution or winding up of the Company. The Preferred Stock Issuances have no stated maturity date and are not subject to mandatory redemption or any sinking fund. Generally, the Company is not permitted to redeem the Series B Preferred Stock or the Series C Preferred Stock prior to April 16, 2018 and March 17, 2021, respectively, except in limited circumstances relating to the Company's ability to qualify as a REIT and in certain other circumstances related to a change of control.

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The tables below set forth the dividends attributable to the Company's outstanding preferred stock issuances during the years ended December 31, 2017 and 2016.

Quarter Ended 2017	Declaration Date	Series B Preferred Stock Per Share	Series C Preferred Stock Per Share	Payment Date
December 31	November 2, 2017	\$0.4140625	\$0.4296875	December 29, 2017
September 30	July 31, 2017	0.4140625	0.4296875	September 29, 2017
June 30	May 1, 2017	0.4140625	0.4296875	June 30, 2017
March 31	February 15, 2017	0.4140625	0.4296875	March 31, 2017
Total		\$1.6562500	\$1.7187500	

Quarter Ended 2016	Declaration Date	Series A Preferred Stock Per Share	Series B Preferred Stock Per Share	Series C Preferred Stock Per Share	Payment Date
December 31	November 2, 2016 (1)	\$0.19375	(1)\$0.4140625	\$0.4296875	December 30, 2016
September 30	August 1, 2016	0.56250	0.4140625	0.4296875	September 30, 2016
June 30	May 2, 2016	0.56250	0.4140625	0.4965300 (2)	June 30, 2016
March 31	February 22, 2016	0.56250	0.4140625	—	March 31, 2016
Total		\$1.88125	\$1.6562500	\$1.3559050	

On November 2, 2016, the Company redeemed all of the outstanding shares of the Series A Preferred Stock, at a (1) cash redemption price of \$25.00 per share, plus accrued and unpaid dividends to but excluding the redemption date, without interest.

(2) Dividends for the Series C Preferred Stock were accrued and cumulative from and including March 17, 2016 to the first payment date on June 30, 2016.

On February 14, 2018, the Company's board of directors declared the Series B Preferred Stock and Series C Preferred Stock dividend for the quarter ending March 31, 2018 at a quarterly rate of \$0.4140625 per share and \$0.4296875 per share, respectively.

Common Stock

The following sets forth the Company's at-the market ("ATM") common stock offering program as of December 31, 2017.

ATM Common Stock Offering Program	Date	Maximum Aggregate Offering Price (in thousands)	Aggregate Common Stock Available as of December 31, 2017 (in thousands)
2017 \$500 million ATM	November 13, 2017	\$ 500,000	\$ 489,674

The table below sets forth the activity for the ATM common stock offering programs during the years ended December 31, 2017 and 2016 (in thousands, except share data).

ATM Common Stock Offering Program	Year ended December 31, 2017	Shares Sold	Weighted Average Price Per Share	Gross Proceeds	Sales Agents' Fee	Net Proceeds

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2017 \$300 million ATM ⁽¹⁾	11,098,748	\$ 27.03	\$ 300,000	\$ 3,637	\$ 296,363
2016 \$228 million ATM ⁽¹⁾	4,799,784	\$ 24.42	\$ 117,216	\$ 1,604	\$ 115,612
Total/weighted average	16,262,375	\$ 26.29	\$ 427,542	\$ 5,370	\$ 422,172

(1) This program ended before December 31, 2017.

ATM Common Stock Offering Program	Year ended December 31, 2016				
	Shares Sold	Weighted Average Price Per Share	Gross Proceeds	Sales Agents' Fee	Net Proceeds
2016 \$228 million ATM ⁽¹⁾	4,763,838	\$ 23.28	\$ 110,887	\$ 1,550	\$ 109,337
2016 \$200 million ATM ⁽¹⁾	7,326,200	\$ 23.45	\$ 171,782	\$ 2,429	\$ 169,353
Total/weighted average	12,090,038	\$ 23.38	\$ 282,669	\$ 3,979	\$ 278,690

(1) These programs ended before December 31, 2017.

Dividends

The tables below set forth the dividends attributable to the common stock that were declared or paid during the years ended December 31, 2017 and 2016. The Company's board of directors may alter the amounts of dividends paid or suspend dividend payments at any time and therefore dividend payments are not assured.

Month Ended 2017	Declaration Date	Record Date	Per Share	Payment Date
December 31	July 31, 2017	December 29, 2017	\$0.117500	January 16, 2018
November 30	July 31, 2017	November 30, 2017	0.117500	December 15, 2017
October 31	July 31, 2017	October 31, 2017	0.117500	November 15, 2017
September 30	May 1, 2017	September 29, 2017	0.117500	October 16, 2017
August 31	May 1, 2017	August 31, 2017	0.117500	September 15, 2017
July 31	May 1, 2017	July 31, 2017	0.117500	August 15, 2017
June 30	February 15, 2017	June 30, 2017	0.116667	July 17, 2017
May 31	February 15, 2017	May 31, 2017	0.116667	June 15, 2017
April 30	February 15, 2017	April 28, 2017	0.116667	May 15, 2017
March 31	November 2, 2016	March 31, 2017	0.116667	April 17, 2017
February 28	November 2, 2016	February 28, 2017	0.116667	March 15, 2017
January 31	November 2, 2016	January 31, 2017	0.116667	February 15, 2017
Total			\$1.405002	
Month Ended 2016	Declaration Date	Record Date	Per Share	Payment Date
December 31	August 1, 2016	December 30, 2016	\$0.115833	January 17, 2017
November 30	August 1, 2016	November 30, 2016	0.115833	December 15, 2016
October 31	August 1, 2016	October 31, 2016	0.115833	November 15, 2016
September 30	May 2, 2016	September 30, 2016	0.115833	October 17, 2016
August 31	May 2, 2016	August 31, 2016	0.115833	September 15, 2016
July 31	May 2, 2016	July 29, 2016	0.115833	August 15, 2016
June 30	February 22, 2016	June 30, 2016	0.115833	July 15, 2016
May 31	February 22, 2016	May 31, 2016	0.115833	June 15, 2016
April 30	February 22, 2016	April 29, 2016	0.115833	May 16, 2016
March 31	October 22, 2015	March 31, 2016	0.115833	April 15, 2016
February 29	October 22, 2015	February 29, 2016	0.115833	March 15, 2016
January 31	October 22, 2015	January 29, 2016	0.115833	February 16, 2016
Total			\$1.389996	

On November 2, 2017, the Company's board of directors declared the common stock dividend for the months ending January 31, 2018, February 28, 2018 and March 31, 2018 at a monthly rate of \$0.118333 per share of common stock.

Restricted Stock-Based Compensation

Pursuant to the 2011 Plan, the Company grants restricted shares of common stock to certain employees of the Company. The restricted shares of common stock are subject to time-based vesting. Restricted shares of common stock granted on January 12, 2015, subject to the recipient's continued employment, will vest in three equal installments on each anniversary date of the grant. Restricted shares of common stock granted on January 8, 2016 and January 6, 2017, subject to the recipient's continued employment, will vest in four equal installments on January 1 of each year beginning in 2017 and 2018, respectively. Refer to Note 14 for details on restricted shares of common stock granted on January 5, 2018. Holders of restricted shares of common stock have voting rights and rights to receive dividends. Restricted shares of common stock may not be sold, assigned, transferred, pledged or otherwise disposed of and are subject to a risk of forfeiture prior to the expiration of the applicable vesting period. The following table summarizes activity related to the Company's unvested restricted shares of common stock for the years ended December 31, 2017, 2016 and 2015.

Unvested Restricted Shares of Common Stock	Shares
Balance at December 31, 2014	263,916
Granted	94,290 (1)
Vested	(72,185)
Forfeited	(14,906)
Balance at December 31, 2015	271,115
Granted	101,289 (2)
Vested	(98,746)
Forfeited	(1,321)
Balance at December 31, 2016	272,337
Granted	75,001 (3)
Vested	(109,209)
Forfeited	(922)
Balance at December 31, 2017	237,207

(1) The grant date fair value per share was \$26.17.

(2) The grant date fair value per share was \$17.98.

(3) The grant date fair value per share was \$24.41.

The unrecognized compensation expense associated with the Company's restricted shares of common stock at December 31, 2017 was approximately \$2.7 million and is expected to be recognized over a weighted average period of approximately 2.4 years.

The following table summarizes the fair value at vesting date for the restricted shares of common stock vested during the years ended December 31, 2017, 2016 and 2015.

