

Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): April 30, 2019

STAG INDUSTRIAL, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

1-34907
(Commission
File Number)

27-3099608
(IRS Employer
Identification No.)

One Federal Street, 23rd Floor
Boston, Massachusetts 02110
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: **(617) 574-4777**

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities and Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On April 30, 2019, STAG Industrial, Inc. (the “Company”) issued a press release announcing its results of operations for the three months ended March 31, 2019, and its financial condition as of March 31, 2019. A copy of such press release is furnished as Exhibit 99.1 to this report. The press release referred to certain supplemental information that is available in the Investor Relations section of the Company’s website at www.stagindustrial.com.

As previously announced and as further detailed in the press release furnished with this report, the Company will conduct a conference call at 10:00 a.m. eastern time on Wednesday, May 1, 2019, to discuss its first quarter results of operations and financial condition.

The information in Item 2.02 of this report, including the information in the press release attached as Exhibit 99.1 to this report, is furnished pursuant to Item 2.02 of Form 8-K and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. Furthermore, the information in Item 2.02 of this report, including the information in the press release attached as Exhibit 99.1 to this report, shall not be deemed to be incorporated by reference in the filings of the registrant under the Securities Act of 1933, as amended.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated April 30, 2019

SIGNATURES

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

STAG INDUSTRIAL, INC.

By: /s/ Jeffrey M. Sullivan

Jeffrey M. Sullivan

Executive Vice President, General Counsel

And Secretary

Dated: April 30, 2019

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Section 2: EX-99.1 (EXHIBIT 99.1)



STAG INDUSTRIAL ANNOUNCES FIRST QUARTER 2019 RESULTS

Boston, MA — April 30, 2019 - STAG Industrial, Inc. (the “Company”) (NYSE:STAG), today announced its financial and operating results for the quarter ended March 31, 2019.

“It has been an active start to 2019 for STAG” said Ben Butcher, Chief Executive Officer of the Company. “The Company achieved a record first quarter acquisition volume and produced strong same-store cash NOI growth and cash releasing spreads. This combined with a successful equity transaction has set STAG up for continued success in 2019.”

First Quarter 2019 Highlights

- Reported \$0.05 of net income per basic and diluted common share for the first quarter of 2019, as compared to \$0.22 of net income per basic and diluted common share for the first quarter of 2018. Reported \$5.8 million of net income attributable to common stockholders for the first quarter of 2019 compared to net income attributable to common stockholders of \$21.7 million for the first quarter of 2018.
- Achieved \$0.45 of Core FFO per diluted share for the first quarter of 2019, an increase of 4.7% compared to the first quarter of 2018 of \$0.43. Generated Core FFO of \$53.2 million for the first quarter of 2019 compared to \$43.8 million for the first quarter of 2018, an increase of 21.4%.
- Generated Cash NOI of \$74.9 million for the first quarter of 2019, an increase of 16.7% compared to the first quarter of 2018 of \$64.2 million.
- Acquired 10 buildings in the first quarter of 2019, consisting of 2.4 million square feet, for \$185.4 million with a weighted average Capitalization Rate of 6.6%.

- Sold five buildings in the first quarter of 2019, consisting of 1.0 million square feet for \$17.9 million, resulting in a net gain of \$1.3 million.
- Achieved an Occupancy Rate of 95.2% on the total portfolio and 95.7% on the Operating Portfolio as of March 31, 2019.
- Commenced Operating Portfolio leases of 2.6 million square feet for the first quarter of 2019, resulting in a Cash Rent Change and Straight-line Rent Change of 14.9% and 24.3%, respectively.
- Experienced 80.7% Retention for 3.1 million square feet of leases expiring in the quarter.
- Produced Same Store cash NOI growth of 3.5% for the first quarter of 2019 compared to the first quarter of 2018.
- Raised gross proceeds of \$150.2 million of equity through the Company's at-the-market offering ("ATM") program for the first quarter of 2019.
- Subsequent to quarter end on April 4, 2019, the Company closed a public offering with gross proceeds of \$218.7 million, inclusive of underwriters' option to purchase additional shares.

Please refer to the Non-GAAP Financial Measures and Other Definitions section at the end of this release for definitions of capitalized terms used in this release.

The Company will host a conference call tomorrow, May 1, 2019 at 10:00 a.m. (Eastern Time), to discuss the quarter's results and provide information about acquisitions, operations, capital markets and corporate activities. Details of the call can be found at the end of this release.

