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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2023

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 of incorporation or organization)	(IRS Employer Identification No.)
One Federal Street **23rd Floor** **Boston, Massachusetts**	**02110**
(Address of principal executive offices)	(Zip code)

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value per share	STAG	New York Stock Exchange

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

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

The number of shares of common stock outstanding at October 25, 2023 was 181,570,902.

STAG Industrial, Inc.
Table of Contents

Part I. Financial Information

Item 1. Financial Statements

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

	September 30, 2023	December 31, 2022
Assets		
Rental Property:		
Land	$ 691,155	$ 647,098
Buildings and improvements, net of accumulated depreciation of $880,562 and $763,128, respectively	4,803,833	4,706,745
Deferred leasing intangibles, net of accumulated amortization of $380,198 and $328,848, respectively	457,730	508,935
Total rental property, net	5,952,718	5,862,778
Cash and cash equivalents	10,944	25,884
Restricted cash	1,086	905
Tenant accounts receivable	120,813	115,509
Prepaid expenses and other assets	83,520	71,733
Interest rate swaps	76,891	72,223
Operating lease right-of-use assets	30,042	31,313
Assets held for sale, net	—	4,643
Total assets	**$ 6,276,014**	**$ 6,184,988**
Liabilities and Equity		
Liabilities:		
Unsecured credit facility	$ 325,000	$ 175,000
Unsecured term loans, net	1,021,439	1,020,440
Unsecured notes, net	1,195,694	1,295,442
Mortgage notes, net	7,642	7,898
Accounts payable, accrued expenses and other liabilities	100,632	97,371
Tenant prepaid rent and security deposits	42,171	40,847
Dividends and distributions payable	22,726	22,282
Deferred leasing intangibles, net of accumulated amortization of $29,599 and $24,593, respectively	31,331	32,427
Operating lease liabilities	34,016	35,100
Total liabilities	**2,780,651**	**2,726,807**
Commitments and contingencies (Note 11)		
Equity:		
Preferred stock, par value $0.01 per share, 20,000,000 shares authorized at September 30, 2023 and December 31, 2022; none issued or outstanding	—	—
Common stock, par value $0.01 per share, 300,000,000 shares authorized at September 30, 2023 and December 31, 2022, 181,513,614 and 179,248,980 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	1,815	1,792
Additional paid-in capital	4,266,758	4,188,677
Cumulative dividends in excess of earnings	(923,706)	(876,145)
Accumulated other comprehensive income	75,086	70,500
Total stockholders' equity	3,419,953	3,384,824
Noncontrolling interest	75,410	73,357
Total equity	**3,495,363**	**3,458,181**
Total liabilities and equity	**$ 6,276,014**	**$ 6,184,988**

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue				
Rental income	$ 177,858	$ 164,683	$ 522,565	$ 484,341
Other income	1,423	1,622	1,963	2,673
Total revenue	179,281	166,305	524,528	487,014
Expenses				
Property	34,429	30,087	102,985	90,736
General and administrative	11,097	10,884	35,833	35,431
Depreciation and amortization	69,761	69,456	207,199	206,101
Loss on impairment	—	1,783	—	1,783
Other expenses	773	578	4,109	1,607
Total expenses	116,060	112,788	350,126	335,658
Other income (expense)				
Interest and other income	17	26	53	83
Interest expense	(23,753)	(21,155)	(69,225)	(56,310)
Debt extinguishment and modification expenses	—	(838)	—	(838)
Gain on the sales of rental property, net	11,683	33,168	49,343	57,499
Total other income (expense)	(12,053)	11,201	(19,829)	434
Net income	**$ 51,168**	**$ 64,718**	**$ 154,573**	**$ 151,790**
Less: income attributable to noncontrolling interest	1,128	1,388	3,461	3,258
Net income attributable to STAG Industrial, Inc.	**$ 50,040**	**$ 63,330**	**$ 151,112**	**$ 148,532**
Less: amount allocated to participating securities	53	59	159	180
Net income attributable to common stockholders	**$ 49,987**	**$ 63,271**	**$ 150,953**	**$ 148,352**
Weighted average common shares outstanding — basic	180,803	179,054	179,810	178,648
Weighted average common shares outstanding — diluted	181,163	179,162	180,070	178,790
Net income per share — basic and diluted				
Net income per share attributable to common stockholders — basic	$ 0.28	$ 0.35	$ 0.84	$ 0.83
Net income per share attributable to common stockholders — diluted	$ 0.28	$ 0.35	$ 0.84	$ 0.83

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Net income	**$ 51,168**	**$ 64,718**	**$ 154,573**	**$ 151,790**
Other comprehensive income:				
Income on interest rate swaps	4,882	39,618	4,691	89,364
Other comprehensive income	4,882	39,618	4,691	89,364
Comprehensive income	**56,050**	**104,336**	**159,264**	**241,154**
Income attributable to noncontrolling interest	(1,128)	(1,388)	(3,461)	(3,258)
Other comprehensive income attributable to noncontrolling interest	(109)	(850)	(105)	(1,918)
Comprehensive income attributable to STAG Industrial, Inc.	**$ 54,813**	**$ 102,098**	**$ 155,698**	**$ 235,978**

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

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

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Cumulative Dividends in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest - Unit Holders in Operating Partnership	Total Equity
Three months ended September 30, 2023									
Balance, June 30, 2023	**$ —**	**179,660,771**	**$ 1,797**	**$ 4,201,551**	**$ (907,061)**	**$ 70,313**	**$ 3,366,600**	**$ 77,259**	**$ 3,443,859**
Proceeds from sales of common stock, net	—	1,717,993	17	61,015	—	—	61,032	—	61,032
Dividends and distributions, net ($0.37 per share/unit)	—	—	—	—	(66,685)	—	(66,685)	(1,492)	(68,177)
Non-cash compensation activity, net	—	14,253	—	1,835	—	—	1,835	764	2,599
Redemption of common units to common stock	—	120,597	1	2,260	—	—	2,261	(2,261)	—
Rebalancing of noncontrolling interest	—	—	—	97	—	—	97	(97)	—
Other comprehensive income	—	—	—	—	—	4,773	4,773	109	4,882
Net income	—	—	—	—	50,040	—	50,040	1,128	51,168
Balance, September 30, 2023	**$ —**	**181,513,614**	**$ 1,815**	**$ 4,266,758**	**$ (923,706)**	**$ 75,086**	**$ 3,419,953**	**$ 75,410**	**$ 3,495,363**
Three months ended September 30, 2022									
Balance, June 30, 2022	**$ —**	**179,211,738**	**$ 1,792**	**$ 4,182,165**	**$ (838,437)**	**$ 36,895**	**$ 3,382,415**	**$ 74,080**	**$ 3,456,495**
Proceeds from sales of common stock, net	—	—	—	(16)	—	—	(16)	—	(16)
Dividends and distributions, net ($0.37 per share/unit)	—	—	—	—	(65,414)	—	(65,414)	(1,436)	(66,850)
Non-cash compensation activity, net	—	3,057	—	2,040	—	—	2,040	709	2,749
Rebalancing of noncontrolling interest	—	—	—	650	—	—	650	(650)	—
Other comprehensive income	—	—	—	—	—	38,768	38,768	850	39,618
Net income	—	—	—	—	63,330	—	63,330	1,388	64,718
Balance, September 30, 2022	**$ —**	**179,214,795**	**$ 1,792**	**$ 4,184,839**	**$ (840,521)**	**$ 75,663**	**$ 3,421,773**	**$ 74,941**	**$ 3,496,714**
Nine months ended September 30, 2023									
Balance, December 31, 2022	**$ —**	**$ 179,248,980**	**$ 1,792**	**$ 4,188,677**	**$ (876,145)**	**$ 70,500**	**$ 3,384,824**	**$ 73,357**	**$ 3,458,181**
Proceeds from sales of common stock, net	—	1,967,009	20	69,507	—	—	69,527	—	69,527
Dividends and distributions, net ($1.10 per share/unit)	—	—	—	—	(198,590)	—	(198,590)	(1,240)	(199,830)
Non-cash compensation activity, net	—	98,194	1	(100)	(83)	—	(182)	8,403	8,221
Redemption of common units to common stock	—	199,431	2	3,742	—	—	3,744	(3,744)	—
Rebalancing of noncontrolling interest	—	—	—	4,932	—	—	4,932	(4,932)	—
Other comprehensive income	—	—	—	—	—	4,586	4,586	105	4,691
Net income	—	—	—	—	151,112	—	151,112	3,461	154,573
Balance, September 30, 2023	**$ —**	**181,513,614**	**$ 1,815**	**$ 4,266,758**	**$ (923,706)**	**$ 75,086**	**$ 3,419,953**	**$ 75,410**	**$ 3,495,363**
Nine months ended September 30, 2022									
Balance, December 31, 2021	**$ —**	**177,769,342**	**$ 1,777**	**$ 4,130,038**	**$ (792,332)**	**$ (11,783)**	**$ 3,327,700**	**$ 65,887**	**$ 3,393,587**
Proceeds from sales of common stock, net	—	1,328,335	13	54,854	—	—	54,867	—	54,867
Dividends and distributions, net ($1.10 per share/unit)	—	—	—	—	(195,941)	—	(195,941)	(4,820)	(200,761)
Non-cash compensation activity, net	—	52,118	1	832	(780)	—	53	7,814	7,867
Redemption of common units to common stock	—	65,000	1	1,216	—	—	1,217	(1,217)	—
Rebalancing of noncontrolling interest	—	—	—	(2,101)	—	—	(2,101)	2,101	—
Other comprehensive income	—	—	—	—	—	87,446	87,446	1,918	89,364
Net income	—	—	—	—	148,532	—	148,532	3,258	151,790
Balance, September 30, 2022	**$ —**	**179,214,795**	**$ 1,792**	**$ 4,184,839**	**$ (840,521)**	**$ 75,663**	**$ 3,421,773**	**$ 74,941**	**$ 3,496,714**

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

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

	Nine months ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net income	**$ 154,573**	**$ 15**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	207,199	20
Loss on impairment	—	
Non-cash portion of interest expense	2,924	
Amortization of above and below market leases, net	(490)	
Straight-line rent adjustments, net	(13,414)	(1
Debt extinguishment and modification expenses	—	
Gain on the sales of rental property, net	(49,343)	(5
Non-cash compensation expense	9,006	
Change in assets and liabilities:		
Tenant accounts receivable	6,212	
Prepaid expenses and other assets	(24,298)	(2
Accounts payable, accrued expenses and other liabilities	6,324	1
Tenant prepaid rent and security deposits	813	
Total adjustments	144,933	14
Net cash provided by operating activities	**299,506**	**29**
Cash flows from investing activities:		
Acquisitions of land and buildings and improvements	(238,226)	(41
Additions of land and buildings and improvements	(77,886)	(6
Acquisitions of other assets	—	(
Acquisitions of tenant prepaid rent	511	
Acquisitions of operating lease right-of-use assets	—	(
Proceeds from sales of rental property, net	97,234	13
Acquisition deposits, net	2,000	
Acquisitions of deferred leasing intangibles	(16,786)	(4
Acquisitions of operating lease liabilities	—	
Net cash used in investing activities	**(233,153)**	**(39**
Cash flows from financing activities:		
Proceeds from unsecured credit facility	965,000	1,16
Repayment of unsecured credit facility	(815,000)	(1,32
Proceeds from unsecured term loans	—	37
Repayment of unsecured term loans	—	(32
Proceeds from unsecured notes	—	40
Repayment of unsecured notes	(100,000)	
Repayment of mortgage notes	(259)	(4
Payment of loan fees and costs	(270)	(
Proceeds from sales of common stock, net	69,616	5
Dividends and distributions	(199,387)	(20
Repurchase and retirement of share-based compensation	(812)	(
Net cash provided by (used in) financing activities	**(81,112)**	**9**
Decrease in cash and cash equivalents and restricted cash	(14,759)	(
Cash and cash equivalents and restricted cash—beginning of period	26,789	2
Cash and cash equivalents and restricted cash—end of period	**$ 12,030**	**$ 1**
Supplemental disclosure:		
Cash paid for interest, net of amounts capitalized of $1,686 and $925 for 2023 and 2022, respectively	$ 62,896	$ 4
Supplemental schedule of non-cash investing and financing activities		
Additions of land and buildings and improvements	$ —	$ (
Transfer of other assets to building and other capital improvements	$ —	$
Acquisitions of land and buildings and improvements	$ (66)	$
Acquisitions of deferred leasing intangibles	$ (6)	$

Change in additions of land, building, and improvements included in accounts payable, accrued expenses and other liabilities	$	1,089	$	(1
Additions to building and other capital improvements from non-cash compensation	$	(42)	$	
Change in loan fees, costs, and offering costs included in accounts payable, accrued expenses and other liabilities	$	(89)	$	
Dividends and distributions accrued	$	22,726	$	2

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

STAG Industrial, Inc.
Notes to Consolidated Financial Statements
(unaudited)

1. Organization and Description of Business

STAG Industrial, Inc. (the "Company") is an industrial real estate operating company focused on the acquisition and operation of 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 Company is structured as an umbrella partnership REIT, commonly called an UPREIT, and owns 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 September 30, 2023 and December 31, 2022, the Company owned a 97.8% and 97.9%, respectively, of the common units of the limited partnership interests 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, including the Operating Partnership, except where context otherwise requires.