	Year ended December 31,		
	2017	2016	2015
Vested restricted shares of common stock	109,209	98,746	72,185
Fair value of vested restricted shares of common stock (in thousands)	\$2,591	\$1,813	\$1,751

7. Noncontrolling Interest

The Company is structured as an UPREIT, and owns substantially all of its assets and conducts substantially all of its business through its Operating Partnership. The Company's consolidated financial statements include the accounts of the Company, the Operating Partnership and their subsidiaries. The table below summarizes the activity for noncontrolling interest in the Company for the years ended December 31, 2017, 2016 and 2015.

	LTIP Units	Other Common Units	Total Noncontrolling Common Units	Noncontrolling Interest	
Balance at December 31, 2014	1,307,036	1,124,813	2,431,849	3.6	%
Granted/Issued	323,069	864,283	1,187,352	N/A	
Forfeitures	—	—	—	N/A	
Conversions from LTIP units to Other Common Units	(20,000)	20,000	—	N/A	
Redemptions from Other Common Units to common stock	—	(90,824)	(90,824)	N/A	
Redemption of Other Common Units for cash	—	(2,400)	(2,400)	N/A	
Balance at December 31, 2015	1,610,105	1,915,872	3,525,977	4.9	%
Granted/Issued	176,396	—	176,396	N/A	
Forfeitures	—	—	—	N/A	
Conversions from LTIP units to Other Common Units	(209,985)	209,985	—	N/A	
Redemptions from Other Common Units to common stock	—	(68,492)	(68,492)	N/A	
Balance at December 31, 2016	1,576,516	2,057,365	3,633,881	4.3	%
Granted/Issued	126,239	687,827	814,066	N/A	
Forfeitures	—	—	—	N/A	
Conversions from LTIP units to Other Common Units	(245,685)	245,685	—	N/A	
Redemptions from Other Common Units to common stock	—	(351,260)	(351,260)	N/A	
Balance at December 31, 2017	1,457,070	2,639,617	4,096,687	4.1	%

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

LTIP Units

LTIP units are granted to certain executive officers and senior employees of the Company as part of their compensation, and to independent directors for their service. LTIP units are valued by reference to the value of the Company's common stock and are subject to such conditions and restrictions as the compensation committee of the board of directors may determine, including continued employment or service.

LTIP units granted on January 12, 2015 to certain executive officers and senior employees, subject to the recipient's continued employment, will vest quarterly over three years, with the first vesting date being March 31, 2015. LTIP units granted on January 12, 2015 to independent directors, subject to the recipient's continued service, will vest on January 12, 2016. LTIP units granted on January 6, 2017, January 8, 2016, and February 22, 2016 to certain senior executive officers and senior employees, subject to the recipient's continued employment, will vest quarterly over four years, with the first vesting date being March 31, 2017, March 31, 2016, and March 31, 2016, respectively. LTIP units granted on January 6, 2017 and January 6, 2016 to independent directors, subject to the recipient's continued service, will vest on January 1, 2018 and January 1, 2017, respectively. Refer to Note 14 for details on the LTIP units granted on January 5, 2018. Vested LTIP units can be converted to Other Common Units on a one-for-one basis once a

material equity transaction has occurred that results in the accretion of the member's capital account to the economic equivalent of an Other Common Unit. All LTIP units, whether vested or not, will receive the same monthly per unit distributions as Other Common Units, which equal per share dividends on common stock.

On January 25, 2016, the Company and Geoffrey G. Jervis, the Company's Chief Financial Officer, Executive Vice President and Treasurer, agreed that Mr. Jervis's employment with the Company would terminate effective February 25, 2016. Pursuant to the terms and conditions of the executive employment agreement and LTIP unit agreements between the Company and Mr. Jervis, and the Company's 2015 Outperformance Program ("OPP"), Mr. Jervis received a lump sum cash payment, the continuation of certain insurance benefits, immediate vesting of outstanding LTIP units, and eligibility to receive a pro-rated award payment under the OPP. Accordingly, the Company accelerated the expense recognition of Mr. Jervis's unvested LTIP units in the amount of approximately \$1.6 million, which is included in general and administrative expenses for the year ended December 31, 2016 on

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the accompanying Consolidated Statements of Operations. Additionally, the unrecognized compensation expense associated with Mr. Jervis's participation in the OPP after February 25, 2016 will not be recognized. The Company also incurred approximately \$1.5 million related to the lump sum cash payment and continuation of certain insurance benefits, which is included in general and administrative expenses during the year ended December 31, 2016 on the accompanying Consolidated Statements of Operations.

On May 4, 2015, the Company and the Operating Partnership and Benjamin S. Butcher, the Company's Chief Executive Officer, President and Chairman of the Board, entered into an amended and restated employment agreement. The amended and restated agreement is for an initial term of three years. The agreement automatically extends for successive one year terms unless, not fewer than 60 days before the term's end, either party provides a notice of non-renewal to the other party. In connection with the amended and restated agreement, the compensation committee of the board of directors granted Mr. Butcher a retention award of 100,000 LTIP units that vest one-half on the third anniversary of the grant and one-sixth on the fourth, fifth and sixth anniversaries.

The LTIP units issued under the 2011 Plan were valued using the Monte Carlo lattice binomial option-pricing model at the grant date. The fair value of the LTIP units are based on Level 3 inputs and are non-recurring fair value measurements. The table below sets forth the assumptions used in valuing such LTIP units for the years ended December 31, 2017, 2016 and 2015.

LTIP Units	Assumptions					
	January 6, 2017	February 22, 2016	January 8, 2016	January 6, 2016	May 4, 2015	January 12, 2015
Grant date	2017	2016	2016	2016	2015	2015
Expected term (years)	10	10	10	10	10	10
Expected volatility	23.0 %	22.0 %	22.0 %	22.0 %	20.0 %	20.0 %
Expected dividend yield	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %
Risk-free interest rate	1.61 %	1.01 %	1.28 %	1.36 %	0.66 %	0.62 %
Fair value of LTIP units at issuance (in thousands)	\$2,924	\$ 277	\$2,254	\$390	\$2,038	\$ 5,450
LTIP units at issuance	126,239	18,386	135,546	22,464	100,000	223,069
Fair value unit price per LTIP unit at issuance	\$23.16	\$ 15.07	\$ 16.63	\$ 17.36	\$ 20.38	\$ 24.43

The following table summarizes activity related to the Company's unvested LTIP units for the years ended December 31, 2017, 2016 and 2015.

Unvested LTIP Units	LTIP Units
Balance at December 31, 2014	448,887
Granted	323,069
Vested	(237,046)
Forfeited	—
Balance at December 31, 2015	534,910
Granted	176,396
Vested	(307,883)
Forfeited	—
Balance at December 31, 2016	403,423
Granted	126,239
Vested	(229,355)
Forfeited	—
Balance at December 31, 2017	300,307

The unrecognized compensation expense associated with the Company's LTIP units at December 31, 2017 was approximately \$4.8 million and is expected to be recognized over a weighted average period of approximately 2.6

years.

The following table summarizes the fair value at vesting date for the LTIP units vested during years ended December 31, 2017, 2016 and 2015.

	Year ended December		
	31,		
	2017	2016	2015
Vested LTIP units	229,355	307,883	237,046
Fair value of vested LTIP units (in thousands)	\$6,101	\$ 6,393	\$ 4,853

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Other Common Units

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

As partial consideration for a property acquired on May 31, 2017, the Company granted 687,827 Other Common Units with a fair value of approximately \$18.6 million. The number of Other Common Units granted was calculated based on the trailing five-day average common stock closing price ending on the second business day that immediately preceded the grant date. As partial consideration for a property acquired on December 11, 2015, the Company granted 51,607 Other Common Units with a fair value of approximately \$1.0 million based on the Company's NYSE closing stock price on December 11, 2015. As partial consideration for a property acquired on January 22, 2015, the Company granted 812,676 Other Common Units with a fair value of approximately \$21.9 million based on the Company's NYSE closing stock price on January 22, 2015. The number of Other Common Units granted for the 2015 transactions was calculated based on the trailing 10-day average common stock closing price ending on the business day that immediately preceded the grant date. The fair value of the shares of the Other Common Units granted was calculated based on the closing stock price per the NYSE on the grant date multiplied by the number of Other Common Units granted. The issuance of the Other Common Units was effected in reliance upon an exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amended. The Company relied on the exemption based on representations given by the holders of the Other Common Units.