Key Financial Measures

FIRST QUARTER 2019 KEY FINANCIAL MEASURES

	Three months ended March 31,		
	2019	2018	% Change
(in \$000s, except per share data)			
Net income attributable to common stockholders	\$5,807	\$21,676	(73.2)%
<i>Net income per common share — basic</i>	\$0.05	\$0.22	(77.3)%
<i>Net income per common share — diluted</i>	\$0.05	\$0.22	(77.3)%
Cash NOI	\$74,929	\$64,210	16.7%
Same Store Cash NOI ⁽¹⁾	\$61,291	\$59,227	3.5%
Adjusted EBITDAre	\$67,637	\$57,391	17.9%
Core FFO	\$53,187	\$43,828	21.4%
<i>Core FFO per share / unit — basic</i>	\$0.45	\$0.43	4.7%
<i>Core FFO per share / unit — diluted</i>	\$0.45	\$0.43	4.7%

(1) The Same Store pool accounted for 80.8% of the total portfolio square footage for the three months ended March 31, 2019.

Definitions of the above-mentioned non-GAAP financial measures, together with reconciliations to net income (loss) in accordance with GAAP, appear at the end of this release. Please also see the Company's supplemental information package for additional disclosure.

Acquisition and Disposition Activity

For the three months ended March 31, 2019, the Company acquired 10 buildings for \$185.4 million with an Occupancy Rate of 85.2% upon acquisition. The chart below details the acquisition activity for the quarter:

FIRST QUARTER 2019 ACQUISITION ACTIVITY

Market	Date Acquired	Square Feet	Buildings	Purchase Price (\$000s)	W.A. Lease Term (Years)	Capitalization Rate
Cincinnati/Dayton, OH	1/24/2019	176,000	1	\$9,965	4.3	
Pittsburgh, PA	2/21/2019	455,000	1	28,676	9.9	
Boston, MA ⁽¹⁾	2/21/2019	349,870	1	26,483	—	
Minneapolis/St Paul, MN	2/28/2019	248,816	1	21,955	9.9	
Greenville/Spartanburg, SC	3/7/2019	331,845	1	24,536	4.9	
Philadelphia, PA	3/7/2019	148,300	1	10,546	5.2	
Omaha/Council Bluffs, NE-IA	3/11/2019	237,632	1	20,005	6.8	
Houston, TX ⁽¹⁾	3/28/2019	132,000	1	17,307	7.8	
Baltimore, MD	3/28/2019	167,410	1	13,648	3.6	
Houston, TX	3/28/2019	116,750	1	12,242	13.9	
Total / weighted average		2,363,623	10	\$185,363	7.4	6.6%

(1) Value Add Acquisition

The chart below details the 2019 acquisition activity and Pipeline through April 30, 2019:

2019 ACQUISITION ACTIVITY AND PIPELINE DETAIL

	Square Feet	Buildings	Purchase Price (\$000s)	W.A. Lease Term (Years)	Capitalization Rate
Q1	2,363,623	10	\$185,363	7.4	6.6%
As of April 30, 2019					
Subsequent to quarter-end acquisitions	1.4 million	7	\$102,644		
Pipeline	38.1 million	162	\$2.7 billion		

The chart below details the disposition activity for the three months ended March 31, 2019:

2019 DISPOSITION ACTIVITY

	Square Feet	Buildings	Sale Price (\$000s)
Q1	973,305	5	\$17,939
Total	973,305	5	\$17,939

Operating Portfolio Leasing Activity

The chart below details the leasing activity for leases commenced during the three months ended March 31, 2019:

FIRST QUARTER 2019 LEASING ACTIVITY

Lease Type	Square Feet	W.A. Lease Term (Years)	Cash Base Rent \$/SF	SL Base Rent \$/SF	Lease Commissions \$/SF	Tenant Improvements \$/SF	Cash Rent Change	SL Rent Change	Retention
New leases	123,190	6.5	\$4.15	\$4.32	\$1.65	\$0.32	3.5%	17.1%	N/A
Renewal Leases	2,468,163	4.1	\$3.94	\$4.10	\$0.37	\$0.21	15.6%	24.7%	80.7%
Total / weighted average	2,591,353	4.2	\$3.95	\$4.11	\$0.43	\$0.21	14.9%	24.3%	

Note: The table above represents leases commencing during the quarter.

Liquidity and Capital Market Activity

As of March 31, 2019, net debt to annualized Run Rate Adjusted EBITDAre was 4.8x.