As of September 30, 2023, the Company owned 568 industrial buildings in 41 states with approximately 112.0 million rentable square feet.

2. Summary of Significant Accounting Policies

Interim Financial Information

The accompanying interim financial statements have been presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and with the instructions to Form 10-Q and Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the accompanying interim financial statements include all adjustments, consisting of normal recurring items, necessary for their fair statement in conformity with GAAP. Interim results are not necessarily indicative of results for a full year. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Basis of Presentation

The Company's consolidated financial statements include the accounts of the Company, the Operating Partnership, and their consolidated 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 and restated (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.

Restricted Cash

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

Reconciliation of cash and cash equivalents and restricted cash (in thousands)	**September 30, 2023**	**December 31, 2022**
Cash and cash equivalents	$ 10,944	$ 25,884
Restricted cash	1,086	905
Total cash and cash equivalents and restricted cash	**$ 12,030**	**$ 26,789**

Uncertain Tax Positions

As of September 30, 2023 and December 31, 2022, there were no liabilities for uncertain tax positions.

Concentrations of Credit Risk

Management believes the current credit risk of the Company's 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 September 30, 2023 and December 31, 2022.

Rental Property (in thousands)	September 30, 2023	December 31, 2022
Land	$ 691,155	$ 647,098
Buildings, net of accumulated depreciation of $593,052 and $513,053, respectively	4,330,732	4,232,964
Tenant improvements, net of accumulated depreciation of $37,225 and $31,578, respectively	40,841	44,526
Building and land improvements, net of accumulated depreciation of $250,285 and $218,497, respectively	349,678	339,274
Construction in progress	82,582	89,981
Deferred leasing intangibles, net of accumulated amortization of $380,198 and $328,848, respectively	457,730	508,935
Total rental property, net	**$ 5,952,718**	**$ 5,862,778**

Acquisitions

The following table summarizes the Company's acquisitions during the three and nine months ended September 30, 2023. The Company accounted for all of its acquisitions as asset acquisitions.

Market[1]	Date Acquired	Square Feet	Number of Buildings	Purchase Price (in thousands)
Central New Jersey, NJ	April 24, 2023	101,381	1	$ 26,660
Greensboro, NC	May 5, 2023	133,622	1	14,004
Three and Six months ended June 30, 2023		**235,003**	**2**	**40,664**
Portland, OR	July 18, 2023	121,426	2	20,685
Allentown, PA	July 24, 2023	222,042	3	34,859
Philadelphia, PA	July 24, 2023	152,625	1	15,031
Sacramento, CA	August 7, 2023	96,658	1	13,725
Chicago, IL	August 10, 2023	400,088	1	41,348
Tampa, FL[2]	August 30, 2023	—	—	9,572
Indianapolis, IN	September 18, 2023	258,000	1	21,306
Riverside, CA	September 25, 2023	157,146	2	36,095
Dallas, TX	September 29, 2023	120,900	1	21,288
Three months ended September 30, 2023		**1,528,885**	**12**	**213,909**
Nine months ended September 30, 2023		**1,763,888**	**14**	**$ 254,573**

(1) As defined by CBRE-EA industrial market geographies. If the building is located outside of a CBRE-EA defined market, the city and state is reflected.

(2) The Company acquired vacant land parcels.

The following table summarizes the allocation of the total purchase price paid (on the closing dates) for the assets and liabilities acquired by the Company during the nine months ended September 30, 2023 in connection with the acquisitions identified in the table above.

	Nine months ended September 30, 2023	
Acquired Assets and Liabilities	**Purchase Price (in thousands)**	**Weighted Average Amortization Period (years) of Intangibles at Acquisition**
Land	$ 48,087	N/A
Buildings	180,246	N/A
Tenant improvements	1,348	N/A
Building and land improvements	8,611	N/A
Deferred leasing intangibles - In-place leases	15,666	5.3
Deferred leasing intangibles - Tenant relationships	5,804	9.5
Deferred leasing intangibles - Above market leases	373	2.7
Deferred leasing intangibles - Below market leases	(5,051)	7.1
Tenant prepaid rent	(511)	N/A
Total purchase price	**$ 254,573**	

Dispositions

The following table summarizes the Company's dispositions during the nine months ended September 30, 2023. All of the dispositions were sold to third parties and were accounted for under the full accrual method.

Sales of rental property, net (dollars in thousands)	Nine months ended September 30, 2023	
Number of buildings		9
Building square feet (in millions)		1.9
Proceeds from sales of rental property, net	$	97,234
Net book value	$	47,891
Gain on the sales of rental property, net	$	49,343

The following table summarizes the results of operations for the three and nine months ended September 30, 2023 and 2022 for the buildings sold during the nine months ended September 30, 2023, which are included in the Company's Consolidated Statements of Operations prior to the date of sale.

	Three months ended September 30,				Nine months ended September 30,			
Sales of rental property, net (dollars in thousands)	**2023**		**2022**		**2023**		**2022**	
Sold buildings contribution to net income(1)	$	310	$	1,974	$	1,766	$	4,446

(1) Exclusive of gain on the sales of rental property, net and loss on impairment.

Deferred Leasing Intangibles

The following table summarizes the deferred leasing intangibles, net on the accompanying Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022.

	September 30, 2023						December 31, 2022					
Deferred Leasing Intangibles (in thousands)	**Gross**		**Accumulated Amortization**		**Net**		**Gross**		**Accumulated Amortization**		**Net**	
Above market leases	$	83,414	$	(37,496)	$	45,918	$	86,172	$	(34,954)	$	51,218
Other intangible lease assets		754,514		(342,702)		411,812		751,611		(293,894)		457,717
Total deferred leasing intangible assets	**$**	**837,928**	**$**	**(380,198)**	**$**	**457,730**	**$**	**837,783**	**$**	**(328,848)**	**$**	**508,935**
Below market leases	$	60,930	$	(29,599)	$	31,331	$	57,020	$	(24,593)	$	32,427
Total deferred leasing intangible liabilities	**$**	**60,930**	**$**	**(29,599)**	**$**	**31,331**	**$**	**57,020**	**$**	**(24,593)**	**$**	**32,427**

The following table summarizes the net increase to rental income and amortization expense for the amortization of deferred leasing intangibles during the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,				Nine months ended September 30,			
Deferred Leasing Intangibles Amortization (in thousands)	**2023**		**2022**		**2023**		**2022**	
Net increase to rental income related to above and below market lease amortization	$	292	$	90	$	473	$	191
Amortization expense related to other intangible lease assets	$	22,095	$	24,069	$	66,398	$	72,851

4. Debt

The following table summarizes the Company's outstanding indebtedness, including borrowings under the Company's unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes as of September 30, 2023 and December 31, 2022.

Indebtedness (dollars in thousands)	September 30, 2023	December 31, 2022	Interest Rate(1)(2)	Maturity Date	Prepayment Terms(3)
Unsecured credit facility:					
Unsecured Credit Facility(4)	$ 325,000	$ 175,000	Term SOFR + 0.855%	October 23, 2026	i
Total unsecured credit facility	**325,000**	**175,000**			
Unsecured term loans:					
Unsecured Term Loan F	200,000	200,000	2.94 %	January 12, 2025	i
Unsecured Term Loan G	300,000	300,000	1.78 %	February 5, 2026	i
Unsecured Term Loan A	150,000	150,000	2.14 %	March 15, 2027	i
Unsecured Term Loan H	187,500	187,500	3.73 %	January 25, 2028	i
Unsecured Term Loan I	187,500	187,500	3.49 %	January 25, 2028	i
Total unsecured term loans	1,025,000	1,025,000			
Total unamortized deferred financing fees and debt issuance costs	(3,561)	(4,560)			
Total carrying value unsecured term loans, net	**1,021,439**	**1,020,440**			
Unsecured notes:					
Series F Unsecured Notes	—	100,000	3.98 %	January 5, 2023	ii
Series A Unsecured Notes	50,000	50,000	4.98 %	October 1, 2024	ii
Series D Unsecured Notes	100,000	100,000	4.32 %	February 20, 2025	ii
Series G Unsecured Notes	75,000	75,000	4.10 %	June 13, 2025	ii
Series B Unsecured Notes	50,000	50,000	4.98 %	July 1, 2026	ii
Series C Unsecured Notes	80,000	80,000	4.42 %	December 30, 2026	ii
Series E Unsecured Notes	20,000	20,000	4.42 %	February 20, 2027	ii
Series H Unsecured Notes	100,000	100,000	4.27 %	June 13, 2028	ii
Series I Unsecured Notes	275,000	275,000	2.80 %	September 29, 2031	ii
Series K Unsecured Notes	400,000	400,000	4.12 %	June 28, 2032	ii
Series J Unsecured Notes	50,000	50,000	2.95 %	September 28, 2033	ii
Total unsecured notes	1,200,000	1,300,000			
Total unamortized deferred financing fees and debt issuance costs	(4,306)	(4,558)			
Total carrying value unsecured notes, net	**1,195,694**	**1,295,442**			
Mortgage notes (secured debt):					
Thrivent Financial for Lutherans	3,192	3,296	4.78 %	December 15, 2023	iii
United of Omaha Life Insurance Company	4,589	4,744	3.71 %	October 1, 2039	ii
Total mortgage notes	7,781	8,040			
Net unamortized fair market value discount	(139)	(137)			
Total unamortized deferred financing fees and debt issuance costs	—	(5)			
Total carrying value mortgage notes, net	**7,642**	**7,898**			
Total / weighted average interest rate(5)	**$ 2,549,775**	**$ 2,498,780**	**3.72 %**		

(1) Interest rate as of September 30, 2023. At September 30, 2023, the one-month Term Secured Overnight Financing Rate ("Term SOFR") was 5.31899%. 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 or discounts. The spread over the applicable rate for the Company's unsecured credit facility and unsecured term loans is based on the Company's debt rating and leverage ratio, as defined in the respective loan agreements.

(2) The unsecured credit facility has a stated interest rate of one-month Term SOFR plus a 0.10% adjustment and a spread of 0.775%, less a sustainability-related interest rate adjustment of 0.02%. The unsecured term loans have a stated interest rate of one-month Term SOFR plus a 0.10% adjustment and a spread of 0.85%, less a sustainability-related interest rate adjustment of 0.02%. As of September 30, 2023, one-month Term SOFR for the Unsecured Term Loans A, F, G, H, and I was swapped to a fixed rate of 1.31%, 2.11%, 0.95%, 2.90%, and 2.66%, respectively (which includes the 0.10% adjustment). One-month Term SOFR for the Unsecured Term Loan H will be swapped to a fixed rate of 2.50% effective January 12, 2024.

(3) Prepayment terms consist of (i) pre-payable with no penalty; (ii) pre-payable with penalty; (iii) pre-payable without penalty three months prior to the maturity date.

(4) The capacity of the unsecured credit facility is $1.0 billion. Deferred financing fees and debt issuance costs, net of accumulated amortization related to the unsecured credit facility of

approximately $3.8 million and $5.2 million are included in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, respectively. The initial maturity date is October 24, 2025, or such later date which may be extended pursuant to two six-month extension options exercisable by the Company in its discretion upon advance written notice. Exercise of each six-month option is subject to the following conditions: (i) absence of a default immediately before the extension and immediately after giving effect to the extension; (ii) accuracy of representations and warranties as of the extension date (both immediately before and after the extension), as if made on the extension date; and (iii) payment of a fee. Neither extension option is subject to lender consent, assuming proper notice and satisfaction of the conditions. The Company is required to pay a facility fee on the aggregate commitment amount (currently $1.0 billion) at a rate per annum of 0.1% to 0.3%, depending on our debt rating, as defined in the credit agreement. The facility fee is due and payable quarterly.