8. Equity Incentive Plan

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

Subject to certain adjustments identified within the 2011 Plan, the aggregate number of shares of the Company's common stock that may be awarded under the 2011 Plan is 3,642,461 shares. Under the 2011 Plan, each LTIP unit awarded will be equivalent to an award of one share of common stock reserved under the 2011 Plan, thereby reducing the number of shares of common stock available for other equity awards on a one-for-one basis.

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

On January 6, 2017, the Company granted performance units, approved by the compensation committee of the board of directors, under the 2011 Plan to provide certain key employees of the Company with incentives designed to align those key employees' interests more closely with those of the stockholders. The terms of the January 6, 2017 performance units grant is substantially the same as the March 8, 2016 performance units grant as discussed below, except that the measuring period commences on January 1, 2017 and ends on December 31, 2019. Refer to Note 14 for details on the performance units granted on January 5, 2018.

On March 8, 2016, the Company granted performance units, approved by the compensation committee of the board of directors, under the 2011 Plan to provide certain key employees of the Company with incentives designed to align those key employees' interests more closely with those of the stockholders.

The ultimate value of the performance units depends on the Company's total stockholder return ("TSR") over a three-year period commencing January 1, 2016 and ending on December 31, 2018 (the "measuring period"). At the end of the measuring period, the performance units convert into shares of common stock, or, at the Company's election and with the award recipient's consent, LTIP units or other securities, at a rate depending on the Company's TSR over the measuring period as compared to three different benchmarks and on the absolute amount of the Company's TSR. A recipient of performance units may receive as few as zero shares or as many as 250% of the number of target units, plus deemed dividends. The target amount of the performance units is nominally

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allocated as: (i) 25% to the Company's TSR compared to the TSR of an industry peer group; (ii) 25% to the Company's TSR compared to the TSR of a size-based peer group; and (iii) 50% to the Company's TSR compared to the TSR of the companies in the MSCI US REIT index.

No dividends are paid to the recipient during the measuring period. At the end of the measuring period, if the Company's TSR is such that the recipient earns shares of common stock or, at the Company's election and with the award recipient's consent, LTIP units or other securities ("Award Shares"), the recipient will receive additional Award Shares relating to dividends deemed to have been paid and reinvested on the Award Shares. The Company, in the discretion of the compensation committee of the board of directors, may pay the cash value of the deemed dividends instead of issuing additional Award Shares. The number of Award Shares is determined at the end of the measuring period, and one-half of the Award Shares and all dividend shares vest immediately. The other one-half of the Award Shares will be restricted (subject to forfeiture) and vest one year after the end of the measuring period.

The fair value of the performance units at the date of grant was determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation. The fair value of the performance units are based on Level 3 inputs and are non-recurring fair value measurements. The performance unit equity compensation expense is recognized into earnings ratably from the grant date over the respective vesting periods. The table below sets forth the assumptions used in valuing the performance units granted during the years ended December 31, 2017 and 2016.

Performance Units	Assumptions			
Grant date	January 6, March 8,			
	2017	2016		
Expected volatility	23.0	%	23.0	%
Expected dividend yield	6.0	%	6.0	%
Risk-free interest rate	1.61	%	1.08	%
Fair value of performance units grant (in thousands)	\$2,882		\$2,614	

On January 12, 2015, the compensation committee of the board of directors of the Company approved the 2015 Outperformance Program (the "2015 OPP") under the 2011 Plan, to provide certain key employees of the Company or its affiliates with incentives to contribute to the growth and financial success of the Company and its affiliates. On January 1, 2018, the Company's three year measurement period pursuant to the 2015 OPP concluded; refer to Note 14 for details.

Recipients of awards under the 2015 OPP will share in an outperformance pool if the Company's TSR, including both share appreciation and dividends, exceeds an absolute hurdle over a three year measurement period from January 1, 2015 to January 1, 2018 (the "measurement period"), based on a beginning value of \$24.49 per share of the Company's common stock, as well as a relative hurdle based on the MSCI US REIT Index. Provided the Company's increase in cumulative absolute TSR over the measurement period equals or exceeds 25% (the "threshold percentage"), the outperformance pool consists of 10% of the excess TSR above an absolute TSR hurdle. The hurdle is equal to the total return of the MSCI US REIT Index plus five percentage points over the measurement period.

The aggregate reward for all recipients collectively is capped at the lesser of (i) 0.24% of the product of the total number of shares of common stock and Noncontrolling Common Units outstanding on January 1, 2018 and the average common stock price of the Company for the 20 trading days ending immediately prior to January 1, 2018, and (ii) \$15.4 million.

Each participant's award under the 2015 OPP is designated as a specified percentage of the aggregate outperformance pool. If the threshold percentage and return hurdle were achieved at the end of the measurement period, the outperformance pool will be calculated and then allocated to the award recipients. The 2015 OPP provides that awards will be paid in the form of fully vested shares of the Company's common stock, or, at the Company's election and with the award recipient's consent, other securities or cash.

The 2015 OPP awards were valued at approximately \$1.6 million utilizing a Monte Carlo simulation to estimate the probability of the conditions being satisfied. The Monte Carlo simulation used a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run approximately 500,000 times. For each simulation, the payoff is calculated at the settlement date, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the expected value of the award on the award date. Assumptions used in the valuations included (i) factors associated with the underlying performance of the Company's stock price and total stockholder return over the term of the awards including total stock return volatility and risk-free interest and (ii) factors associated with the relative performance of the Company's stock price and total stockholder return when compared to the MSCI US REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. The fair value of the 2015 OPP awards was estimated on the date

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of grant using the following Level 3 inputs in the Monte Carlo valuation: expected price volatility for the Company and the MSCI US REIT Index of 20% and 13.6%, respectively, and a risk free rate of 0.9814%. The expense associated with the value of the 2015 OPP awards will be amortized ratably over the measurement period.

The unrecognized compensation expense associated with the Company's Performance-based Compensation Plans at December 31, 2017 was approximately \$3.1 million and is expected to be recognized over a weighted average period of approximately 2.1 years.

Non-cash Compensation Expense

The following table summarizes the amount recorded in general and administrative expenses in the accompanying Consolidated Statements of Operations for the amortization of restricted shares of common stock, LTIP units, Performance-based Compensation Plans, and the Company's board of directors' compensation for the years ended December 31, 2017, 2016 and 2015.

	Year ended December 31,		
Non-Cash Compensation Expense (in thousands)	2017	2016	2015
Restricted shares of common stock	\$2,373	\$2,157	\$1,932
LTIP units	4,675	6,089	(1)4,774
Performance-based Compensation Plans	2,147	1,137	523
Board of directors compensation ⁽²⁾	352	346	349
Total non-cash compensation expense	\$9,547	\$9,729	\$7,578

(1) Inclusive of approximately \$1.6 million of non-cash compensation expense during the year ended December 31, 2016 associated with the severance cost of an executive officer as discussed Note 7.

(2) All of the Company's independent directors elected to receive shares of common stock in lieu of cash for their service during the years ended December 31, 2017, 2016 and 2015. The number of shares of common stock granted is calculated based on the trailing 10 days average common stock price ending on the third business day preceding the grant date.

At December 31, 2017 and 2016, the number of shares available for issuance under the 2011 Plan were 983,735 and 1,156,578, respectively. The number of shares available for issuance under the 2011 Plan do not include an allocation for the Performance-based Compensation Plans as the awards were not determinable as of December 31, 2017 and 2016. On January 1, 2018, the Company's three year measurement period pursuant to the 2015 OPP concluded; refer to Note 14 for details.

9. Earnings Per Share

The Company uses the two-class method of computing earnings per common share, which is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Unvested restricted stock awards are considered participating securities as these stock-based awards contain non-forfeitable rights to dividends, unless and until a forfeiture occurs, and these awards must be included in the computation of earnings per share pursuant to the two-class method. During the years ended December 31, 2017, 2016 and 2015, there were 237,896, 276,367 and 280,839, respectively, unvested shares of restricted stock on a weighted average basis that were considered participating securities. Participating securities are included in the computation of diluted EPS using the treasury stock method if the impact is dilutive. Other potentially dilutive common shares from the Company's Performance-based Compensation Plans are considered when calculating diluted EPS.

The following table sets forth the computation of basic and diluted earnings per common share for the years ended December 31, 2017, 2016 and 2015.