The chart below details the ATM program activity for the three months ended March 31, 2019:

2019 ATM ACTIVITY

ATM	Shares Issued	Price per Share (Weighted Avg)	Gross Proceeds (\$000s)	Net Proceeds (\$000s)
Q1	5,441,409	\$27.60	\$150,189	\$148,887
Total / weighted average	5,441,409	\$27.60	\$150,189	\$148,887

Subsequent to quarter end on April 1, 2019, the Company closed a public offering of 7,475,000 shares, inclusive of underwriters' option to purchase additional shares at a price of \$29.25 per share. The Company raised gross proceeds of \$218.7 million and net proceeds of \$214.7 million.

Conference Call

The Company will host a conference call tomorrow, Wednesday, May 1, at 10:00 a.m. (Eastern Time) to discuss the quarter's results. The call can be accessed live over the phone toll-free by dialing (877) 407-4018, or for international callers, (201) 689-8471. A replay will be available shortly after the call and can be accessed by dialing (844) 512-2921, or for international callers, (412) 317-6671. The passcode for the replay is 13689330.

Interested parties may also listen to a simultaneous webcast of the conference call by visiting the Investor Relations section of the Company's website at www.stagindustrial.com, or by clicking on the following link:

<http://ir.stagindustrial.com/QuarterlyResults>

Supplemental Schedule

The Company has provided a supplemental information package to provide additional disclosure and financial information on its website (www.stagindustrial.com) under the "Quarterly Results" tab in the Investor Relations section.

Additional information is also available on the Company's website at www.stagindustrial.com.

CONSOLIDATED BALANCE SHEETS
STAG Industrial, Inc.
(unaudited, in thousands, except share data)

	March 31, 2019	December 31, 2018
Assets		
Rental Property:		
Land	\$ 377,530	\$ 364,023
Buildings and improvements, net of accumulated depreciation of \$321,010 and \$316,930, respectively	2,392,547	2,285,663
Deferred leasing intangibles, net of accumulated amortization of \$224,740 and \$246,502, respectively	348,439	342,015
Total rental property, net	3,118,516	2,991,701
Cash and cash equivalents	7,857	7,968
Restricted cash	4,451	14,574
Tenant accounts receivable	44,928	42,236
Prepaid expenses and other assets	42,503	36,902
Interest rate swaps	5,214	9,151
Operating lease right-of-use assets	16,005	—
Total assets	\$ 3,239,474	\$ 3,102,532
Liabilities and Equity		
Liabilities:		
Unsecured credit facility	\$ 115,500	\$ 100,500
Unsecured term loans, net	596,642	596,360
Unsecured notes, net	572,587	572,488
Mortgage notes, net	56,109	56,560
Accounts payable, accrued expenses and other liabilities	41,381	45,507
Interest rate swaps	7,060	4,011
Tenant prepaid rent and security deposits	21,254	22,153
Dividends and distributions payable	15,846	13,754
Deferred leasing intangibles, net of accumulated amortization of \$10,394 and \$12,764, respectively	20,468	21,567
Operating lease liabilities	17,786	—
Total liabilities	1,464,633	1,432,900
Equity:		
Preferred stock, par value \$0.01 per share, 15,000,000 shares authorized, Series C, 3,000,000 shares (liquidation preference of \$25.00 per share) issued and outstanding at March 31, 2019 and December 31, 2018	75,000	75,000
Common stock, par value \$0.01 per share, 150,000,000 shares authorized, 118,174,102 and 112,165,786 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	1,182	1,122
Additional paid-in capital	2,266,695	2,118,179
Cumulative dividends in excess of earnings	(621,225)	(584,979)
Accumulated other comprehensive income (loss)	(2,253)	4,481
Total stockholders' equity	1,719,399	1,613,803
Noncontrolling interest	55,442	55,829
Total equity	1,774,841	1,669,632
Total liabilities and equity	\$ 3,239,474	\$ 3,102,532

CONSOLIDATED STATEMENTS OF OPERATIONS
STAG Industrial, Inc.
(unaudited, in thousands, except per share data)