(5) The weighted average interest rate was calculated using the fixed interest rate swapped on the notional amount of $1,025.0 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 or discounts.

The aggregate undrawn nominal commitment on the unsecured credit facility as of September 30, 2023 was approximately $ 671.7 million, including issued letters of credit. The Company's actual borrowing capacity at any given point in time may be restricted to a maximum amount based on the Company's debt covenant compliance. Total accrued interest for the Company's indebtedness was approximately $17.2 million and $13.1 million as of September 30, 2023 and December 31, 2022, respectively, and is included in accounts payable, accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets.

The following table summarizes the costs included in interest expense related to the Company's debt arrangements on the accompanying Consolidated Statement of Operations for the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
Costs Included in Interest Expense (in thousands)	**2023**	**2022**	**2023**	**2022**
Amortization of deferred financing fees and debt issuance costs and fair market value premiums/discounts	$ 976	$ 1,011	$ 2,924	$ 2,755
Facility, unused, and other fees	$ 444	$ 417	$ 1,316	$ 1,103

Debt Activity

On January 5, 2023, the Company redeemed in full at maturity the $ 100.0 million in aggregate principal amount of the Series F Unsecured Notes with a fixed interest rate of 3.98%.

On January 19, 2023, the sustainability-related interest rate adjustment for the Unsecured Term Loan H and Unsecured Term Loan I went into effect because of the improvement in the Company's 2022 public disclosure assessment score from the Global Real Estate Sustainability Benchmark (GRESB), as compared to the 2021 score. The interest rate adjustment, a 0.02% interest rate reduction for each instrument, will end on June 29, 2024, in accordance with the respective loan agreements.

Financial Covenant Considerations

The Company was in compliance with all such applicable restrictions and financial and other covenants as of September 30, 2023 and December 31, 2022 related to its unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes. The real estate net book value of the properties that are collateral for the Company's debt arrangements was approximately $14.8 million and $14.8 million at September 30, 2023 and December 31, 2022, respectively, and is limited to senior, property-level secured debt financing arrangements.

Fair Value of Debt

The following table summarizes the aggregate principal amount outstanding under the Company's debt arrangements and the corresponding estimate of fair value as of September 30, 2023 and December 31, 2022.

	September 30, 2023		December 31, 2022	
Indebtedness (in thousands)	**Principal Outstanding**	**Fair Value**	**Principal Outstanding**	**Fair Value**
Unsecured credit facility	$ 325,000	$ 325,000	$ 175,000	$ 175,000
Unsecured term loans	1,025,000	1,025,000	1,025,000	1,025,000
Unsecured notes	1,200,000	1,018,485	1,300,000	1,150,283
Mortgage notes	7,781	6,440	8,040	6,855
Total principal amount	**2,557,781**	**$ 2,374,925**	**2,508,040**	**$ 2,357,138**
Net unamortized fair market value discount	(139)		(137)	
Total unamortized deferred financing fees and debt issuance costs	(7,867)		(9,123)	
Total carrying value	**$ 2,549,775**		**$ 2,498,780**	

The applicable fair value guidance establishes a three tier fair 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. The fair value of the Company's debt is based on Level 3 inputs.

5. Derivative Financial Instruments

Risk Management Objective of Using Derivatives

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

As of September 30, 2023, the Company had 21 interest rate swaps, all of which are used to hedge the variable cash flows associated with unsecured loans. All of the Company's interest rate swaps convert the related loans' Term SOFR components to effectively fixed interest rates, and the Company has concluded that each of the hedging relationships are highly effective. The following table summarizes the fair value of the interest rate swaps as of September 30, 2023 and December 31, 2022.

Balance Sheet Line Item (in thousands)	Notional Amount September 30, 2023	Fair Value September 30, 2023	Notional Amount December 31, 2022	Fair Value December 31, 2022
Interest rate swaps-Asset	$ 1,200,000	$ 76,891	$ 1,650,000	$ 72,223
Interest rate swaps-Liability	$ —	$ —	$ —	$ —

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.

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

Amounts reported in accumulated other comprehensive income 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 $35.9 million will be reclassified from accumulated other comprehensive income as a decrease to interest expense over the next 12 months.

The following table summarizes the effect of cash flow hedge accounting and the location of amounts related to Company's derivatives in the consolidated financial statements for the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
Effect of Cash Flow Hedge Accounting (in thousands)	2023	2022	2023	2022
Income recognized in accumulated other comprehensive income on interest rate swaps	$ 13,933	$ 41,288	$ 29,559	$ 85,422
Income (loss) reclassified from accumulated other comprehensive income into income as interest expense	$ 9,051	$ 1,670	$ 24,868	$ (3,942)
Total interest expense presented in the Consolidated Statements of Operations in which the effects of cash flow hedges are recorded	$ 23,753	$ 21,155	$ 69,225	$ 56,310

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 September 30, 2023, the Company had not breached the provisions of these agreements and had not posted any collateral related to these agreements.

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 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 the Company or its counterparties. However, as of September 30, 2023 and December 31, 2022, 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 table summarizes the Company's financial instruments that were recorded at fair value on a recurring basis as of September 30, 2023 and December 31, 2022. There were no financial instruments in a liability position at September 30, 2023 and December 31, 2022.

		Fair Value Measurements as of September 30, 2023 Using		
Balance Sheet Line Item (in thousands)	**Fair Value September 30, 2023**	**Level 1**	**Level 2**	**Level 3**
Interest rate swaps-Asset	$ 76,891	$ —	$ 76,891	$ —

		Fair Value Measurements as of December 31, 2022 Using		
Balance Sheet Line Item (in thousands)	**Fair Value December 31, 2022**	**Level 1**	**Level 2**	**Level 3**
Interest rate swaps-Asset	$ 72,223	$ —	$ 72,223	$ —

6. Equity

Preferred Stock

The Company is authorized to issue up to 20,000,000 shares of preferred stock, par value $ 0.01 per share. As of September 30, 2023 and December 31, 2022, there were no shares of preferred stock issued or outstanding.

Common Stock

The Company is authorized to issue up to 300,000,000 shares of common stock, par value $ 0.01 per share.

The following table summarizes the terms of the Company's at-the market ("ATM") common stock offering program as of September 30, 2023.

ATM Common Stock Offering Program	Date	Maximum Aggregate Offering Price (in thousands)	Aggregate Available as of September 30, 2023 (in thousands)
2022 $750 million ATM	February 17, 2022	$ 750,000	$ 679,463

The following tables summarize the shares sold through the sales agents under the ATM common stock offering program during the nine months ended September 30, 2023 and year ended December 31, 2022.

	Nine months ended September 30, 2023		
ATM Common Stock Offering Program	**Shares Sold**	**Weighted Average Price Per Share**	**Net Proceeds (in thousands)**
2022 $750 million ATM(1)	249,016	$ 35.55	$ 8,765
Total/weighted average	**249,016**	**$ 35.55**	**$ 8,765**

(1) Excludes shares sold on a forward basis under the ATM common stock offering program during the nine months ended September 30, 2023, which are discussed below.

	Year ended December 31, 2022		
ATM Common Stock Offering Program	**Shares Sold**	**Weighted Average Price Per Share**	**Net Proceeds (in thousands)**
2019 $600 million ATM(1)	128,335	$ 45.03	$ 5,721
Total/weighted average	**128,335**	**$ 45.03**	**$ 5,721**

(1) This program ended before March 31, 2022.

In addition, on May 5, 2023, the Company sold 725,698 shares on a forward basis under the ATM common stock offering program at a sale price of $ 35.0458 per share (an aggregate of approximately $25.4 million gross sale price), or $ 34.6953 per share net of commissions. The Company did not initially receive any proceeds from the sale of such shares on a forward basis. On July 27, 2023, the Company physically settled in full the forward sales agreements by issuing 725,698 shares of common stock for net proceeds of approximately $ 25.2 million, or $34.7714 per share.

On June 16, 2023, the Company also sold 992,295 shares on a forward basis under the ATM common stock offering program at a weighted average sale price of $36.5319 per share (an aggregate of approximately $ 36.3 million gross sale price), or $ 36.1820 per share net of commissions. The Company did not initially receive any proceeds from the sale of such shares on a forward basis. On July 27, 2023, the Company physically settled in full the forward sales agreements by issuing 992,295 shares of common stock for net proceeds of approximately $ 35.9 million, or $36.2046 per share.

Restricted Stock-Based Compensation

The Company granted restricted shares of common stock under the 2011 Plan on January 11, 2023 to certain employees of the Company, which will vest over four years in equal installments on January 1 of each year beginning on January 1, 2024, subject to the recipient's continued employment. The following table summarizes activity related to the Company's unvested restricted shares of common stock during the nine months ended September 30, 2023 and the year ended December 31, 2022.

Unvested Restricted Shares of Common Stock	**Shares**	**Weighted Average Grant Date Fair Value per Share**
Balance at December 31, 2021	**185,715**	$ 28.86
Granted	58,580	$ 44.19
Vested(1)	(73,556)	$ 28.03
Forfeited	(14,036)	$ 36.16
Balance at December 31, 2022	**156,703**	$ 34.32
Granted	55,954	$ 34.73
Vested(1)	(68,625)	$ 31.71
Forfeited	—	$ —
Balance at September 30, 2023	**144,032**	$ 35.73

(1) The Company repurchased and retired 24,210 and 25,836 restricted shares of common stock that vested during the nine months ended September 30, 2023 and the year ended December 31, 2022, respectively.

The unrecognized compensation expense associated with the Company's restricted shares of common stock at September 30, 2023 was approximately $ 3.4 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 for the restricted shares of common stock that vested during the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
Vested Restricted Shares of Common Stock	**2023**	**2022**	**2023**	**2022**
Vested restricted shares of common stock	—	—	68,625	73,556
Fair value of vested restricted shares of common stock (in thousands)	$ —	$ —	$ 2,217	$ 3,528

7. Noncontrolling Interest

The following table summarizes the activity for noncontrolling interest in the Company during the nine months ended September 30, 2023 and the year ended December 31, 2022.

Noncontrolling Interest	**LTIP Units**	**Other Common Units**	**Total Noncontrolling Common Units**	**Noncontrolling Interest**
Balance at December 31, 2021	**1,949,124**	**1,570,640**	**3,519,764**	1.9 %
Granted/Issued	470,237	—	470,237	N/A
Forfeited	(6,791)	—	(6,791)	N/A
Conversions from LTIP units to Other Common Units	(98,494)	98,494	—	N/A
Redemptions from Other Common Units to common stock	—	(98,494)	(98,494)	N/A
Balance at December 31, 2022	**2,314,076**	**1,570,640**	**3,884,716**	2.1 %
Granted/Issued	326,215	—	326,215	N/A
Forfeited	(9,119)	—	(9,119)	N/A
Conversions from LTIP units to Other Common Units	(149,287)	149,287	—	N/A
Redemptions from Other Common Units to common stock	—	(199,431)	(199,431)	N/A
Balance at September 30, 2023	**2,481,885**	**1,520,496**	**4,002,381**	2.2 %

LTIP Units

The Company granted LTIP units under the 2011 Plan on January 11, 2023 to non-employee, independent directors, which will vest on January 1, 2024, subject to the recipient's continued service. The Company granted LTIP units under the 2011 Plan on January 11, 2023 to certain executive officers and senior employees of the Company, which will vest in equal installments on a quarterly basis over four years, with the first vesting date having been March 31, 2023, subject to the recipient's continued employment. Refer to Note 8 for a discussion of the LTIP units granted on January 11, 2023 pursuant to the 2020 performance units.

On March 13, 2023, the Company executed an employment agreement with Steven T. Kimball to serve as the Company's Executive Vice President of Real Estate Operations, effective March 31, 2023. On March 31, 2023, pursuant to the 2011 Plan, the Company awarded Mr. Kimball an initial LTIP unit grant equal in value to approximately $0.6 million, which equated to 19,345 LTIP units, which will vest in equal installments on a quarterly basis over four years, with the first vesting date having been March 31, 2023, subject to Mr. Kimball's continued employment.

The fair value of the LTIP units as of the grant date was determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation. The fair value of the LTIP units are based on Level 3 inputs and non-recurring fair value measurements. The following table summarizes the assumptions used in valuing such LTIP units granted during the nine months ended September 30, 2023 (excluding the LTIP units granted pursuant to the 2020 performance units discussed in Note 8).