Earnings Per Share (in thousands, except share data)	Year ended December 31,		
	2017	2016	2015
Numerator			
Net income (loss)	\$32,200	\$ 35,588	\$(29,345)
Less: preferred stock dividends	9,794	13,897	10,848
Less: amount allocated to participating securities	334	384	385
Less: income (loss) attributable to noncontrolling interest after preferred stock dividends	941	1,069	(1,962)
Net income (loss) attributable to common stockholders	\$21,131	\$ 20,238	\$(38,616)
Denominator			
Weighted average common shares outstanding — basic	89,537,717	70,637,185	66,307,972
Effect of dilutive securities ⁽¹⁾			
Share-based compensation	465,845	215,363	—
Weighted average common shares outstanding — diluted	90,003,550	70,852,548	66,307,972
Net income (loss) per share — basic and diluted			
Net income (loss) per share attributable to common stockholders — basic	\$0.24	\$ 0.29	\$(0.58)
Net income (loss) per share attributable to common stockholders — diluted	\$0.23	\$ 0.29	\$(0.58)

During the years ended December 31, 2017, 2016 and 2015, there were 237,896, 276,367, and 280,839, unvested shares of restricted common stock, respectively, on a weighted average basis that were not included in the computation of diluted earnings per share because to do so would have been antidilutive for the period. During the (1) year ended December 31, 2015, there were no unvested shares of Performance-based Compensation Plans on a weighted average basis that were included in the computation of diluted earnings per share because to do so would have been antidilutive for the period.

10. Future Minimum Rents

The Company's properties are leased to tenants under triple net, modified, and gross leases. Minimum contractual lease payments receivable, excluding tenant reimbursement of expenses, under non-cancelable operating leases in effect as of December 31, 2017 are approximately as follows.

Year	Future Minimum Rents (in thousands)
2018	\$ 263,703
2019	\$ 235,967
2020	\$ 203,058
2021	\$ 158,243
2022	\$ 126,990
Thereafter	\$ 442,259

11. Commitments and Contingencies

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

On April 18, 2012, the Company entered into an agreement with affiliates of Columbus Nova Real Estate Acquisition Group, Inc. ("Columbus Nova") to source sale leaseback transactions for potential acquisitions by the Company. The agreement called for various fees to be paid to Columbus Nova for its services including acquisition fees, credit monitoring fees, and a one-time incentive fee if certain performance thresholds were met. The measurement period for the incentive fee ended on May 31, 2017. The incentive fee was settled in cash during the year ended December 31, 2017 and an incentive fee loss of approximately \$0.7 million for the year ended December 31, 2017 is included in other expenses on the accompanying Consolidated Statements of Operations. As of December 31, 2016, the fair value of the incentive fee was zero. The estimated fair value as of December 31, 2016 was calculated using the discounted cash flow method under the income approach using the following Level 3 inputs: discount rates of 8.0% to 12.0% and exit capitalization rates of 7.0% to 12.0%.

The Company has letters of credit of approximately \$5.9 million as of December 31, 2017 related to development projects and certain other agreements.

Ground and Operating Lease Agreements

Future minimum rental payments under the terms of the fixed non-cancelable ground leases and operating leases, including any bargain renewal terms, under which the Company is the lessee as of December 31, 2017 are as follows. To the extent any tenant is responsible for those costs under its respective lease, those costs have been excluded from the table below.

Year	Future Minimum Rental Payments (1) (in thousands)
2018	\$ 1,962
2019	\$ 2,000
2020	\$ 2,015
2021	\$ 1,120
2022	\$ 817
Thereafter	\$ 31,488

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

12. Employee Benefit Plans

Effective April 20, 2011, the Company adopted a 401(k) Defined Contribution Savings Plan (the "Plan") for its employees. Under the Plan, as amended, employees, as defined, are eligible to participate in the Plan after they have completed three months of service. The Company provides a discretionary match of 50% of the employee's contributions annually up to 6.0% of the employee's annual compensation, subject to a cap imposed by federal tax law. The Company's aggregate matching contribution for the years ended December 31, 2017, 2016 and 2015 was approximately \$0.3 million, \$0.4 million and \$0.2 million, respectively. The Company's contribution is subject to a three year vesting schedule, such that employees who have been with the Company for three years are fully vested in past and future contributions.

13. Related-Party Transactions

STAG Industrial Management, LLC ("Manager"), a wholly owned subsidiary of the Company, was performing certain asset management services for STAG Investments II, LLC ("Fund II"), a private, fully-invested fund that was an affiliate of the Company, that as of December 31, 2017 was legally dissolved. The Manager was paid an annual asset management fee based on the equity investment in the Fund II assets, which was 1.25% of the equity investment. In June 2013, Fund II and the Company amended the service agreement to exclude disposition services from the asset management services to be performed by the Company and results in a concomitant reduction in the asset management fee. As of December 31, 2017, the Company no longer earned asset management fees. The Company recognized asset management fee income of approximately \$0.1 million, \$0.2 million and \$0.4 million for the years ended December 31, 2017, 2016 and 2015, respectively, which is included in other income on the accompanying Consolidated Statements of Operations. As of December 31, 2017 and 2016, the Company had a receivable in the amount of approximately \$0 and \$48,000, respectively, related to the asset management fee income included within prepaid expenses and other assets on the accompanying Consolidated Balance Sheets.

14. Subsequent Events

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

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

On January 5, 2018, the Company granted 76,659 restricted shares of common stock to certain employees of the Company pursuant to the 2011 Plan. The restricted shares of common stock granted will vest in four equal installments on January 1 of each year beginning in 2019. The fair value of the restricted shares of common stock at the date of grant was \$26.40 per share.

On January 5, 2018, the Company granted 21,552 LTIP units to non-employee, independent directors, and 116,064 LTIP units to certain executive officers and senior employees pursuant to the 2011 Plan. The LTIP units granted to non-employee, independent directors will vest on January 1, 2019. The LTIP units granted to certain executive officers and senior employees will vest quarterly over four years, with the first vesting date being March 31, 2018. The fair value of the LTIP units at the date of grant was approximately \$3.4 million, as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using an expected term of ten years, a weighted average volatility factor of 22.0%, a weighted average expected dividend yield of 6.0%, and a weighted average risk-free interest rate of 2.09%. The fair value of the LTIP units are based on Level 3 inputs and are non-recurring fair value measurements.

On January 5, 2018, the Company granted performance units to certain executive officers and senior employees pursuant to the 2011 Plan. The terms of the January 5, 2018 performance units grant is substantially the same as the January 6, 2017 performance units grant as discussed in Note 8, except that the measuring period commences on January 1, 2018 and ends on December 31, 2020. The fair value of the performance units at the date of grant was approximately \$5.5 million, as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 22.0%, a weighted average expected dividend yield of 6.0%, and a weighted average risk-free interest rate of 2.09%. The fair value of the performance units are based on Level 3 inputs and are non-recurring fair value measurements.

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

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STAG Industrial, Inc.

Schedule II—Valuation and Qualifying Accounts

(in thousands)

Allowance for Doubtful Receivables and Accrued Rent Reserves

STAG Industrial, Inc.

	Beginning	Costs and	Amounts	Balance at
	of Period	Expenses	Written Off	End of Period
December 31, 2017	\$188	\$ 123	\$ —	\$ 311
December 31, 2016	\$106	\$ 125	\$ (43)	\$ 188
December 31, 2015	\$104	\$ 190	\$ (188)	\$ 106

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STAG Industrial, Inc.
 Schedule III—Real Estate and Accumulated Depreciation
 December 31, 2017
 (in thousands)