	Three months ended March 31,	
	2019	2018
Revenue		
Rental income	\$ 95,615	\$ 83,127
Other income	87	156
Total revenue	95,702	83,283
Expenses		
Property	19,511	17,499
General and administrative	9,212	8,748
Depreciation and amortization	42,303	39,965
Loss on impairments	5,344	2,934
Other expenses	399	291
Total expenses	76,769	69,437
Other income (expense)		
Interest and other income	16	6
Interest expense	(12,834)	(11,392)
Gain on the sales of rental property, net	1,274	22,689
Total other income (expense)	(11,544)	11,303
Net income	\$ 7,389	\$ 25,149
Less: income attributable to noncontrolling interest after preferred stock dividends	214	954
Net income attributable to STAG Industrial, Inc.	\$ 7,175	\$ 24,195
Less: preferred stock dividends	1,289	2,448
Less: amount allocated to participating securities	79	71
Net income attributable to common stockholders	\$ 5,807	\$ 21,676
Weighted average common shares outstanding — basic	114,721	97,021
Weighted average common shares outstanding — diluted	114,993	97,323
Net income per share — basic and diluted		
Net income per share attributable to common stockholders — basic	\$ 0.05	\$ 0.22
Net income per share attributable to common stockholders — diluted	\$ 0.05	\$ 0.22

RECONCILIATIONS OF GAAP TO NON-GAAP MEASURES
STAG Industrial, Inc.
(unaudited, in thousands)

	Three months ended March 31,	
	2019	2018
NET OPERATING INCOME RECONCILIATION		
Net income	\$ 7,389	\$ 25,149
General and administrative	9,212	8,748
Transaction costs	74	—
Depreciation and amortization	42,303	39,965
Interest and other income	(16)	(6)
Interest expense	12,834	11,392
Loss on impairments	5,344	2,934
Other expenses	325	291
Gain on the sales of rental property, net	(1,274)	(22,689)
Net operating income	\$ 76,191	\$ 65,784
Net operating income	\$ 76,191	\$ 65,784
Straight-line rent adjustments, net	(2,180)	(2,644)
Straight-line termination income adjustments, net	(43)	(137)
Amortization of above and below market leases, net	961	1,207
Cash net operating income	\$ 74,929	\$ 64,210
Cash net operating income	\$ 74,929	
Cash NOI from acquisitions' and dispositions' timing	1,921	
Run Rate Cash NOI	\$ 76,850	
Same Store Portfolio NOI		
Total NOI	\$ 76,191	\$ 65,784
Less: NOI non-same-store properties	(14,805)	(5,799)
Less: termination income	(43)	(20)
Same Store NOI	\$ 61,343	\$ 59,965
Less: straight-line rent adjustments, net	(1,146)	(1,997)
Plus: amortization of above and below market leases, net	1,094	1,259
Same Store Cash NOI	\$ 61,291	\$ 59,227
EBITDA FOR REAL ESTATE (EBITDA_{re}) RECONCILIATION		
Net income	\$ 7,389	\$ 25,149
Depreciation and amortization	42,303	39,965
Interest and other income	(16)	(6)
Interest expense	12,834	11,392
Loss on impairments	5,344	2,934
Gain on the sales of rental property, net	(1,274)	(22,689)
EBITDA_{re}	\$ 66,580	\$ 56,745
ADJUSTED EBITDA_{re} RECONCILIATION		
EBITDA _{re}	\$ 66,580	\$ 56,745
Straight-line rent adjustments, net	(2,213)	(2,644)
Amortization of above and below market leases, net	961	1,207
Non-cash compensation expense	2,278	2,220
Termination income	(43)	(137)
Transaction costs	74	—
Adjusted EBITDA_{re}	\$ 67,637	\$ 57,391

Adjusted EBITDAre	\$	67,637
Adjusted EBITDAre from acquisitions' and dispositions' timing		<u>1,921</u>
Run Rate Adjusted EBITDAre	\$	<u>69,558</u>

RECONCILIATIONS OF GAAP TO NON-GAAP MEASURES
STAG Industrial, Inc.
(unaudited, in thousands, except per share data)