LTIP Units	**Assumptions**	
Grant date	March 31, 2023	January 11, 2023
Expected term (years)	10	10
Expected stock price volatility	37.0 %	37.0 %
Expected dividend yield	4.0 %	4.0 %
Risk-free interest rate	3.81 %	3.90 %
Fair value of LTIP units at issuance (in thousands)	$ 628	$ 4,635
LTIP units at issuance	19,345	139,026
Fair value unit price per LTIP unit at issuance	$ 32.47	$ 33.34

The expected stock price volatility is based on a mix of the historical and implied volatilities of the Company and certain peer group companies. The expected dividend yield is based on the Company's average historical dividend yield and the dividend yield as of the valuation date for each award. The risk-free interest rate is based on U.S. Treasury note yields matching a three-year time period.

The following table summarizes activity related to the Company's unvested LTIP units during the nine months ended September 30, 2023 and the year ended December 31, 2022.

Unvested LTIP Units	LTIP Units	Weighted Average Grant Date Fair Value per Unit
Balance at December 31, 2021	**190,108**	$ 27.84
Granted	470,237	$ 42.07
Vested	(513,438)	$ 38.67
Forfeited	(6,791)	$ 34.02
Balance at December 31, 2022	**140,116**	$ 35.60
Granted	326,215	$ 33.29
Vested	(257,991)	$ 33.90
Forfeited	(9,119)	$ 34.11
Balance at September 30, 2023	**199,221**	$ 34.08

The unrecognized compensation expense associated with the Company's LTIP units at September 30, 2023 was approximately $ 4.0 million and is expected to be recognized over a weighted average period of approximately 2.5 years.

The following table summarizes the fair value at vesting for the LTIP units that vested during the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
Vested LTIP units	2023	2022	2023	2022
Vested LTIP units	22,289	25,124	257,991	469,799
Fair value of vested LTIP units (in thousands)	$ 769	$ 708	$ 8,631	$ 20,252

8. Equity Incentive Plan

On January 11, 2023, the compensation committee of the board of directors approved and the Company granted performance units under the 2011 Plan to the executive officers and certain key employees of the Company. The terms of the performance units granted on January 11, 2023 are substantially the same as the terms of the performance units granted in January 2022, 2021, and 2020, except that the measuring period commenced on January 1, 2023 and ends on December 31, 2025, and the size-based peer group was eliminated. The target amount of the performance units granted on January 11, 2023 is nominally allocated as follows: (i) 50% to the Company's total stockholder return ("TSR") compared to the TSR of an industry peer group; and (ii) 50% to the Company's TSR compared to the TSR of the companies in the MSCI US REIT Index.

On March 31, 2023, in connection with the execution of the employment agreement discussed in Note 7, the Company granted Mr. Kimball performance units under the 2011 Plan with a target grant date fair value equal to approximately $0.6 million. The terms and measuring period of the performance units granted to Mr. Kimball are the same as the performance units granted on January 11, 2023.

On April 25, 2023, the Company's stockholders approved an amendment (the "Amendment") to the 2011 Plan which increased the total number of shares of common stock of the Company authorized and reserved for issuance under the 2011 Plan by 3,500,000 shares to an aggregate of 10,142,461 shares of common stock, subject to certain adjustments as described in the 2011 Plan. The Amendment also extended the expiration date of the 2011 Plan from April 30, 2028 to April 24, 2033.

The fair value of the performance units as of the grant date was determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation. The fair value of the performance units is based on Level 3 inputs and non-recurring fair value measurements. The performance unit equity compensation expense is recognized ratably from the grant date into earnings over the vesting period. The following table summarizes the assumptions used in valuing the performance units granted during the nine months ended September 30, 2023.

Performance Units	Assumptions	
Grant date	March 31, 2023	January 11, 2023
Expected stock price volatility	25.4 %	37.4 %
Expected dividend yield	4.0 %	4.0 %
Risk-free interest rate	3.8725 %	3.9060 %
Fair value of performance units grant (in thousands)	$ 609	$ 4,517

The expected stock price volatility is based on a mix of the historical and implied volatilities of the Company and certain peer group companies. The expected dividend yield is based on the Company's average historical dividend yield and the dividend yield as of the valuation date for each award. The risk-free interest rate is based on U.S. Treasury note yields matching the time period of the grant date to the end of the measuring period.

On December 31, 2022, the measuring period for the 2020 performance units concluded, and it was determined that the Company's TSR exceeded the threshold percentage and return hurdle. The following table summarizes the issuances of LTIP units and shares of common stock approved by the compensation committee of the board of directors and issued upon the settlement of the 2020 performance units at the conclusion of the applicable measuring period during the nine months ended September 30, 2023.

Settlement of Performance Units in LTIP Units or Shares of Common Stock	2020 Performance Units
Measuring period conclusion date	December 31, 2022
Issuance date	January 11, 2023
Vested LTIP units	167,844
Vested shares of common stock	40,660
Shares of common stock repurchased and retired	875

The unrecognized compensation expense associated with the Company's performance units at September 30, 2023 was approximately $ 6.3 million and is expected to be recognized over a weighted average period of approximately 1.8 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 units, and the Company's director compensation for the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
Non-Cash Compensation Expense (in thousands)	**2023**	**2022**	**2023**	**2022**
Restricted shares of common stock	$ 474	$ 527	$ 1,499	$ 1,640
LTIP units	765	709	3,507	3,360
Performance units	1,202	1,378	3,556	4,038
Director compensation[(1)]	161	124	425	370
Total non-cash compensation expense	**$ 2,602**	**$ 2,738**	**$ 8,987**	**$ 9,408**

(1) All of the Company's independent directors elected to receive shares of common stock in lieu of cash for their service during the three and nine months ended September 30, 2023 and 2022. The number of shares of common stock granted was calculated based on the trailing 10 day average common stock price on the third business day preceding the grant date.

9. Leases

Lessor Leases

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

The following table summarizes the components of rental income included in the accompanying Consolidated Statements of Operations for the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
Rental Income (in thousands)	**2023**	**2022**	**2023**	**2022**
Fixed lease payments	$ 136,207	$ 127,132	$ 400,457	$ 371,965
Variable lease payments	37,348	33,039	108,017	99,531
Straight-line rental income	4,011	4,422	13,618	12,654
Net increase to rental income related to above and below market lease amortization	292	90	473	191
Total rental income	**$ 177,858**	**$ 164,683**	**$ 522,565**	**$ 484,341**

As of September 30, 2023 and December 31, 2022, the Company had accrued rental income of approximately $ 102.7 million and $91.2 million, respectively, included in tenant accounts receivable on the accompanying Consolidated Balance Sheets.

As of September 30, 2023 and December 31, 2022, the Company's total liability associated with lease security deposits was approximately $ 20.5 million and $19.1 million, respectively, which is included in tenant prepaid rent and security deposits on the accompanying Consolidated Balance Sheets.

The following table summarizes the maturity of fixed lease payments under the Company's leases as of September 30, 2023.

Year	Maturity of Fixed Lease Payments (in thousands)
Remainder of 2023	$ 139,393
2024	$ 542,062
2025	$ 488,478
2026	$ 409,769
2027	$ 327,336
Thereafter	$ 954,252

Lessee Leases

The Company has operating leases in which it is the lessee for its ground leases and corporate office leases. These leases have remaining lease terms of approximately 2.6 years to 47.0 years. Certain ground leases contain options to extend the leases for ten years to 20 years, all of which are reasonably certain to be exercised, and are included in the computation of the Company's right-of-use assets and operating lease liabilities.

The following table summarizes supplemental information related to operating lease right-of-use assets and operating lease liabilities recognized in the Company's Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022.

Operating Lease Term and Discount Rate	September 30, 2023	December 31, 2022
Weighted average remaining lease term (years)	31.4	31.2
Weighted average discount rate	6.8 %	6.7 %

The following table summarizes the operating lease cost included in the Company's Consolidated Statements of Operations for the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
Operating Lease Cost (in thousands)	**2023**	**2022**	**2023**	**2022**
Operating lease cost included in property expense attributable to ground leases	$ 614	$ 616	$ 1,850	$ 1,754
Operating lease cost included in general and administrative expense attributable to corporate office leases	431	437	1,302	1,310
Total operating lease cost	**$ 1,045**	**$ 1,053**	**$ 3,152**	**$ 3,064**

The following table summarizes supplemental cash flow information related to operating leases in the Company's Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022.

	Nine months ended September 30,	
Operating Leases (in thousands)	**2023**	**2022**
Cash paid for amounts included in the measurement of lease liabilities (operating cash flows)	$ 2,901	$ 2,815
Right-of-use assets obtained in exchange for new lease liabilities	$ 141	$ —

The following table summarizes the maturity of operating lease liabilities under the Company's ground leases and corporate office leases as of September 30, 2023.

Year	**Maturity of Operating Lease Liabilities(1) (in thousands)**
Remainder of 2023	$ 989
2024	3,975
2025	4,022
2026	3,014
2027	2,023
Thereafter	81,962
Total lease payments	95,985
Less: Imputed interest	(61,969)
Present value of operating lease liabilities	**$ 34,016**

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

10. Earnings Per Share

During the three and nine months ended September 30, 2023 and 2022, there were 144,032, 161,216, 142,485 and 163,107 of unvested restricted shares of common stock (on a weighted average basis), respectively, that were considered participating securities for the purposes of computing earnings per share.

The following table reconciles the numerators and denominators in the computation of basic and diluted earnings per share of common stock for the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
Earnings Per Share (in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Numerator				
Net income attributable to common stockholders	$ 49,987	$ 63,271	$ 150,953	$ 148,352
Denominator				
Weighted average common shares outstanding — basic	180,803	179,054	179,810	178,648
Effect of dilutive securities(1)				
Share-based compensation	360	108	260	142
Weighted average common shares outstanding — diluted	181,163	179,162	180,070	178,790
Net income per share — basic and diluted				
Net income per share attributable to common stockholders — basic	$ 0.28	$ 0.35	$ 0.84	$ 0.83
Net income per share attributable to common stockholders — diluted	$ 0.28	$ 0.35	$ 0.84	$ 0.83

(1) During the three and nine months ended September 30, 2023 and 2022, there were approximately 144, 161, 142 and 163 unvested restricted shares of common stock (on a weighted average basis), respectively, that were not included in the computation of diluted earnings per share because the allocation of income under the two-class method was more dilutive.

11. Commitments and Contingencies

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

The Company has letters of credit of approximately $ 3.3 million as of September 30, 2023 related to construction projects and certain other agreements.

12. Subsequent Events

There were no recognized or non-recognized subsequent events.

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

You should read the following discussion with the financial statements and related notes included elsewhere in Item 1 of this report and the audited financial statements and related notes thereto included in our most recent Annual Report on Form 10-K.

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. (the "Operating Partnership").

Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the safe harbor from civil liability provided for such statements by the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (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 our Annual Report on Form 10-K for the year ended December 31, 2022, as updated elsewhere 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;"
- the risk of global or national recessions and international, national, regional, and local economic conditions;
- 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, the general economic climate in local markets and competition for tenants in such markets, and the repurposing or redevelopment of retail properties into industrial properties (in part or whole);
- decreased rental rates or increased vacancy rates;
- the general level of interest rates and currencies;
- potential defaults (including bankruptcies or insolvency) on or non-renewal of leases by tenants;
- acquisition risks, including our ability to identify and complete accretive acquisitions and/or failure of such acquisitions to perform in accordance with projections;
- the timing of acquisitions and dispositions;
- technological developments, particularly those affecting supply chains and logistics;
- potential natural disasters, epidemics, pandemics or outbreak of infectious disease, such as the novel coronavirus disease ("COVID-19"), and other potentially catastrophic events such as acts of war and/or terrorism (including the conflict between Russia and Ukraine and the related impact on macroeconomic conditions as a result of such conflict);
- potential changes in the law or governmental regulations and interpretations of those laws and regulations, including changes in real estate and zoning laws or real estate investment trust ("REIT") or corporate income tax laws, and potential increases in real property tax rates;
- financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;
- credit risk in the event of non-performance by the counterparties to the interest rate swaps and revolving and unfunded debt;
- how and when pending forward equity sales may settle;
- lack of or insufficient amounts of insurance;
- our ability to maintain our qualification as a REIT;

- our ability to retain key personnel;
- litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and
- possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us.

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

Certain Definitions

In this report:

“Cash Rent Change” means 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” means 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.

“GAAP” means generally accepted accounting principles in the United States.

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

“Occupancy rate” means 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” means all buildings that were acquired stabilized or have achieved Stabilization. The Operating Portfolio excludes non-core flex/office buildings, buildings contained in the Value Add Portfolio, and buildings classified as held for sale.