City/State	Encumbrances (1)	Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2017			Accumulated Depreciation (3)	Acq Date		
		Building & Improvements (2)	Land Improvements	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Land Improvements	Total					
Albion, IN	\$	—	\$ 93	\$ 67	\$	—	\$93 \$ 67	\$ 160	\$ (27))	2006
Albion, IN	—	932	103	—	932	103	1,035	(271)	)	2006
Albion, IN	—	1,107	55	—	1,107	55	1,162	(322)	)	2006
Albion, IN	—	970	332	—	970	332	1,302	(282)	)	2006
Albion, IN	—	1,397	52	—	1,397	52	1,449	(407)	)	2006
Albion, IN	—	1,528	126	—	1,528	126	1,654	(445)	)	2006
Kendallville, IN	—	1,510	142	—	1,510	142	1,652	(440)	)	2006
Albion, IN	—	710	187	—	710	187	897	(207)	)	2006
Alexandria, MN	—	5,855	960	151	6,000	960	6,966	(1,077)	)	2008
Allentown, PA	—	7,336	1,962	783	8,119	1,962	10,081	(1,196)	)	2014
Arlington, TX	—	2,374	413	304	2,678	413	3,091	(664)	)	2007
Arlington, TX	—	6,151	1,246	913	7,064	1,246	8,310	(1,042)	)	2012
Avon, CT	—	2,750	336	483	3,233	336	3,569	(460)	)	2012
Avondale, AZ	—	13,163	1,674	—	13,163	1,674	14,837	(37)	)	2017
Batavia, IL	—	4,273	618	—	4,273	618	4,891	(110)	)	2017
Bedford Heights, OH	—	5,279	837	520	5,799	837	6,636	(190)	)	2017
Belfast, ME	—	10,331	1,883	487	10,818	1,883	12,701	(1,958)	)	2008
Belvidere, IL	—	4,083	442	255	4,338	442	4,780	(347)	)	2015
Belvidere, IL	—	16,914	2,341	—	16,914	2,341	19,255	(397)	)	2017
Belvidere, IL	—	3,956	733	36	3,992	733	4,725	(528)	)	2013
Belvidere, IL	—	3,436	1,310	—	3,436	1,310	4,746	(595)	)	2013
Belvidere, IL	—	3,517	538	114	3,631	538	4,169	(433)	)	2013
Belvidere, IL	—	6,899	670	—	6,899	670	7,569	(868)	)	2013
Belvidere, IL	—	4,299	668	—	4,299	668	4,967	(577)	)	2013
Belvidere, IL	—	3,711	866	159	3,870	866	4,736	(566)	)	2013
Belvidere, IL	—	2,808	586	22	2,830	586	3,416	(446)	)	2013
Belvidere, IL	—	8,303	1,542	591	8,894	1,542	10,436	(1,270)	)	2013
Belvidere, IL	—	71	216	—	71	216	287	(71)	)	2013
Belleville, MI	—	6,524	724	—	6,524	724	7,248	(96)	)	2017
Biddeford, ME	—	8,164	1,369	3,916	12,080	1,369	13,449	(827)	)	2016
Boardman, OH	—	3,473	282	834	4,307	282	4,589	(1,172)	)	2007
Brooklyn Park, MN	—	11,988	1,926	—	11,988	1,926	13,914	(427))	2016	
Buena Vista, VA	—	2,500	534	635	3,135	534	3,669	(567))	2012	

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Buffalo, NY	—	2,924	146	—	2,924	46	3,070	(455))	2012
Burlington, NJ	—	42,652	5,135	79	42,731	1,135	47,866	(3,810))	2015
Burlington, NJ	—	19,577	4,030	1,238	20,845	1,030	24,845	(1,957)	)	2015
Calhoun, GA	—	2,764	388	—	2,764	388	3,152	(297)	)	2014
Camarillo, CA	—	10,785	7,242	237	11,022	2,242	18,264	(1,394)	)	2014
Camarillo, CA	—	19,857	7,989	25	19,882	2,989	27,871	(2,324)	)	2014
Cedar Hill, TX	—	11,971	4,066	—	11,971	4,066	16,037	(886)	)	2016
Charlotte, NC	—	8,768	3,535	3,306	12,073	4,535	15,609	(2,630)	)	2010
Charlotte, NC	—	2,443	805	4	2,443	805	3,252	(345)	)	2014
Charlotte, NC	—	3,554	386	287	3,843	386	4,227	(452)	)	2014
Charlotte, NC	—	3,961	515	—	3,961	515	4,476	(283)	)	2015
Charlotte, NC	—	4,445	678	—	4,445	678	5,123	(257)	)	2016
Chattanooga, TN	—	2,321	187	—	2,321	187	2,508	(265)	)	2015
Chattanooga, TN	—	4,730	380	13	4,743	380	5,123	(540)	)	2015
Chattanooga, TN	—	8,459	424	—	8,459	424	8,883	(1,100)	)	2015
Cheektowaga, NY	—	2,757	216	808	3,562	216	3,781	(713)	)	2008
Chesterfield, MI	—	1,169	207	62	1,231	207	1,438	(420)	)	2007
Chesterfield, MI	—	798	150	128	926	150	1,076	(232)	)	2007
Chesterfield, MI	—	802	151	224	1,026	151	1,177	(301))	2007
Chesterfield, MI	—	5,304	942	2,150	7,454	942	8,396	(2,054))	2007

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City/State	Encumbrances (1)	Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2017			Accumulated Depreciation (3)	Acq Date
		Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Land Improvements	Total			
Chester, VA	—	3,402	775	—	3,402	775	4,177	Ø613	2014
Chicopee, MA	—	5,867	504	77	5,944	504	6,448	Ø1,020	2012
Chippewa Falls, WI	—	2,303	133	—	2,303	133	2,436	Ø416	2011
Chippewa Falls, WI	—	544	44	—	544	44	588	Ø96	2011
Cincinnati, OH	—	2,395	119	895	3,290	119	3,409	Ø1,866	2007
Cleveland, TN	—	3,161	554	84	3,245	554	3,799	Ø638	2011
Clinton, PA	—	19,339	—	—	19,339	—	19,339	Ø382	2017
Clinton, TN	—	3,302	403	78	3,380	403	3,783	Ø493	2015
Columbus, OH	—	5,222	337	—	5,222	337	5,559	Ø76	2017
Columbus, OH	—	3,123	489	167	3,290	489	3,779	Ø594	2014
Columbia, SC	—	5,171	783	—	5,171	783	5,954	Ø367	2016
West Columbia, SC	—	6,988	715	868	7,856	715	8,571	Ø1,006	2013
Council Bluffs, IA	—	4,438	414	—	4,438	414	4,852	Ø38	2017
Dallas, GA	—	1,712	475	—	1,712	475	2,187	Ø311	2012
LaGrange, GA	—	3,175	240	331	3,506	240	3,746	Ø711	2007
Danville, KY	—	11,772	965	3,699	15,471	965	16,436	Ø2,722	2007
Daytona Beach, FL	—	875	1,237	1,711	2,586	1,237	3,823	Ø760	2007
Dayton, OH	—	5,896	331	391	6,287	331	6,618	Ø598	2015
Dayton, OH	—	23,725	2,465	—	23,725	2,465	26,190	Ø707	2017
DeForest, WI	—	5,402	1,131	151	5,553	1,131	6,684	Ø262	2016
DeKalb, IL	—	4,568	489	—	4,568	489	5,057	Ø669	2013
De Pere, WI	—	6,144	525	—	6,144	525	6,669	Ø1,056	2012
Duncan, SC	—	11,258	1,002	745	12,003	1,002	13,005	Ø2,070	2012
Duncan, SC	—	6,739	709	81	6,820	709	7,529	Ø1,028	2012
Durham, NC	—	2,700	753	31	2,731	753	3,484	Ø291	2015
Earth City, MO	—	2,806	1,123	60	2,866	1,123	3,989	Ø176	2016
Edgefield, SC	—	938	220	750	1,688	220	1,908	Ø325	2012
Edwardsville, KS	—	13,224	1,360	—	13,224	1,360	14,584	Ø300	2017
Elizabethtown, PA	—	5,357	1,000	152	5,509	1,000	6,509	Ø605	2014
Elkhart, IN	—	210	25	143	353	25	378	Ø71	2007
Elkhart, IN	—	3,519	422	571	4,090	422	4,512	Ø1,005	2007
El Paso, TX	—	3,674	—	—	3,674	—	3,674	Ø17	2017
El Paso, TX	—	10,398	—	—	10,398	—	10,398	Ø49	2017
El Paso, TX	—	9,099	1,248	26	9,125	1,248	10,373	Ø1,048	2014
El Paso, TX	—	7,905	1,124	—	7,905	1,124	9,029	Ø1,096	2014
El Paso, TX	—	14,159	1,854	812	14,971	1,854	16,825	Ø1,685	2014
El Paso, TX	—	9,897	1,581	99	9,996	1,581	11,577	Ø1,102	2014
El Paso, TX	—	5,893	1,136	—	5,893	1,136	7,029	Ø554	2015