	Three months ended March 31,	
	2019	2018
<u>CORE FUNDS FROM OPERATIONS RECONCILIATION</u>		
Net income	\$ 7,389	\$ 25,149
Rental property depreciation and amortization	42,229	39,892
Loss on impairments	5,344	2,934
Gain on the sales of rental property, net	(1,274)	(22,689)
Funds from operations	\$ 53,688	\$ 45,286
Preferred stock dividends	(1,289)	(2,448)
Amount allocated to restricted shares of common stock and unvested units	(247)	(217)
Funds from operations attributable to common stockholders and unit holders	\$ 52,152	\$ 42,621
Funds from operations attributable to common stockholders and unit holders	\$ 52,152	\$ 42,621
Amortization of above and below market leases, net	961	1,207
Transaction costs	74	—
Core funds from operations	\$ 53,187	\$ 43,828
<u>Weighted average common shares and units</u>		
Weighted average common shares outstanding	114,721	97,021
Weighted average units outstanding	3,707	3,849
Weighted average common shares and units - basic	118,428	100,870
Dilutive performance shares	272	302
Weighted average common shares, units, and performance shares - diluted	118,700	101,172
Core funds from operations per share / unit - basic	\$ 0.45	\$ 0.43
Core funds from operations per share / unit - diluted	\$ 0.45	\$ 0.43
<u>SELECTED FINANCIAL INFORMATION</u>		
Non-rental property depreciation and amortization	\$ 74	\$ 73
Straight-line rent adjustments, net - increase (decrease) to revenue	\$ 2,213	\$ 2,644
Straight-line termination income adjustments, net - increase (decrease) to revenue	\$ 43	\$ 137
Recurring capital expenditures	\$ 111	\$ 657
Non-recurring capital expenditures	\$ 3,089	\$ 1,200
New lease commissions and tenant improvements	\$ 950	\$ 1,552
Renewal lease commissions and tenant improvements	\$ 732	\$ 900
Non-cash portion of interest expense	\$ 618	\$ 534
Non-cash compensation expense	\$ 2,278	\$ 2,220

Non-GAAP Financial Measures and Other Definitions

Acquisition Capital Expenditures: We define Acquisition Capital Expenditures as Recurring and Non-Recurring Capital Expenditures identified at the time of acquisition. Acquisition Capital Expenditures also include new lease commissions and tenant improvements for space that was not occupied under the Company's ownership.

Capitalization Rate: We define Capitalization Rate as the estimated weighted average cash Capitalization Rate, calculated by dividing (i) the Company's estimate of year one cash net operating income from the applicable property's operations stabilized for occupancy (post-lease-up for vacant properties), which does not include termination income, miscellaneous other income, capital expenditures, general and administrative costs, reserves, tenant improvements and leasing commissions, credit loss, or vacancy loss, by (ii) the GAAP purchase price plus estimated Acquisition Capital Expenditures. These Capitalization Rate estimates are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control, including those risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

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

Earnings before Interest, Taxes, Depreciation, and Amortization for Real Estate (EBITDAre), Adjusted EBITDAre, Annualized Adjusted EBITDAre, and Run Rate Adjusted EBITDAre: We define EBITDAre in accordance with the standards established by the National Association of Real Estate Investment Trusts ("NAREIT"). EBITDAre represents net income (loss) (computed in accordance with GAAP) before interest expense, tax, depreciation and amortization, gains or losses on the sale of rental property, and loss on impairments. Adjusted EBITDAre further excludes transaction costs, termination income, straight-line rent adjustments, non-cash compensation, amortization of above and below market leases, net, gain (loss) on involuntary conversion, loss on extinguishment of debt, loss on incentive fee, and other non-recurring items.

We define Annualized Adjusted EBITDAre as Adjusted EBITDAre multiplied by four.

We define Run Rate Adjusted EBITDAre as Adjusted EBITDAre plus incremental Adjusted EBITDAre adjusted for a full period of acquisitions and dispositions. Run Rate Adjusted EBITDAre does not reflect the Company's historical results and does not predict future results, which may be substantially different.

EBITDAre, Adjusted EBITDAre, and Run Rate Adjusted EBITDAre 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, EBITDAre, Adjusted EBITDAre, and Run Rate Adjusted EBITDAre should be compared with our reported net income or net loss in accordance with GAAP, as presented in our consolidated financial statements. We believe that EBITDAre, Adjusted EBITDAre, and Run Rate Adjusted EBITDAre are helpful to investors as supplemental measures of the operating performance of a real estate company because they are direct measures of the actual operating results of our properties. We also use these measures in ratios to compare our performance to that of our industry peers.

Funds from Operations (FFO) and Core FFO: We define FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts ("NAREIT"). FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, 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. Core FFO excludes transaction costs, amortization of above and below market leases, net, loss on extinguishment of debt, gain (loss) on involuntary conversion, gain (loss) on swap ineffectiveness, loss on incentive fee, and non-recurring other expenses.

None of FFO or Core FFO should 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, these measurements should be compared with our reported net income or net loss in accordance with GAAP, as presented in our consolidated financial statements. We use 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. We and investors may use Core FFO similarly as FFO.