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

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

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

“Total annualized base rental revenue” means the contractual monthly base rent as of September 30, 2023 (which differs from rent calculated in accordance with GAAP) multiplied by 12. If a tenant is in a free rent period as of September 30, 2023, the total annualized base rental revenue is calculated based on the first contractual monthly base rent amount multiplied by 12.

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

“Weighted Average Lease Term” means the contractual lease term in years, assuming that tenants exercise no renewal options, purchase options, or early termination rights, weighted by square footage.

Overview

We are a REIT focused on the acquisition, ownership, and operation of 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 New York Stock Exchange under the symbol “STAG.”

We are organized and conduct our operations to maintain our qualification as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, 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.

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 our acquisition activity, and (ii) internal growth, specifically our portfolio occupancy and rental rates. A variety of other factors, including those noted below, also may affect our future results of operations.

Outlook

The industrial real estate business is affected by the uncertainty regarding the current high inflationary, rising interest rate environment, disruption in the banking industry, and geopolitical tensions. These factors are key drivers of recent financial market volatility and concerns of a global recession. While U.S. gross domestic product (“GDP”) declined during the first two quarters of 2022, GDP increased more than 2% during the year ended June 30, 2023. Labor conditions also remained strong with a 3.8% unemployment rate as of September 2023. Going forward, the general consensus among economists is to expect an elevated risk of recession over the near term. While the macro-economic conditions continue to evolve and could result in tighter credit conditions, weakening tenant cash flows, and rising vacancy rates, we believe we will continue to benefit from having a well-diversified portfolio across various markets, tenant industries, and lease terms. Additionally, we believe that recent moves toward more regional supply chains and geopolitical tensions have accelerated a number of trends that positively impact U.S. industrial demand. However, given the current uncertainty and events discussed above, our acquisition activity slowed in 2022 and so far in 2023 has been significantly slower than our historical acquisition pace.

We believe that the current economic environment, while volatile, will provide us with an opportunity to demonstrate the diversification of our portfolio. Specifically, we believe our existing portfolio should benefit from competitive rental rates and strong occupancy. In addition to our diversified portfolio, we believe that certain characteristics of our business and capital structure should position us well in an uncertain environment, including our minimal floating rate debt exposure (taking into account our hedging activities), strong banking relationships, strong liquidity, access to capital, and the fact that many of our competitors for the assets we purchase tend to be smaller local and regional investors who may be more heavily impacted by rising interest rates and lack of available capital.

Due to the COVID-19 pandemic, geopolitical uncertainty, and recent legislation supporting U.S. infrastructure, we expect acceleration in a number of industrial specific trends to support stronger long term demand, including:

- the rise of e-commerce (as compared to the traditional retail store distribution model) and the concomitant demand by e-commerce industry participants for well-located, functional distribution space;
- the increasing attractiveness of the United States as a manufacturing and distribution location because of the size of the U.S. consumer market, an increase in overseas labor costs, a desire for greater supply chain resilience and redundancy which is driving higher inventory to sales ratios and greater domestic warehouse demand over the long term (i.e. the shortening and fattening of the supply chain); and
- the overall quality of the transportation infrastructure in the United States.

Our portfolio continues to benefit from historically low availability throughout the national industrial market. Demand has moderated in 2023 relative to recent peaks, but remains solid across a broad array of our markets and vacancy and availability rates remains low by historic standards. The weakening global and U.S. economic trends could be a notable headwind and may result in relatively less demand for space and higher vacancy. We believe that the diversification of our portfolio by market, tenant industry, and tenant credit will prove to be a strength in this environment.

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, natural disasters, epidemics, and other factors in these markets may affect our overall performance.

Rental Income

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

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

The following table summarizes the Operating Portfolio leases that commenced during the three and nine months ended September 30, 2023. Any rental concessions in such leases are accounted for on a straight-line basis over the term of the lease.

Operating Portfolio	Square Feet	Cash Basis Rent Per Square Foot	SL Rent Per Square Foot	Total Costs Per Square Foot(1)	Cash Rent Change	SL Rent Change	Weighted Average Lease Term (years)	Rental Concessions per Square Foot(2)
Three months ended September 30, 2023								
New Leases	716,511	$ 8.99	$ 9.79	$ 6.15	63.2 %	78.4 %	6.0	$ 1.38
Renewal Leases	1,625,630	$ 5.58	$ 5.93	$ 1.25	26.0 %	40.1 %	4.5	$ 0.05
Total/weighted average	**2,342,141**	**$ 6.62**	**$ 7.11**	**$ 2.75**	**39.3 %**	**54.2 %**	**5.0**	**$ 0.46**
Nine months ended September 30, 2023								
New Leases	2,194,796	$ 7.49	$ 7.94	$ 3.92	47.0 %	58.0 %	4.7	$ 0.76
Renewal Leases	8,504,365	$ 5.22	$ 5.49	$ 1.05	24.0 %	37.0 %	4.3	$ 0.08
Total/weighted average	**10,699,161**	**$ 5.68**	**$ 5.99**	**$ 1.65**	**29.5 %**	**42.1 %**	**4.3**	**$ 0.22**

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

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

Additionally, for the three and nine months ended September 30, 2023, leases commenced totaling 60,000 and 1,110,359 square feet related to Value Add assets and first generation leasing. These are excluded from the Operating Portfolio statistics above.

Property Operating Expenses

Our property operating expenses generally consist of utilities, real estate taxes, management fees, insurance, and site repair and maintenance costs. For the majority of our tenants, our property operating expenses are controlled, in part, by the triple net provisions in tenant leases. In our triple net leases, the tenant is responsible for all aspects of and costs related to the building and its operation during the lease term, including utilities, taxes, insurance, and maintenance costs, but typically excluding roof and building structure. However, we also have modified gross leases and gross leases in our building portfolio, which may require us to absorb certain building related expenses of our tenants. In our modified gross leases, we are responsible for certain building related expenses during the lease term, but most of the expenses are passed through to the tenant for reimbursement to us. In our gross leases, we are responsible for all expenses 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 8.1% of our total annualized base rental revenue will expire during the period from October 1, 2023 to September 30, 2024, 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 be greater than the rates under existing leases expiring during the period October 1, 2023 to September 30, 2024, thereby resulting in an increase in revenue from the same space.

The following table summarizes lease expirations for leases in place as of September 30, 2023, plus available space, for each of the ten calendar years beginning with 2023 and thereafter in our portfolio. The information in the table assumes that tenants do not exercise renewal options or early termination rights.

Lease Expiration Year	Number of Leases Expiring	Total Rentable Square Feet	Percentage of Total Occupied Square Feet	Total Annualized Base Rental Revenue (in thousands)	Percentage of Total Annualized Base Rental Revenue
Available	—	2,646,482	— %	$ —	— %
Month-to-month leases(1)	—	40,000	— %	314	0.1 %
Remainder of 2023(2)	9	1,036,920	0.9 %	6,963	1.2 %
2024	77	10,443,629	9.6 %	54,831	9.6 %
2025	103	13,712,119	12.5 %	66,014	11.6 %
2026	135	19,528,175	17.9 %	101,145	17.8 %
2027	110	15,601,566	14.3 %	79,917	14.1 %
2028	92	11,719,861	10.7 %	60,563	10.6 %
2029	65	10,705,072	9.8 %	51,169	9.0 %
2030	36	5,356,310	4.9 %	34,179	6.0 %
2031	43	7,529,932	6.9 %	37,264	6.6 %
2032	19	2,800,575	2.6 %	19,439	3.4 %
Thereafter	41	10,830,677	9.9 %	56,621	10.0 %
Total	**730**	**111,951,318**	**100.0 %**	**$ 568,419**	**100.0 %**

(1) The number of month-to-month leases is zero. The month-to-month total rentable square footage refers to a secondary short-term lease occupied by a tenant whose lease count is included in their original long term suite.

(2) Leases previously scheduled to expire in 2023, totaling approximately 10.6 million square feet, have been executed as of September 30, 2023. These leases are excluded from 2023 expirations and are reflected in the new year of expiration.

Portfolio Acquisitions

The following table summarizes our acquisitions during the three and nine months ended September 30, 2023.

Market[1]	Date Acquired	Square Feet	Number of Buildings	Purchase Price (in thousands)
Central New Jersey, NJ	April 24, 2023	101,381	1	$ 26,660
Greensboro, NC	May 5, 2023	133,622	1	14,004
Three and Six months ended June 30, 2023		**235,003**	**2**	**40,664**
Portland, OR	July 18, 2023	121,426	2	20,685
Allentown, PA	July 24, 2023	222,042	3	34,859
Philadelphia, PA	July 24, 2023	152,625	1	15,031
Sacramento, CA	August 7, 2023	96,658	1	13,725
Chicago, IL	August 10, 2023	400,088	1	41,348
Tampa, FL[2]	August 30, 2023	—	—	9,572
Indianapolis, IN	September 18, 2023	258,000	1	21,306
Riverside, CA	September 25, 2023	157,146	2	36,095
Dallas, TX	September 29, 2023	120,900	1	21,288
Three months ended September 30, 2023		**1,528,885**	**12**	**213,909**
Nine months ended September 30, 2023		**1,763,888**	**14**	**$ 254,573**

(1) As defined by CBRE-EA industrial market geographies. If the building is located outside of a CBRE-EA defined market, the city and state is reflected.

(2) The Company acquired vacant land parcels.

Portfolio Dispositions

During the nine months ended September 30, 2023, we sold nine buildings comprised of approximately 1.9 million rentable square feet with a net book value of approximately $47.9 million to third parties. Net proceeds from the sales of rental property were approximately $97.2 million and we recognized the full gain on the sales of rental property, net, of approximately $49.3 million for the nine months ended September 30, 2023.

Top Markets

The following table summarizes information about the 20 largest markets in our portfolio based on total annualized base rental revenue as of September 30, 2023.

Top 20 Markets[1]	% of Total Annualized Base Rental Revenue
Chicago, IL	7.1 %
Greenville, SC	5.2 %
Pittsburgh, PA	4.2 %
Detroit, MI	4.1 %
Minneapolis, MN	3.6 %
Columbus, OH	3.6 %
South Central, PA	3.2 %
Philadelphia, PA	3.0 %
Houston, TX	2.6 %
El Paso, TX	2.5 %
Charlotte, NC	2.1 %
Milwaukee, WI	2.1 %
Indianapolis, IN	2.1 %
Sacramento, CA	1.9 %
Cleveland, OH	1.9 %
Kansas City, KS	1.7 %
Boston, MA	1.6 %
Columbia, SC	1.5 %
Grand Rapids, MI	1.5 %
Cincinnati, OH	1.3 %
Total	**56.8 %**

(1) Market classification based on CBRE-EA industrial market geographies.

Top Industries

The following table summarizes information about the 20 largest tenant industries in our portfolio based on total annualized base rental revenue as of September 30, 2023.

Top 20 Tenant Industries[(1)]	**% of Total Annualized Base Rental Revenue**
Air Freight & Logistics	11.1 %
Containers & Packaging	8.2 %
Automobile Components	7.3 %
Machinery	6.2 %
Commercial Services & Supplies	5.8 %
Trading Companies & Distribution (Industrial Goods)	5.4 %
Distributors (Consumer Goods)	4.3 %
Building Products	4.3 %
Consumer Staples Distribution	3.6 %
Broadline Retail	3.5 %
Household Durables	3.4 %
Media	3.2 %
Specialty Retail	2.7 %
Ground Transportation	2.4 %
Beverages	2.4 %
Food Products	2.2 %
Chemicals	2.0 %
Electronic Equip, Instruments	2.0 %
Health Care Equipment & Supplies	1.9 %
Textiles, Apparel, Luxury Goods	1.6 %
Total	**83.5 %**

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

Top Tenants

The following table summarizes information about the 20 largest tenants in our portfolio based on total annualized base rental revenue as of September 30, 2023.

Top 20 Tenants[1]	Number of Leases	% of Total Annualized Base Rental Revenue
Amazon	6	2.7 %
Soho Studio, LLC	1	1.0 %
American Tire Distributors, Inc.	7	0.9 %
Eastern Metal Supply, Inc.	5	0.9 %
Tempur Sealy International, Inc.	2	0.8 %
Hachette Book Group, Inc.	1	0.8 %
Kenco Logistic Services, LLC	3	0.7 %
Yanfeng US Automotive Interior	2	0.7 %
WestRock Company	7	0.7 %
Penguin Random House, LLC	1	0.7 %
FedEx Corporation	3	0.7 %
Lippert Component Manufacturing	4	0.7 %
DS Smith North America	2	0.7 %
GXO Logistics, Inc.	2	0.7 %
DHL Supply Chain	4	0.7 %
AFL Telecommunications LLC	2	0.7 %
Carolina Beverage Group	3	0.6 %
Iron Mountain Information Management	5	0.6 %
Berlin Packaging L.L.C.	4	0.6 %
Packaging Corp of America	5	0.6 %
Total	**69**	**16.5 %**

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

Critical Accounting Policies

See “Critical Accounting Policies” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2022 for a discussion of our critical accounting policies and estimates.