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El Paso, TX	—	3,096	—	1,088	4,184	—	4,184	Ø721	2012
Erlanger, KY	—	3,826	635	6	3,832	635	4,467	Ø291	2016
East Troy, WI	—	4,962	304	—	4,962	304	5,266	Ø530	2014
East Windsor, CT	—	5,711	400	72	5,783	400	6,183	Ø284	2016
East Windsor, CT	—	4,713	348	614	5,327	348	5,675	Ø1,264	2012
Fairborn, OH	—	5,650	867	—	5,650	867	6,517	Ø779	2015
Fairfield, OH	—	2,842	948	17	2,859	948	3,807	Ø298	2016
Farmington, NY	—	5,342	410	20	5,362	410	5,772	Ø1,447	2007
Forest Park, GA	—	9,527	1,733	744	10,271	1,733	12,004	Ø590	2016
Forest Park, GA	—	8,189	1,715	127	8,316	1,715	10,031	Ø431	2016
Fort Wayne, IN	—	3,142	112	—	3,142	112	3,254	Ø359	2014
Fort Worth, TX	—	2,965	389	752	3,717	389	4,106	Ø700	2011
Gaffney, SC	—	4,712	1,233	85	4,797	1,233	6,030	Ø173	2017
Gahanna, OH	—	4,191	1,265	1,258	5,449	1,265	6,714	Ø1,290	2011
Gardiner, ME	—	8,983	948	—	8,983	948	9,931	Ø565	2016
Garland, TX	—	5,425	1,344	294	5,719	1,344	7,063	Ø889	2014
Garland, TX	—	6,058	1,542	586	6,644	1,542	8,186	Ø577	2015
Germantown, WI	—	6,035	1,186	—	6,035	1,186	7,221	Ø964	2014
Gloversville, NY	Ø714	1,299	117	—	1,299	117	1,416	Ø208	2012
Gloversville, NY	Ø1,154	2,603	151	—	2,603	151	2,754	Ø420	2012
Gloversville, NY	Ø824	1,486	154	36	1,522	154	1,676	Ø238	2012

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City/State	Encumbrances (1)	Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2017		Total	Accumulated Depreciation (3)	Acq Date
		Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Land Improvements	Land			
Golden, CO	—	6,164	742	261	6,425	742	7,167	Ø844	2013
Goshen, IN	—	6,509	1,442	1,768	8,277	1,442	9,719	Ø1,446	2010
Grand Junction, CO	—	4,002	314	—	4,002	314	4,316	Ø334	2015
Grand Rapids, MI	—	7,532	169	34	7,566	169	7,735	Ø739	2015
Graniteville, SC	—	8,389	1,629	—	8,389	1,629	10,018	Ø685	2016
Greenwood, SC	Ø1,484	1,848	166	—	1,848	166	2,014	Ø285	2012
Greenwood, SC	Ø1,264	1,232	169	290	1,522	169	1,691	Ø241	2012
Fountain Inn, SC	—	13,511	1,878	—	13,511	1,878	15,389	Ø85	2017
Greenville, SC	—	3,379	309	35	3,414	309	3,723	Ø342	2015
Greer, SC	—	1,434	129	303	1,737	129	1,866	Ø148	2015
Greer, SC	—	1,748	128	64	1,812	128	1,940	Ø162	2015
Greer, SC	—	460	153	25	485	153	638	Ø43	2015
Greer, SC	—	3,016	306	99	3,115	306	3,421	Ø305	2015
Fountain Inn, SC	—	4,438	719	95	4,533	719	5,252	Ø458	2016
Groveport, OH	—	10,920	642	84	11,004	642	11,646	Ø149	2017
Grove City, OH	—	3,974	730	—	3,974	730	4,704	Ø300	2016
Gurnee, IL	—	11,380	1,716	211	11,591	1,716	13,307	Ø1,241	2014
Gurnee, IL	—	4,902	1,337	954	5,856	1,337	7,193	Ø1,109	2012
Hampstead, MD	—	34,969	780	—	34,969	780	35,749	Ø4,607	2013
Harrisonburg, VA	—	11,179	1,455	144	11,323	1,455	12,778	Ø1,603	2012
Hartland, WI	—	4,634	1,526	—	4,634	1,526	6,160	Ø249	2016
Harvard, IL	—	2,980	1,157	—	2,980	1,157	4,137	Ø778	2013
Hazelwood, MO	—	5,815	1,382	1,391	7,206	1,382	8,588	Ø1,594	2011
Hebron, KY	—	4,601	370	—	4,601	370	4,971	Ø607	2014
Hilliard, OH	—	7,412	550	8	7,420	550	7,970	Ø52	2017
Holland, MI	Ø3,067	3,475	279	60	3,535	279	3,814	Ø715	2012
Houston, TX	—	7,790	2,255	9	7,799	2,255	10,054	Ø1,123	2013
Houston, TX	—	4,906	1,428	17	4,923	1,428	6,351	Ø817	2014
Houston, TX	—	5,019	565	780	5,799	565	6,364	Ø1,009	2014
Houston, TX	—	8,448	2,546	158	8,606	2,546	11,152	Ø374	2016
Houston, TX	—	5,037	1,502	—	5,037	1,502	6,539	Ø219	2017
Houston, TX	—	5,564	953	—	5,564	953	6,517	Ø197	2017
Houston, TX	—	7,052	927	—	7,052	927	7,979	Ø152	2017
Huntersville, NC	—	3,123	1,061	109	3,232	1,061	4,293	Ø483	2012
Idaho Falls, ID	—	2,735	356	—	2,735	356	3,091	Ø450	2013
Independence, VA	Ø1,379	2,212	226	110	2,322	226	2,548	Ø524	2012
Itasca, IL	—	12,216	2,428	5	12,221	2,428	14,649	Ø668	2016
Jackson, TN	—	2,374	230	337	2,711	230	2,941	Ø473	2012

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Jacksonville, FL	—	3,438	451	410	3,848	451	4,299	ø164	2017
Jacksonville, FL	—	7,867	650	161	8,028	650	8,678	ø328	2017
Jacksonville, FL	—	8,195	674	1,557	9,752	674	10,426	ø399	2017
Jacksonville, FL	—	7,266	596	1,016	8,282	596	8,878	ø327	2017
Janesville, WI	—	17,477	828	530	18,007	828	18,835	ø2,758	2013
Jefferson City, TN	—	8,494	1,350	—	8,494	1,350	9,844	ø1,893	2014
Johnstown, NY	ø714	1,304	178	—	1,304	178	1,482	ø227	2012
Johnstown, NY	ø1,044	1,592	216	—	1,592	216	1,808	ø228	2012
Johnstown, NY	ø852	978	151	—	978	151	1,129	ø206	2012
Johnstown, NY	ø1,594	1,467	140	—	1,467	140	1,607	ø257	2012
Kansas City, MO	—	5,539	703	92	5,631	703	6,334	ø730	2012
Kenosha, WI	—	3,991	797	—	3,991	797	4,788	ø253	2016
Kentwood, MI	—	2,478	407	—	2,478	407	2,885	ø377	2013
Knoxville, TN	—	3,201	447	—	3,201	447	3,648	ø421	2015
Lafayette, IN	ø1,182	2,205	295	79	2,284	295	2,579	ø328	2012
Lafayette, IN	ø2,006	3,405	410	123	3,528	410	3,938	ø487	2012
Lafayette, IN	ø4,122	8,135	906	261	8,396	906	9,302	ø1,428	2012
Lancaster, PA	—	5,480	1,520	—	5,480	1,520	7,000	ø1,014	2015
Langhorne, PA	—	3,868	1,370	36	3,904	1,370	5,274	ø294	2016
Langhorne, PA	—	3,105	1,308	33	3,138	1,308	4,446	ø287	2016
Langhorne, PA	—	6,372	1,884	1	6,373	1,884	8,257	ø305	2016