However, because FFO and Core FFO exclude, among other items, depreciation and amortization and capture neither the changes in the value of our buildings that result from use or market conditions of our buildings, all of which have real economic effects and could materially impact our results from operations, the utility of these measures as measures 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. Similarly, our calculation of Core FFO may not be comparable to similarly titled measures disclosed by other REITs.

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

Market: We define Market as the market defined by CoStar based on the building address. If the building is located outside of a CoStar defined market, the city and state is reflected.

Net operating income (NOI), Cash NOI, and Run Rate Cash NOI: We define NOI as rental income, including reimbursements, less property expenses, which excludes depreciation, amortization, loss on impairments, general and administrative expenses, interest expense, interest income, asset management fee income, transaction costs, gain (loss) on involuntary conversion, loss on extinguishment of debt, gain on sales of rental property, loss on incentive fee, and other expenses.

We define Cash NOI as NOI less straight-line rent adjustments and less amortization of above and below market leases, net.

We define Run Rate Cash NOI as Cash NOI plus Cash NOI adjusted for a full period of acquisitions and dispositions, less cash termination income. Run Rate Cash NOI does not reflect the Company's historical results and does not predict future results, which may be substantially different.

We consider NOI, Cash NOI and Run Rate Cash NOI to be appropriate supplemental performance measures to net income because we believe they help us and investors understand the core operations of our buildings. None of these measures should 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, these measurements should be compared with our reported net income or net loss in accordance with GAAP, as presented in our consolidated financial statements. Further, our calculations of NOI, Cash NOI and Run Rate NOI may not be comparable to similarly titled measures disclosed by other REITs.

Non-Recurring Capital Expenditures: We define Non-Recurring Capital Expenditures as capital items for upgrades or items that previously did not exist at a building or capital items which have a longer useful life, such as roof replacements. Non-Recurring Capital Expenditures funded by parties other than the Company and Acquisition Capital Expenditures are excluded.

Occupancy Rate: 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.

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

Pipeline: We define Pipeline as a point in time measure that includes all of the transactions under consideration by the Company's acquisitions group that have passed the initial screening process. The pipeline also includes transactions under contract and transactions with non-binding LOIs.

Recurring Capital Expenditures: We define Recurring Capital Expenditures as capital items required to sustain existing systems and capital items which generally have a shorter useful life. Recurring Capital Expenditures funded by parties other than the Company are excluded.

Renewal Lease: 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.

Retention: We define Retention as the percentage determined by taking Renewal Lease square footage commencing in the period divided by square footage of leases expiring in the period for assets included in the Operating Portfolio.

Same Store: We define Same Store properties as properties that were in the Operating Portfolio for the entirety of the comparative periods presented.

Stabilization: We define Stabilization for assets under development or redevelopment to occur upon the earlier of achieving 90% occupancy or twelve months after completion. Stabilization for assets that were acquired and immediately added to the Value Add Portfolio occurs under the following:

- if acquired with less than 75% occupancy as of the acquisition date, Stabilization will occur upon the earlier of achieving 90% occupancy or twelve months from the acquisition date;
- if acquired and will be less than 75% occupied due to known move-outs within two years of the acquisition date, Stabilization will occur upon the earlier of achieving 90% occupancy after the known move-outs have occurred or twelve months after the known move-outs have occurred.

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

Value Add Portfolio: We define the Value Add Portfolio as properties that meet any of the following criteria:

- less than 75% occupied as of the acquisition date;
- will be less than 75% occupied due to known move-outs within two years of the acquisition date;
- out of service with significant physical renovation of the asset;
- development.

Weighted Average Lease Term: We define Weighted Average Lease Term as the contractual lease term in years as of the lease start date weighted by square footage. Weighted Average Lease Term related to acquired assets reflects the remaining lease term in years as of the acquisition date weighted by square footage..

Forward-Looking Statements

This earnings release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. STAG Industrial, Inc. (STAG) intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe STAG's future plans, strategies and expectations, are generally identifiable by use of the words "believe," "will," "expect," "intend," "anticipate," "estimate," "should", "project" or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond STAG's control and which could materially affect actual results, performances or achievements. Factors that may cause actual results to differ materially from current expectations include, but are not limited to, the risk factors discussed in STAG's most recent Annual Report on Form 10-K for the year ended December 31, 2018, as updated by the Company's subsequent reports filed with the Securities and Exchange Commission. Accordingly, there is no assurance that STAG's expectations will be realized. Except as otherwise required by the federal securities laws, STAG disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in STAG's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.