Results of Operations

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

We define same store properties as properties that were in the Operating Portfolio for the entirety of the comparative periods presented. The results for same store properties exclude termination fees, solar income, and other income adjustments. Same store properties exclude Operating Portfolio properties with expansions placed into service after December 31, 2021. On September 30, 2023, we owned 514 industrial buildings consisting of approximately 101.8 million square feet and representing approximately 91.0% of our total portfolio, that are considered our same store portfolio in the analysis below. Same store occupancy decreased approximately 1.0% to 98.0% as of September 30, 2023 compared to 99.0% as of September 30, 2022.

Comparison of the three months ended September 30, 2023 to the three months ended September 30, 2022

The following table summarizes selected operating information for our same store portfolio and our total portfolio for the three months ended September 30, 2023 and 2022 (dollars in thousands). This table includes a reconciliation from our same store portfolio to our total portfolio by also providing information for the three months ended September 30, 2023 and 2022 with respect to the buildings acquired and sold after December 31, 2021, Operating Portfolio buildings with expansions placed into service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2021, flex/office buildings, Value Add buildings, and buildings classified as held for sale.

	Same Store Portfolio				Acquisitions/Dispositions		Other		Total Portfolio			
	Three months ended September 30,		Change		Three months ended September 30,		Three months ended September 30,		Three months ended September 30,		Change	
	2023	2022	$	%	2023	2022	2023	2022	2023	2022	$	%
Revenue												
Operating revenue												
Rental income	$ 159,997	$ 150,995	$ 9,002	6.0 %	$ 9,747	$ 8,406	$ 8,114	$ 5,282	$ 177,858	$ 164,683	$ 13,175	8.0 %
Other income	37	62	(25)	(40.3)%	93	1,013	1,293	547	1,423	1,622	(199)	(12.3)%
Total operating revenue	160,034	151,057	8,977	5.9 %	9,840	9,419	9,407	5,829	179,281	166,305	12,976	7.8 %
Expenses												
Property	30,833	27,769	3,064	11.0 %	1,846	1,328	1,750	990	34,429	30,087	4,342	14.4 %
Net operating income(1)	$ 129,201	$ 123,288	$ 5,913	4.8 %	$ 7,994	$ 8,091	$ 7,657	$ 4,839	144,852	136,218	8,634	6.3 %
Other expenses												
General and administrative									11,097	10,884	213	2.0 %
Depreciation and amortization									69,761	69,456	305	0.4 %
Loss on impairment									—	1,783	(1,783)	(100.0)%
Other expenses									773	578	195	33.7 %
Total other expenses									81,631	82,701	(1,070)	(1.3)%
Total expenses									116,060	112,788	3,272	2.9 %
Other income (expense)												
Interest and other income									17	26	(9)	(34.6)%
Interest expense									(23,753)	(21,155)	(2,598)	12.3 %
Debt extinguishment and modification expenses									—	(838)	838	(100.0)%
Gain on the sales of rental property, net									11,683	33,168	(21,485)	(64.8)%
Total other income (expense)									(12,053)	11,201	(23,254)	(207.6)%
Net income									**$ 51,168**	**$ 64,718**	**$ (13,550)**	**(20.9)%**

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

Net Income

Net income for our total portfolio decreased by approximately $13.6 million, or 20.9%, to approximately $51.2 million for the three months ended September 30, 2023 compared to approximately $64.7 million for the three months ended September 30, 2022.

Same Store Total Operating Revenue

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

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

Same store rental income, which includes lease income and other billings as discussed below, increased by approximately $9.0 million, or 6.0%, to approximately $160.0 million for the three months ended September 30, 2023 compared to approximately $151.0 million for the three months ended September 30, 2022.

Same store lease income increased by approximately $5.9 million, or 4.7%, to approximately $130.5 million for the three months ended September 30, 2023 compared to approximately $124.6 million for the three months ended September 30, 2022. The increase was primarily due to an increase in lease income of approximately $6.8 million from the execution of new leases and lease renewals with existing tenants. Additionally, there was an increase in same store lease income of approximately $0.8 million which was primarily attributable to management's evaluation of operating leases to determine the probability of collecting substantially all of the lessee's remaining lease payments under the lease term. For those that are not probable of collection, we convert to the cash basis of accounting. Management determined one tenant should be converted from the cash basis of accounting back to the accrual basis of accounting, for which approximately $1.1 million of straight-line rental income was recognized. This was partially offset by certain other tenants converting from the accrual basis of accounting to the cash basis of accounting, for which approximately $0.3 million of straight-line rental income was reversed. These increases were partially offset by the reduction of base rent of approximately $1.7 million due to tenant vacancies.

Same store other billings increased by approximately $3.1 million, or 11.7%, to approximately $29.5 million for the three months ended September 30, 2023 compared to approximately $26.4 million for the three months ended September 30, 2022. The increase in other billings was primarily attributable to an increase of approximately $2.8 million in other expense reimbursements due to an increase in corresponding expenses and occupancy of previously vacant buildings. The increase was also attributable to an increase of approximately $0.3 million of real estate tax reimbursements due to occupancy of previously vacant buildings.

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 operating expenses to net income, see the table above.
Total same store property operating expenses increased by approximately $3.1 million, or 11.0%, to approximately $30.8 million for the three months ended September 30, 2023 compared to approximately $27.8 million for the three months ended September 30, 2022. This increase was due to increases in repairs and maintenance, insurance, real estate tax, utility, and other expenses of approximately $1.1 million, $0.8 million, $0.4 million, $0.3 million, and $0.5 million, respectively.

Acquisitions and Dispositions Net Operating Income

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

Subsequent to December 31, 2021, we acquired 33 buildings consisting of approximately 5.0 million square feet (excluding seven buildings that were included in the Value Add Portfolio at September 30, 2023 or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2021), and sold 17 buildings consisting of approximately 3.7 million square feet. For the three months ended September 30, 2023 and 2022, the buildings acquired after December 31, 2021 contributed approximately $7.6 million and $5.4 million to NOI, respectively. For the three months ended September 30, 2023 and September 30, 2022, the buildings sold after December 31, 2021 contributed approximately $0.4 million and $2.7 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

Other assets include our flex/office buildings, Value Add Portfolio, buildings classified as held for sale, and Operating Portfolio buildings with expansions placed in service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2021. Other NOI also includes termination, solar, and other income adjustments from buildings in our same store portfolio.

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

These buildings contributed approximately $6.1 million and $3.8 million to NOI for the three months ended September 30, 2023 and 2022, respectively. Additionally, there was approximately $1.6 million and $1.0 million of termination, solar, and other income adjustments from certain buildings in our same store portfolio for the three months ended September 30, 2023 and 2022, respectively.

Total Other Expenses

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

Total other expenses decreased approximately $1.1 million, or 1.3%, to approximately $81.6 million for the three months ended September 30, 2023 compared to approximately $82.7 million for the three months ended September 30, 2022. The decrease was primarily attributable to a decrease in loss on impairment of approximately $1.8 million, as there was no loss on impairment recognized during the three months ended September 30, 2023, compared to a loss on impairment recognized at one building during the three months ended September 30, 2022. The decrease was partially offset by an increase in depreciation and amortization expense of approximately $0.3 million due to an increase in the depreciable asset base from net acquisitions after September 30, 2022, as well as an increase in general and administrative expenses of approximately $0.2 million primarily due to increases in compensation and other payroll costs.

Total Other Income (Expense)

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

Total other income (expense) decreased approximately $23.3 million, or 207.6%, to approximately $12.1 million total other expense for the three months ended September 30, 2023 compared to approximately $11.2 million total other income for the three months ended September 30, 2022. This decrease was primarily a result of a decrease in the gain on the sales of rental property, net of approximately $21.5 million. This decrease was also attributable to an increase in interest expense of approximately $2.6 million which was primarily attributable to a higher average credit facility balance and an increase in one-month Term Secured Overnight Financing Rate ("Term SOFR") for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. These decreases were partially offset by a decrease in debt and modification expenses of approximately $0.8 million, as there were no debt and modification expenses during the three months ended September 30, 2023.

Comparison of the nine months ended September 30, 2023 to the nine months ended September 30, 2022

The following table summarizes selected operating information for our same store portfolio and our total portfolio for the nine months ended September 30, 2023 and 2022 (dollars in thousands). This table includes a reconciliation from our same store portfolio to our total portfolio by also providing information for the nine months ended September 30, 2023 and 2022 with respect to the buildings acquired and disposed of and Operating Portfolio buildings with expansions placed into service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2021 and our flex/office buildings, Value Add Portfolio and buildings classified as held for sale.

	Same Store Portfolio				Acquisitions/Dispositions		Other		Total Portfolio			
	Nine months ended September 30,		Change		Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,		Change	
	2023	2022	$	%	2023	2022	2023	2022	2023	2022	$	%
Revenue												
Operating revenue												
Rental income	$ 472,184	$ 447,890	$ 24,294	5.4 %	$ 28,008	$ 20,884	$ 22,373	$ 15,567	$ 522,565	$ 484,341	$ 38,224	7.9 %
Other income	214	282	(68)	(24.1)%	140	1,123	1,609	1,268	1,963	2,673	(710)	(26.6)%
Total operating revenue	472,398	448,172	24,226	5.4 %	28,148	22,007	23,982	16,835	524,528	487,014	37,514	7.7 %
Expenses												
Property	91,841	84,541	7,300	8.6 %	6,050	3,206	5,094	2,989	102,985	90,736	12,249	13.5 %
Net operating income(1)	$ 380,557	$ 363,631	$ 16,926	4.7 %	$ 22,098	$ 18,801	$ 18,888	$ 13,846	421,543	396,278	25,265	6.4 %
Other expenses												
General and administrative									35,833	35,431	402	1.1 %
Depreciation and amortization									207,199	206,101	1,098	0.5 %
Loss on impairment									—	1,783	(1,783)	(100.0)%
Other expenses									4,109	1,607	2,502	155.7 %
Total other expenses									247,141	244,922	2,219	0.9 %
Total expenses									350,126	335,658	14,468	4.3 %
Other income (expense)												
Interest and other income									53	83	(30)	(36.1)%
Interest expense									(69,225)	(56,310)	(12,915)	22.9 %
Debt extinguishment and modification expenses									—	(838)	838	(100.0)%
Gain on the sales of rental property, net									49,343	57,499	(8,156)	(14.2)%
Total other income (expense)									(19,829)	434	(20,263)	(4,668.9)%
Net income									**$ 154,573**	**$ 151,790**	**$ 2,783**	**1.8 %**

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

Net Income

Net income for our total portfolio increased by $2.8 million, or 1.8%, to $154.6 million for the nine months ended September 30, 2023 compared to $151.8 million for the nine months ended September 30, 2022.

Same Store Total Operating Revenue

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

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

Same store rental income, which is comprised of lease income and other billings as discussed below, increased by approximately $24.3 million, or 5.4%, to approximately $472.2 million for the nine months ended September 30, 2023 compared to approximately $447.9 million for the nine months ended September 30, 2022.

Same store lease income increased by approximately $16.4 million, or 4.4%, to approximately $386.7 million for the nine months ended September 30, 2023 compared to approximately $370.3 million for the nine months ended September 30, 2022. The increase was primarily due to an increase in rental income of approximately $21.6 million from the execution of new leases and lease renewals with existing tenants. This increase was partially offset by the reduction of base rent of approximately $4.4 million due to tenant vacancies, and a net increase in the amortization of net above market leases of approximately $0.3 million. Additionally, there was decrease in same store lease income of approximately $0.5 million which was primarily attributable to management’s evaluation of operating leases to determine the probability of collecting substantially all of the lessee's remaining lease payments under the lease term. For those that are not probable of collection, we convert to the cash basis of accounting. Management determined two tenants should be converted from the cash basis of accounting back to the accrual basis of accounting, for which approximately $1.4 million of straight-line rental income was recognized. This was offset by certain other tenants converting from the accrual basis of accounting to the cash basis of accounting, for which approximately $1.9 million of straight-line rental income was either reversed or was not recognized.