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		Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Land Improvements	Land			
Lansing, MI	—	8,164	501	—	8,164	501	8,665	Ø1,592	2011
Lansing, MI	—	4,077	580	—	4,077	580	4,657	Ø681	2012
Lansing, MI	Ø5,496	7,162	429	—	7,162	429	7,591	Ø1,149	2012
Lansing, MI	—	5,209	907	—	5,209	907	6,116	Ø809	2013
Laredo, TX	—	10,195	1,535	—	10,195	1,535	11,730	Ø238	2017
Las Vegas, NV	—	3,259	770	—	3,259	770	4,029	Ø40	2017
Laurens, SC	—	4,254	151	—	4,254	151	4,405	Ø349	2015
Lebanon, PA	—	5,235	1,380	—	5,235	1,380	6,615	Ø509	2017
Lenexa, KS	—	7,610	2,368	—	7,610	2,368	9,978	Ø1,340	2014
Lewiston, ME	—	5,515	173	1,525	7,040	173	7,213	Ø2,067	2007
Lexington, NC	—	3,968	232	688	4,656	232	4,888	Ø851	2008
Libertyville, IL	—	6,455	421	80	6,535	421	6,956	Ø649	2015
Libertyville, IL	—	770	143	9	779	143	922	Ø264	2015
Londonderry, NH	—	6,683	730	—	6,683	730	7,413	Ø967	2013
Longmont, CO	—	9,647	1,529	581	10,228	1,529	11,757	Ø1,243	2014
Loudon, TN	—	3,751	170	—	3,751	170	3,921	Ø348	2015
Louisville, KY	—	3,875	386	520	4,395	386	4,781	Ø982	2011
Louisville, KY	—	6,182	616	632	6,814	616	7,430	Ø1,512	2011
Macedonia, OH	—	8,195	1,690	44	8,239	1,690	9,929	Ø813	2015
Machesney Park, IL	—	3,742	300	—	3,742	300	4,042	Ø426	2015
Madison, WI	—	6,365	609	—	6,365	609	6,974	Ø21	2017
Madison, WI	—	4,518	444	—	4,518	444	4,962	Ø14	2017
Madison, TN	—	5,758	1,655	1,786	7,544	1,655	9,199	Ø1,319	2010
Malden, MA	—	2,817	366	—	2,817	366	3,183	Ø764	2007
Malden, MA	—	3,961	507	—	3,961	507	4,468	Ø1,073	2007
Maple Grove, MN	—	6,634	969	—	6,634	969	7,603	Ø161	2017
Marion, IA	—	2,257	691	49	2,306	691	2,997	Ø428	2013
Marion, IN	Ø2,803	2,934	243	718	3,652	243	3,895	Ø521	2012
Marshall, MI	—	1,051	199	—	1,051	199	1,250	Ø207	2013
Mascot, TN	—	3,228	284	—	3,228	284	3,512	Ø373	2016
Mascot, TN	—	3,452	385	65	3,517	385	3,902	Ø664	2013
Salem, OH	—	7,674	858	252	7,926	858	8,784	Ø1,986	2006
Mason, OH	—	4,731	673	—	4,731	673	5,404	Ø680	2014
Mayville, WI	—	4,118	547	330	4,448	547	4,995	Ø1,275	2007
Mebane, NC	—	4,570	481	457	5,027	481	5,508	Ø750	2012
Mebane, NC	—	4,148	443	—	4,148	443	4,591	Ø675	2012
Mebane, NC	—	4,999	358	9	5,008	358	5,366	Ø717	2013
Mechanicsburg, PA	—	5,143	1,482	770	5,913	1,482	7,395	Ø933	2014

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Mechanicsburg, PA	—	7,144	1,800	—	7,144	1,800	8,944	Ø935	2014
New Kingston, PA	—	8,687	2,041	—	8,687	2,041	10,728	Ø1,121	2014
Mechanicsburg, PA	—	8,008	1,452	—	8,008	1,452	9,460	Ø1,027	2014
Milford, CT	—	10,040	1,264	300	10,340	1,264	11,604	Ø378	2017
Montgomery, AL	—	7,523	418	1,329	8,852	418	9,270	Ø326	2016
Montgomery, IL	—	12,485	2,190	1,934	14,419	2,190	16,609	Ø2,047	2012
Moorestville, NC	—	18,010	4,195	—	18,010	4,195	22,205	Ø196	2017
Moorestville, NC	—	7,411	701	216	7,627	701	8,328	Ø1,541	2011
Mountain Home, NC	—	2,472	523	—	2,472	523	2,995	Ø325	2014
Murfreesboro, TN	—	2,863	722	9	2,872	722	3,594	Ø487	2014
Nashua, NH	—	8,682	1,431	—	8,682	1,431	10,113	Ø1,266	2014
Nashville, TN	—	3,601	547	—	3,601	547	4,148	Ø503	2013
Newark, DE	—	1,478	197	392	1,870	197	2,067	Ø539	2007
Newark, DE	—	1,891	232	205	2,096	232	2,328	Ø671	2007
New Berlin, WI	—	6,500	1,068	141	6,641	1,068	7,709	Ø1,093	2013
New Castle, DE	—	17,767	2,616	—	17,767	2,616	20,383	Ø1,151	2016
New Hope, MN	—	1,970	1,919	—	1,970	1,919	3,889	Ø448	2013
Lopatcong, NJ	—	9,822	1,554	1,599	11,421	1,554	12,975	Ø736	2010
Newton, NC	—	7,568	732	1,283	8,851	732	9,583	Ø718	2010
North Haven, CT	—	39,911	4,086	1,387	41,298	4,086	45,384	Ø4,893	2015
North Jackson, OH	—	4,427	1,528	—	4,427	1,528	5,955	Ø617	2013

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		Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Land Improvements	Land			
North Jackson, OH	—	7,681	486	—	7,681	486	8,167	0835	2011
Norcorss, GA	—	2,586	1,589	—	2,586	1,589	4,175	0331	2016
Norton, MA	—	6,740	2,839	—	6,740	2,839	9,579	01,412	2011
Novi, MI	02,693	3,879	252	13	3,892	252	4,144	0761	2012
Novi, MI	—	6,035	626	—	6,035	626	6,661	0516	2015
Oakwood Village, OH	—	3,091	343	—	3,091	343	3,434	0399	2015
Ocala, FL	—	13,296	731	952	14,248	731	14,979	01,810	2013
O'Fallon, MO	—	3,632	1,233	—	3,632	1,233	4,865	0069	2017
O'Fallon, MO	—	2,676	1,242	266	2,942	1,242	4,184	0587	2010
O'Hara, PA	015,443	18,875	1,435	7,468	26,343	1,435	27,778	03,936	2012
Oklahoma City, OK	—	2,211	746	5	2,216	746	2,962	0159	2016
Oklahoma City, OK	—	9,199	1,614	1,373	10,572	1,614	12,186	0827	2015
Olathe, KS	—	20,763	2,431	156	20,919	2,431	23,350	0987	2016
Orlando, FL	—	4,839	1,339	—	4,839	1,339	6,178	0768	2013
Orlando, FL	—	1,996	721	—	1,996	721	2,717	0356	2012
Pedricktown, NJ	—	10,696	2,414	—	10,696	2,414	13,110	0263	2017
Pensacola, FL	—	2,989	145	343	3,332	145	3,477	01,293	2007
Phenix City, AL	01,539	1,493	276	252	1,745	276	2,021	0306	2012
Phoenix, AZ	—	5,770	1,653	—	5,770	1,653	7,423	0554	2015
Piedmont, SC	—	4,152	231	86	4,238	231	4,469	0372	2015
Piedmont, SC	—	2,127	158	—	2,127	158	2,285	0196	2015
Piedmont, SC	—	2,302	204	—	2,302	204	2,506	0333	2015
Pineville, NC	—	1,380	392	—	1,380	392	1,772	0277	2012
Pittston, PA	—	19,959	677	—	19,959	677	20,636	0283	2017
Plymouth, MI	—	4,670	365	—	4,670	365	5,035	0533	2015
Pocatello, ID	—	3,472	399	363	3,835	399	4,234	01,147	2007
Portage, IN	—	5,416	—	—	5,416	—	5,416	0758	2012
Portland, TN	—	8,353	1,662	66	8,419	1,662	10,081	01,678	2012
Portland, ME	—	3,727	891	10	3,737	891	4,628	0611	2012
Rapid City, SD	—	10,662	2,071	1,020	11,682	2,071	13,753	03,858	2007
Reading, PA	—	5,401	1,708	67	5,468	1,708	7,176	0442	2016
Muhlenberg TWP, PA	—	13,866	843	232	14,098	843	14,941	02,181	2012
Redford, MI	—	6,114	728	368	6,482	728	7,210	0359	2017
Reno, NV	—	3,461	1,372	—	3,461	1,372	4,833	0511	2014
Rock Hill, SC	03,906	6,297	1,411	351	6,648	1,411	8,059	0456	2016
Rock Hill, SC	—	4,512	1,095	—	4,512	1,095	5,607	0151	2017