Same store other billings increased by approximately $7.9 million, or 10.2%, to approximately $85.5 million for the nine months ended September 30, 2023 compared to approximately $77.6 million for the nine months ended September 30, 2022. The increase was attributable to an increase of approximately $4.3 million in other expense reimbursements which was primarily due to an increase in corresponding expenses. The increase was also attributable to an increase of approximately $3.6 million of real estate tax reimbursements due to an increase in real estate taxes levied by the taxing authority for certain tenants for which we pay the real estate taxes on their behalf, changes to lease terms where we began paying the real estate taxes on behalf of tenants that had previously paid the taxes directly to the taxing authorities, and occupancy of previously vacant buildings.

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 operating expenses to net income, see the table above.

Total same store operating expenses increased by approximately $7.3 million or 8.6% to approximately $91.8 million for the nine months ended September 30, 2023 compared to approximately $84.5 million for the nine months ended September 30, 2022. This increase was due to increases in repairs and maintenance, insurance, real estate tax, utility, and other expenses of approximately $2.3 million, $1.8 million, $1.7 million, $0.7 million, and $1.1 million, respectively. These increases were partially offset by a reduction of snow removal expense of approximately $0.3 million.

Acquisitions and Dispositions Net Operating Income

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

Subsequent to December 31, 2021, we acquired 33 buildings consisting of approximately 5.0 million square feet (excluding seven buildings that were included in the Value Add Portfolio at September 30, 2023 or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2021), and sold 17 buildings consisting of approximately 3.7 million square feet. For the nine months ended September 30, 2023 and September 30, 2022, the buildings acquired after December 31, 2021 contributed approximately $19.8 million and $10.0 million to NOI, respectively. For the nine months ended September 30, 2023 and September 30, 2022, the buildings sold after December 31, 2021 contributed approximately $2.3 million and $8.8 million to NOI, respectively. Refer to Note 3 in the accompanying Notes to Consolidated Financial Statements for additional discussion regarding buildings acquired or sold.

Other Net Operating Income

Our other assets include our flex/office buildings, Value Add Portfolio, buildings classified as held for sale, and Operating Portfolio buildings with expansions placed in service or transferred from the Value Add Portfolio to the Operating Portfolio after December 31, 2021. Other NOI also includes termination, solar, and other income adjustments from buildings in our same store portfolio.

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

These buildings contributed approximately $16.0 million and $10.2 million to NOI for the nine months ended September 30, 2023 and September 30, 2022, respectively. Additionally, there was approximately $2.9 million and $3.6 million of termination, solar, and other income adjustments from certain buildings in our same store portfolio for the nine months ended September 30, 2023 and September 30, 2022, respectively.

Total Other Expenses

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

Total other expenses increased approximately $2.2 million, or 0.9%, to approximately $247.1 million for the nine months ended September 30, 2023 compared to approximately $244.9 million for the nine months ended September 30, 2022. The increase was attributable to an increase in other expenses of approximately $2.5 million, which was primarily attributable to the relinquishment of an acquisition deposit related to the termination of an acquisition contract in January 2023. Depreciation and amortization also increased approximately $1.1 million due to an increase in the depreciable asset base from net acquisitions after September 30, 2022, as well as an increase in general and administrative expenses of approximately $0.4 million primarily due to increases in compensation and other payroll costs. The increases were partially offset by a decrease in loss on impairment of approximately $1.8 million, as there was no loss on impairment recognized during the nine months ended September 30, 2023, compared to a loss on impairment recognized at one building during the nine months ended September 30, 2022.

Total Other Income (Expense)

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

Total other income (expense) decreased approximately $20.3 million, or 4,668.9%, to a total other expense of approximately $19.8 million for the nine months ended September 30, 2023 compared to approximately $0.4 million total other income for the nine months ended September 30, 2022. This decrease was attributable to an increase in interest expense of approximately $12.9 million which was primarily attributable to the issuance of $400.0 million of unsecured notes on June 28, 2022, an additional $50.0 million of unsecured term loans on July 26, 2022, and an increase in one-month Term SOFR. This decrease was also attributable to a decrease in the gain on the sales of rental property, net of approximately $8.2 million. These decreases were partially offset by a decrease in debt and modification expenses of approximately $0.8 million, as there were no debt and modification expenses during the nine months ended September 30, 2023.

Non-GAAP Financial Measures

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

Funds From Operations

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

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

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
Reconciliation of Net Income to FFO (in thousands)	**2023**	**2022**	**2023**	**2022**
Net income	**$ 51,168**	**$ 64,718**	**$ 154,573**	**$ 151,790**
Rental property depreciation and amortization	69,701	69,400	207,029	205,938
Loss on impairment	—	1,783	—	1,783
Gain on the sales of rental property, net	(11,683)	(33,168)	(49,343)	(57,499)
FFO	**109,186**	**102,733**	**312,259**	**302,012**
Amount allocated to restricted shares of common stock and unvested units	(132)	(134)	(423)	(436)
FFO attributable to common stockholders and unit holders	**$ 109,054**	**$ 102,599**	**$ 311,836**	**$ 301,576**

Net Operating Income

We consider NOI to be an appropriate supplemental performance measure to net income (loss) because we believe it helps investors and management understand the core operations of our buildings. NOI is defined as rental income, which includes billings for common area maintenance, real estate taxes and insurance, less property expenses 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, the nearest GAAP equivalent.

	Three months ended September 30,		Nine months ended September 30,	
Reconciliation of Net Income to NOI (in thousands)	**2023**	**2022**	**2023**	**2022**
Net income	**$ 51,168**	**$ 64,718**	**$ 154,573**	**$ 151,790**
General and administrative	11,097	10,884	35,833	35,431
Depreciation and amortization	69,761	69,456	207,199	206,101
Interest and other income	(17)	(26)	(53)	(83)
Interest expense	23,753	21,155	69,225	56,310
Loss on impairment	—	1,783	—	1,783
Debt extinguishment and modification expenses	—	838	—	838
Other expenses	773	578	4,109	1,607
Gain on the sales of rental property, net	(11,683)	(33,168)	(49,343)	(57,499)
Net operating income	**$ 144,852**	**$ 136,218**	**$ 421,543**	**$ 396,278**

Cash Flows

Comparison of the nine months ended September 30, 2023 to the nine months ended September 30, 2022

The following table summarizes our cash flows for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

	Nine months ended September 30,		Change	
Cash Flows (dollars in thousands)	**2023**	**2022**	**$**	**%**
Net cash provided by operating activities	$ 299,506	$ 297,869	$ 1,637	0.5 %
Net cash used in investing activities	$ 233,153	$ 397,321	$ (164,168)	(41.3)%
Net cash provided by (used in) financing activities	$ (81,112)	$ 90,707	$ (171,819)	(189.4)%

Net cash provided by operating activities increased approximately $1.6 million to approximately $299.5 million for the nine months ended September 30, 2023 compared to approximately $297.9 million for the nine months ended September 30, 2022. The increase was primarily attributable to incremental operating cash flows from property acquisitions completed after September 30, 2022, and operating performance at existing properties. These increases were partially offset by the loss of cash flows from property dispositions completed after September 30, 2022 and fluctuations in working capital due to timing of payments and rental receipts.

Net cash used in investing activities decreased approximately $164.2 million to approximately $233.2 million for the nine months ended September 30, 2023 compared to approximately $397.3 million for the nine months ended September 30, 2022. The decrease was primarily attributable to the acquisition of 14 buildings and land parcels for a total cash consideration of approximately $254.5 million during the nine months ended September 30, 2023, compared to the acquisition of 25 buildings and land parcels for a total cash consideration of approximately $464.6 million for the nine months ended September 30, 2022. This decrease was partially offset by a decrease in proceeds from sales of rental property, net of approximately $33.7 million during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, as well as an increase of approximately $12.7 million in cash paid for the additions of land and buildings and improvements related to development and other capital expenditures during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

Net cash provided by (used in) financing activities decreased approximately $171.8 million to approximately $81.1 million net cash used in financing activities for the nine months ended September 30, 2023 compared to approximately $90.7 million net cash provided by financing activities for the nine months ended September 30, 2022. This decrease was primarily attributable to the funding of the $400.0 million unsecured notes on June 28, 2022 and $50.0 million unsecured term loan on July 26, 2022, that did not occur during the nine months ended September 30, 2023, as well as the redemption of $100.0 million of unsecured notes on January 5, 2023 that did not occur during the nine months ended September 30, 2022. These decreases were partially offset by an increase in net borrowings of approximately $310.0 million under our unsecured credit facility and an increase in proceeds from sales of common stock, net of approximately $14.9 million during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Additionally, we paid in full a mortgage note in the amount of approximately $46.6 million during the nine months ended September 30, 2022 that did not occur during the nine months ended September 30, 2023.

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 from rental income, expense recoveries from tenants, and other income from operations is our principal source of funds to pay operating expenses, debt service, recurring capital expenditures, and the distributions required to maintain our REIT qualification. We primarily rely on the capital markets (common and preferred equity and debt securities) to fund our acquisition activity. We seek to increase cash flows from our properties by maintaining quality building standards 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 equity and debt financings, will continue to provide funds for our short-term and medium-term liquidity needs.

Our short-term liquidity requirements consist primarily of funds necessary 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, property acquisitions under contract, general and administrative expenses, and capital expenditures including development projects, 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 property acquisitions 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 September 30, 2023, we had total immediate liquidity of approximately $682.6 million, comprised of $10.9 million of cash and cash equivalents and $671.7 million of immediate availability on our unsecured credit facility.

In addition, we require funds to pay dividends to holders of our common stock and common units in the Operating Partnership. Any future dividends on our common stock are declared in the sole discretion of our board of directors, subject to the distribution requirements to maintain our REIT status for federal income tax purposes, and may be reduced or stopped for any reason, including to use funds for other liquidity requirements.

Table of Contents

Indebtedness Outstanding

The following table summarizes certain information with respect to our indebtedness outstanding as of September 30, 2023.

Indebtedness (dollars in thousands)	September 30, 2023	Interest Rate[(1)(2)]	Maturity Date	Prepayment Terms[(3)]
Unsecured credit facility:				
Unsecured Credit Facility[(4)]	$ 325,000	Term SOFR + 0.855%	October 23, 2026	i
Total unsecured credit facility	**325,000**			
Unsecured term loans:				
Unsecured Term Loan F	200,000	2.94 %	January 12, 2025	i
Unsecured Term Loan G	300,000	1.78 %	February 5, 2026	i
Unsecured Term Loan A	150,000	2.14 %	March 15, 2027	i
Unsecured Term Loan H	187,500	3.73 %	January 25, 2028	i
Unsecured Term Loan I	187,500	3.49 %	January 25, 2028	i
Total unsecured term loans	1,025,000			
Total unamortized deferred financing fees and debt issuance costs	(3,561)			
Total carrying value unsecured term loans, net	**1,021,439**			
Unsecured notes:				
Series A Unsecured Notes	50,000	4.98 %	October 1, 2024	ii
Series D Unsecured Notes	100,000	4.32 %	February 20, 2025	ii
Series G Unsecured Notes	75,000	4.10 %	June 13, 2025	ii
Series B Unsecured Notes	50,000	4.98 %	July 1, 2026	ii
Series C Unsecured Notes	80,000	4.42 %	December 30, 2026	ii
Series E Unsecured Notes	20,000	4.42 %	February 20, 2027	ii
Series H Unsecured Notes	100,000	4.27 %	June 13, 2028	ii
Series I Unsecured Notes	275,000	2.80 %	September 29, 2031	ii
Series K Unsecured Notes	400,000	4.12 %	June 28, 2032	ii
Series J Unsecured Notes	50,000	2.95 %	September 28, 2033	ii
Total unsecured notes	1,200,000			
Total unamortized deferred financing fees and debt issuance costs	(4,306)			
Total carrying value unsecured notes, net	**1,195,694**			
Mortgage notes (secured debt):				
Thrivent Financial for Lutherans	3,192	4.78 %	December 15, 2023	iii
United of Omaha Life Insurance Company	4,589	3.71 %	October 1, 2039	ii
Total mortgage notes	7,781			
Net unamortized fair market value discount	(139)			
Total unamortized deferred financing fees and debt issuance costs	—			
Total carrying value mortgage notes, net	**7,642**			
Total / weighted average interest rate[(5)]	**$ 2,549,775**	**3.72 %**		

(1) Interest rate as of September 30, 2023. At September 30, 2023, the one-month Term SOFR was 5.31899%. 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 or discounts. The spread over the applicable rate for our unsecured credit facility and unsecured term loans is based on our debt rating and leverage ratio, as defined in the respective loan agreements.

(2) Our unsecured credit facility has a stated interest rate of one-month Term SOFR plus a 0.10% adjustment and a spread of 0.775%, less a sustainability-related interest rate adjustment of 0.02%. Our unsecured term loans have a stated interest rate of one-month Term SOFR plus a 0.10% adjustment and a spread of 0.85%, less a sustainability-related interest rate adjustment of 0.02%. As of September 30, 2023, one-month Term SOFR for the Unsecured Term Loans A, F, G, H, and I was swapped to a fixed rate of 1.31%, 2.11%, 0.95%, 2.90%, and 2.66%, respectively (which includes the 0.10% adjustment). One-month Term SOFR for the Unsecured Term Loan H will be swapped to a fixed rate of 2.50% effective January 12, 2024.

(3) Prepayment terms consist of (i) pre-payable with no penalty; (ii) pre-payable with penalty; (iii) pre-payable without penalty three months prior to the maturity date.

(4) The capacity of our unsecured credit facility is $1.0 billion. The initial maturity date is October 24, 2025, or such later date which may be extended pursuant to two six-month extension options exercisable by us in our discretion upon advance written notice. Exercise of each six-month option is subject to the following conditions: (i) absence of a default immediately before the extension and immediately after giving effect to the extension, (ii) accuracy of representations and warranties as of the extension date (both immediately before and after the extension), as if made on the extension date, and (iii) payment of a fee. Neither extension option is subject to lender consent, assuming proper notice and satisfaction of the conditions. We are required to pay a facility fee on the aggregate commitment amount (currently $1.0 billion) at a rate per annum of 0.1% to 0.3%, depending on our debt rating, as defined in the credit agreement. The facility fee is due and payable quarterly.

(5) The weighted average interest rate was calculated using the fixed interest rate swapped on the notional amount of $1,025.0 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 or discounts.

The aggregate undrawn nominal commitments on our unsecured credit facility and unsecured term loans as of September 30, 2023 was approximately $671.7 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.

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 September 30, 2023, we were in compliance with the applicable financial covenants.

On January 5, 2023, we redeemed in full at maturity the $100.0 million in aggregate principal amount of the Series F Unsecured Notes with a fixed interest rate of 3.98%.

On January 19, 2023, the sustainability-related interest rate adjustment for our Unsecured Term Loan H and Unsecured Term Loan I went into effect because of the improvement in our 2022 public disclosure assessment score from the Global Real Estate Sustainability Benchmark (GRESB), as compared to our 2021 score. The interest rate adjustment, a 0.02% interest rate reduction for each instrument, will end on June 29, 2024, in accordance with the respective loan agreements.

The following table summarizes our debt capital structure as of September 30, 2023.

Debt Capital Structure	September 30, 2023
Total principal outstanding (in thousands)	$ 2,557,781
Weighted average duration (years)	4.5
% Secured debt	0.3 %
% Debt maturing next 12 months	0.1 %
Net Debt to Real Estate Cost Basis(1)	35.6 %

(1) "Net Debt" means amounts outstanding under our unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes, less cash and cash equivalents. "Real Estate Cost Basis" means 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 fund acquisitions. 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 on our floating rate debt is managed through the 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.

Equity

Preferred Stock

We are authorized to issue up to 20,000,000 shares of preferred stock, par value $0.01 per share. As of September 30, 2023 and December 31, 2022, there were no shares of preferred stock issued or outstanding.

Common Stock

We are authorized to issue up to 300,000,000 shares of common stock, par value $0.01 per share.

The following table summarizes our at-the-market ("ATM") common stock offering program as of September 30, 2023. Pursuant to the equity distribution agreements for our ATM common stock offering program, we may from time to time sell common stock through sales agents and their affiliates, including shares sold on a forward basis under forward sale agreements. There was no activity under the ATM common stock offering program during the three months ended September 30, 2023.

ATM Common Stock Offering Program	Date	Maximum Aggregate Offering Price (in thousands)	Aggregate Available as of September 30, 2023 (in thousands)
2022 $750 million ATM	February 17, 2022	$ 750,000	$ 679,463

In addition, on May 5, 2023, we sold 725,698 shares on a forward basis under the ATM common stock offering program at a sale price of $35.0458 per share (an aggregate of approximately $25.4 million in gross sale price), or $34.6953 per share net of commissions. We did not initially receive any proceeds from the sale of shares on a forward basis. On July 27, 2023, we physically settled in full the forward sales agreements by issuing 725,698 shares of common stock for net proceeds of approximately $25.2 million, or $34.7714 per share.

On June 16, 2023, we also sold 992,295 shares on a forward basis under the ATM common stock offering program at a weighted average sale price of $36.5319 per share (an aggregate of approximately $36.3 million in gross sale price), or $36.1820 per share net of commissions. We did not initially receive any proceeds from the sale of shares on a forward basis. On July 27, 2023, we physically settled in full the forward sales agreements by issuing 992,295 shares of common stock for net proceeds of approximately $35.9 million, or $36.2046 per share.

Noncontrolling Interest

We own our interests in all of our properties and conduct substantially all of our business through the Operating Partnership. We are the sole member of the sole general partner of the Operating Partnership. As of September 30, 2023, we owned approximately 97.8% of the common units in the Operating Partnership, and our current and former executive officers, directors, senior employees and their affiliates, and third parties that contributed properties to us in exchange for common units in the Operating Partnership owned the remaining 2.2%.

Interest Rate Risk

We use interest rate swaps to fix the rate of our variable rate debt. As of September 30, 2023, all of our outstanding variable rate debt, with the exception of our unsecured credit facility, was fixed with interest rate swaps through maturity.

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

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

The swaps are all designated as cash flow hedges of interest rate risk, and all are valued as Level 2 financial instruments. Level 2 financial instruments are defined as significant other observable inputs. As of September 30, 2023, we had 21 interest rate swaps outstanding that were in an asset position of approximately $76.9 million, including any adjustment for nonperformance risk related to these agreements.

As of September 30, 2023, we had approximately $1,350.0 million of variable rate debt. As of September 30, 2023, all of our outstanding variable rate debt, with the exception of our unsecured credit facility, was fixed with interest rate swaps through maturity. To the extent interest rates increase, interest costs on our floating rate debt not fixed with interest rate swaps will increase, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our security holders. From time to time, we may enter into interest rate swap agreements and other interest rate hedging contracts, including swaps, caps and floors. In addition, an increase in interest rates could decrease the amounts third parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions.

Off-balance Sheet Arrangements

As of September 30, 2023, we had letters of credit related to development projects and certain other agreements of approximately $3.3 million. As of September 30, 2023, we had no other material off-balance sheet arrangements.

Item 3. 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 September 30, 2023, we had $1,350.0 million of variable rate debt outstanding. As of September 30, 2023, all of our outstanding variable rate debt, with the exception of our unsecured credit facility which had a balance of $325.0 million, was fixed with interest rate swaps through maturity. To the extent we undertake additional variable rate indebtedness, if interest rates increase, then so will the interest costs on our unhedged variable rate debt, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our security holders. Further, rising interest rates could 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 $325.0 million on our unsecured credit facility for the nine months ended September 30, 2023, our interest expense would have increased by approximately $2.4 million for the nine months ended September 30, 2023.

Item 4. 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 September 30, 2023. 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.

Changes in Internal Controls

There was no change to our internal control over financial reporting during the quarter ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. Other Information

Item 1. 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 1A. Risk Factors

Other than the following, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 15, 2023.

Recent macroeconomic trends, including inflation and rising interest rates, and adverse developments affecting the financial services industry may adversely affect our business, financial condition and results of operations.

During the year ended December 31, 2022, inflation in the United States accelerated and is currently expected to continue at an elevated level in the near-term. Beginning in 2022, in an effort to combat inflation and restore price stability, the Federal Reserve significantly raised its benchmark federal funds rate, which led to increases in interest rates in the credit markets. The Federal Reserve may continue to raise the federal funds rate, which will likely lead to higher interest rates in the credit markets and the possibility of slowing economic growth and/or a recession. Additionally, U.S. government policies implemented to address inflation, including actions by the Federal Reserve to increase interest rates, could negatively impact consumer spending, our tenants' businesses, and/or future demand for industrial space.

Rising inflation could also have an adverse impact on our financing costs (either through near-term borrowings on our variable rate debt, including our unsecured credit facility, or refinancing of existing debt at higher interest rates), and general and administrative expenses and property operating expenses, as these costs could increase at a rate higher than our rental and other revenue. To the extent our exposure to increases in interest rates is not eliminated through interest rate swaps or other protection agreements, such increases may also result in higher debt service costs, which will adversely affect our cash flows. Historically, during periods of increasing interest rates, real estate valuations have generally decreased due to rising capitalization rates, which tend to move directionally with interest rates. Consequently, prolonged periods of higher interest rates may negatively impact the valuation of our real estate assets and could result in the decline of the market price of our common stock, which may adversely impact our ability and willingness to raise equity capital on favorable terms, including through our at-the-market ("ATM") common stock offering program. Although the extent of any prolonged periods of higher interest rates remains unknown at this time, negative impacts to our cost of capital may adversely affect our future business plans and growth, at least in the near term.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. In addition, if any parties with whom we conduct business are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to us could be adversely affected. Although we assess our banking relationships as we believe necessary or appropriate, our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect us, the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry.

If debt is unavailable at reasonable rates, we may not be able to finance acquisitions or refinance our existing debt.

If debt is unavailable at reasonable rates, we may not be able to finance acquisitions or refinance existing debt when the loans come due on favorable terms, or at all. Most of our financing arrangements require us to make a lump-sum or "balloon" payment at maturity. Our ability to make a payment at maturity is uncertain and, in the event that we do not have sufficient funds, we will need to refinance this debt. If interest rates are higher when we refinance such debt, our net income, cash flow, and, consequently, our cash available for distribution to stockholders could be reduced. If the credit environment is constrained at the time a payment is due, we may not be able to refinance the existing debt on acceptable terms and may be forced to choose from a number of unfavorable options, including accepting unfavorable financing terms, selling properties on disadvantageous terms or defaulting and permitting the lender to foreclose.

In addition, adverse developments affecting the financial services industry or investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any decline in available funding or access to our cash and liquidity resources could, among other risks, adversely impact our ability to meet our financial or other obligations or reduce our net income and cash available for distribution to stockholders.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Equity Securities

During the quarter ended September 30, 2023, the Operating Partnership issued 70,453 common units upon exchange of outstanding long term incentive plan units issued pursuant to the STAG Industrial, Inc. 2011 Equity Incentive Plan, as amended and restated (the “2011 Plan”). Subject to certain restrictions, common units in the Operating Partnership may be redeemed for cash in an amount equal to the value of a share of common stock or, at our election, for a share of common stock on a one-for-one basis.

During the quarter ended September 30, 2023, we issued 120,597 shares of common stock upon redemption of 120,597 common units in the Operating Partnership held by various limited partners. The issuance of such shares of common stock was either registered under the Securities Act or effected in reliance upon an exemption from registration provided by Section 4(a)(2) under the Securities Act and the rules and regulations promulgated thereunder.

All other issuances of unregistered securities during the quarter ended September 30, 2023, if any, have previously been disclosed in filings with the SEC.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2023, none of the Company’s directors or officers adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

Item 6. Exhibits

Exhibit Number	Description of Document
31.1 *	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 *	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 **	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS *	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH *	Inline XBRL Taxonomy Extension Schema Document
101.CAL *	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF *	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB *	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE *	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104 *	Cover Page Interactive Date File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

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.

Date: October 26, 2023	**BY:**	***/s/*** MATTS S. PINARD
		Matts S. Pinard
		Chief Financial Officer, Executive Vice President and Treasurer (Principal Financial Officer)
	BY:	***/s/*** JACLYN M. PAUL
		Jaclyn M. Paul
		Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

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

I, William R. Crooker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STAG Industrial, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: October 26, 2023

/s/ WILLIAM R. CROOKER

William R. Crooker
President and Chief Executive Officer

Exhibit 31.2

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

I, Matts S. Pinard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STAG Industrial, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: October 26, 2023

/s/ MATTS S. PINARD

Matts S. Pinard
Chief Financial Officer, Executive Vice President and Treasurer

Exhibit 32.1

Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of STAG Industrial, Inc. on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officers of STAG Industrial, Inc., certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report, containing the financial statements, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of STAG Industrial, Inc.

Date: October 26, 2023

/s/ WILLIAM R. CROOKER

William R. Crooker
President and Chief Executive Officer

/s/ MATTS S. PINARD

Matts S. Pinard
Chief Financial Officer, Executive Vice President and Treasurer