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Rockwall, TX	—	16,066	2,683 —	16,066	2,683	18,749	0363	2017
Rogers, MN	—	11,787	1,671 238	12,025	1,671	13,696	03,198	2011
Rogers, AR	—	8,280	1,072 287	8,567	1,072	9,639	01,665	2011
Romulus, MI	—	15,043	1,080 —	15,043	1,080	16,123	0372	2017
Rural Hall, NC	—	5,664	439 366	6,030	439	6,469	01,250	2008
Salem, OR	—	3,150	599 640	3,790	599	4,389	0716	2010
Salem, OR	—	1,452	266 433	1,885	266	2,151	0404	2010
Salisbury, NC	—	5,284	1,535 28	5,312	1,535	6,847	0288	2017
San Antonio, TX	—	10,395	1,568 35	10,430	1,568	11,998	0428	2016
Sauk Village, IL	—	5,405	877 105	5,510	877	6,387	0787	2013
Savage, MN	—	3,996	3,194 546	4,542	3,194	7,736	0943	2014
Savannah, GA	—	13,219	439 —	13,219	439	13,658	01,626	2014
San Diego, CA	—	15,016	2,290 22	15,038	2,290	17,328	0389	2017
South Easton, MA	—	5,880	403 —	5,880	403	6,283	017	2017
Sergeant Bluff, IA	—	6,188	247 450	6,638	247	6,885	03,800	2007
Seville, OH	—	4,536	766 171	4,707	766	5,473	01,074	2007
Shannon, GA	—	12,969	393 —	12,969	393	13,362	01,513	2013
South Holland, IL	—	3,900	714 —	3,900	714	4,614	0765	2013
Shreveport, LA	—	6,265	1,804 145	6,410	1,804	8,214	0834	2015
Simpsonville, SC	—	2,960	957 848	3,808	957	4,765	0549	2012
Simpsonville, SC	—	3,418	470 938	4,356	470	4,826	0576	2012
Smithfield, NC	—	10,657	613 12	10,669	613	11,282	0857	2011
Smyrna, GA	—	3,286	264 —	3,286	264	3,550	0603	2012

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		Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Land Improvements	Total			
South Bend, IN	—	4,834	411	—	4,834	411	5,245	0804	2012
Franklin Township, NJ	—	8,322	2,272	—	8,322	2,272	10,594	0446	2017
Sparks, NV	—	6,328	938	934	7,262	938	8,200	0327	2017
Spartanburg, SC	—	15,100	1,867	166	15,266	1,867	17,133	0862	2016
Spartanburg, SC	—	3,694	342	—	3,694	342	4,036	0547	2014
Spartanburg, SC	—	5,797	493	432	6,229	493	6,722	0963	2012
Stafford, TX	—	6,570	339	—	6,570	339	6,909	0119	2017
Statham, GA	—	6,130	588	1,151	7,281	588	7,869	0965	2012
Sterling Heights, MI	01,484	4,191	513	415	4,606	513	5,119	0683	2012
Stone Mountain, GA	—	2,738	612	645	3,383	612	3,995	0163	2017
Stoughton, MA	—	2,613	2,256	824	3,437	2,256	5,693	0904	2015
Stoughton, MA	—	1,216	538	—	1,216	538	1,754	0268	2015
Streetsboro, OH	—	5,481	2,161	214	5,695	2,161	7,856	01,473	2010
Strongsville, OH	—	5,853	491	94	5,947	491	6,438	0761	2014
Sun Prairie, WI	—	5,809	2,360	2,377	8,186	2,360	10,546	01,454	2008
Swedesboro, NJ	—	5,129	1,212	—	5,129	1,212	6,341	0774	2017
Toledo, OH	—	6,831	213	—	6,831	213	7,044	01,215	2012
Burlington, NJ	—	—	3,267	248	248	3,267	3,515	—	2015
Libertyville, IL	—	—	369	2	2	369	371	—	2015
Libertyville, IL	—	—	397	2	2	397	399	—	2015
Tulsa, OK	—	8,242	966	—	8,242	966	9,208	0691	2015
Twinsburg, OH	—	8,027	590	—	8,027	590	8,617	01,793	2007
Visalia, CA	—	21,839	4,346	—	21,839	4,346	26,185	01,616	2016
Vonore, TN	—	8,243	2,355	85	8,328	2,355	10,683	01,771	2011
Waco, TX	—	1,394	—	619	2,013	—	2,013	0299	2008
West Allis, WI	—	1,905	462	371	2,276	462	2,738	0191	2015
West Allis, WI	—	1,860	444	24	1,884	444	2,328	0170	2015
West Allis, WI	—	929	252	176	1,105	252	1,357	0097	2015
West Allis, WI	—	1,039	251	—	1,039	251	1,290	0097	2015
Walker, MI	—	4,872	855	136	5,008	855	5,863	01,097	2010
Wallingford, CT	—	6,111	585	—	6,111	585	6,696	0149	2017
Walton, KY	—	6,244	2,105	—	6,244	2,105	8,349	0191	2017
Ware Shoals, SC	0244	197	133	—	197	133	330	0035	2012
Warren, MI	—	6,111	502	10	6,121	502	6,623	0247	2017
Warren, MI	—	16,035	1,290	—	16,035	1,290	17,325	0813	2016
Waukegan, IL	—	5,140	1,004	—	5,140	1,004	6,144	0166	2017
Waukegan, IL	—	5,547	914	—	5,547	914	6,461	0080	2017

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West Chester, OH	—	8,868	936	—	8,868	936	9,804	0356	2016
West Chicago, IL	—	2,036	768	772	2,808	768	3,576	0119	2016
West Chicago, IL	—	674	382	286	960	382	1,342	071	2016
West Chicago, IL	—	768	450	272	1,040	450	1,490	071	2016
West Chicago, IL	—	895	369	269	1,164	369	1,533	084	2016
West Chicago, IL	—	904	216	276	1,180	216	1,396	057	2016
West Chicago, IL	—	6,247	915	969	7,216	915	8,131	0546	2016
West Columbia, SC	—	9,570	488	—	9,570	488	10,058	0380	2016
West Columbia, SC	—	9,151	240	7	9,158	240	9,398	047	2017
West Columbia, SC	—	4,646	551	2,301	6,947	551	7,498	0286	2016
Westborough, MA	—	5,808	661	—	5,808	661	6,469	0271	2016
Hamilton, OH	—	8,585	1,046	598	9,183	1,046	10,229	01,661	2014
Wichita, KS	01,484	1,815	88	11	1,826	88	1,914	0263	2012
Wichita, KS	01,621	1,839	107	131	1,970	107	2,077	0323	2012
Wichita, KS	0742	833	76	181	1,014	76	1,090	0168	2012
Williamsport, PA	—	9,059	688	—	9,059	688	9,747	01,404	2013
Winston-Salem, NC	—	11,054	610	16	11,070	610	11,680	01,387	2014
Wood Dale, IL	—	5,042	1,226	—	5,042	1,226	6,268	0205	2016
Woodstock, IL	—	3,796	496	—	3,796	496	4,292	0645	2012
York, PA	—	14,538	2,152	96	14,634	2,152	16,786	0195	2017
Yorkville, WI	—	4,893	416	—	4,893	416	5,309	0454	2014

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City/State	Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2017				Accumulated Depreciation (3)	Acq Date
	Encumbrances (1)	Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Improvements	Land	Total		
Bardstown, KY	—	2,398	379	—	2,398	379	2,777	(680)	2007
Total	\$ (58,855)	\$2,099,229	\$325,773	\$ 99,110	\$2,198,339	\$325,773	\$2,524,112	\$(251,943)	

(1) Balance excludes the unamortized balance of fair market value premiums of approximately \$0.1 million and unamortized deferred financing fees and debt issuance costs of approximately 0.6 million.

(2) The initial costs of building and improvements is the acquisition costs less asset impairment write-downs and disposals of building and tenant improvements.

(3) Depreciation expense is computed using the straight-line method based on the following lives:

Building	40 Years
Building and land improvements	Up to 20 years
Tenant improvements	Shorter of useful life or terms of related lease

As of December 31, 2017, the aggregate cost for federal income tax purposes of investments in real estate was approximately \$3.2 billion.

	Year ended December 31,		
	2017	2016	2015
Real Estate:			
Balance at beginning of period	\$2,009,716	\$1,711,612	\$1,415,965
Additions during period			
Other acquisitions	514,725	381,131	330,504
Improvements, etc.	53,099	33,133	16,851
Other additions	—	—	—
Deductions during period			
Cost of real estate sold	(48,674)	(97,342)	(21,443)
Write-off of tenant improvements	(2,166)	(2,585)	(1,205)
Asset impairments and involuntary conversion	(2,588)	(16,233)	(29,060)
Balance at the end of the period including assets held for sale	\$2,524,112	\$2,009,716	\$1,711,612
Assets held for sale	(20,731)	—	—
Balance at the end of the period excluding assets held for sale	2,503,381	2,009,716	1,711,612
Accumulated Depreciation:			
Balance at beginning of period	\$187,413	\$147,917	\$105,435
Additions during period			
Depreciation and amortization expense	75,314	57,391	48,186
Other additions	—	—	—
Deductions during period			
Disposals	(10,784)	(17,895)	(5,704)
Balance at the end of the period including assets held for sale	\$251,943	\$187,413	\$147,917
Assets held for sale	(2,886)	—	—

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Balance at the end of the period excluding assets held for sale	\$249,057	\$187,413	\$147,917
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