ASSURANT INC
Form 8-K
November 01, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of report: November 1, 2007

Assurant, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware	**001-31978**	**39-1126612**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

One Chase Manhattan Plaza, 41st Floor

New York, New York	**10005**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code: (212) 859-7000

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On November 1, 2007, Assurant, Inc. issued a press release reporting on its financial results for the three and nine months ended September 30, 2007 and 2006. The text of the press release, which is attached at Exhibit 99.1, and the statistical supplement which accompanied the press release, which is attached at Exhibit 99.2, are each incorporated by reference into this Item.

Exhibits

99.1 Press Release Dated November 1, 2007.

99.2 Presentation entitled Assurant, Inc. Financial Supplement as of September 30, 2007 .

SIGNATURE

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

ASSURANT, INC.

Date: November 1, 2007

By: /s/ Katherine Greenzang
Katherine Greenzang
Senior Vice President, General Counsel and Secretary

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="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;">

6.50
%

Feb-1-2018

vi
Connecticut General Life Insurance Company -2 Facility

—

36,892

5.75
%

Feb-1-2018

vi
Connecticut General Life Insurance Company -3 Facility

—

16,141

5.88
%

Feb-1-2018

vi
Wells Fargo Bank, National Association CMBS Loan

54,949

56,608

4.31
%

Dec-1-2022

vii
Thrivent Financial for Lutherans

3,906

4,012

4.78
%

Dec-15-2023

iv
Total mortgage notes

58,855

164,326

Total unamortized fair market value premiums

61

112

Less: Total unamortized deferred financing fees and debt issuance costs

(634
)

(873
)

Total carrying value mortgage notes, net

58,282

163,565

Total / weighted average interest rate [5]

$
1,173,781

$
1,036,139

3.53
%

(1) Current interest rate as of December 31, 2017. At December 31, 2017 and 2016, the one-month LIBOR (“L”) was 1.56425% and 0.77167%, respectively. The current interest rate is not adjusted to include the amortization of

deferred financing fees or debt issuance costs incurred in obtaining debt or any unamortized fair market value premiums.

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

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

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

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

The aggregate undrawn nominal commitment on the unsecured credit facility and term loans as of December 31, 2017 was approximately $323.1 million, including issued letters of credit. The Company's actual borrowing capacity at any given point in time may be less and is restricted to a maximum amount based on the Company's debt covenant compliance. Total accrued interest for the Company's indebtedness was approximately $5.6 million and $5.7 million as of December 31, 2017 and 2016, respectively, and is included in accounts payable, accrued expenses and other liabilities on the accompanying Consolidated Balance Sheets.

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

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

2017 Debt Activity

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

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

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

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

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

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

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

2016 Debt Activity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Covenant Considerations

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

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

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

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

Fair Value of Debt

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

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

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

Future Principal Payments of Debt

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

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

5. Use of Derivative Financial Instruments

Risk Management Objective of Using Derivatives

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

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

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

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

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

Cash Flow Hedges of Interest Rate Risk

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

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

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

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

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

Credit-risk-related Contingent Features

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

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

Fair Value of Interest Rate Swaps

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

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

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

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

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

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

6. Equity

Preferred Stock

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

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

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

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

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

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

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

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

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

Common Stock

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

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

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

	Year ended December 31, 2017				
ATM Common Stock Offering Program	Shares Sold	Weighted Average Price Per Share	Gross Proceeds	Sales Agents' Fee	Net Proceeds
2017 $500 million ATM	363,843	$ 28.38	$10,326	$ 129	$10,197

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

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

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

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

Dividends

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

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

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

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

Restricted Stock-Based Compensation

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

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

(1) The grant date fair value per share was $26.17.
(2) The grant date fair value per share was $17.98.
(3) The grant date fair value per share was $24.41.

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

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

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

7. Noncontrolling Interest

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

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

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

LTIP Units

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

LTIP units granted on January 12, 2015 to certain executive officers and senior employees, subject to the recipient's continued employment, will vest quarterly over three years, with the first vesting date being March 31, 2015. LTIP units granted on January 12, 2015 to independent directors, subject to the recipient's continued service, will vest on January 12, 2016. LTIP units granted on January 6, 2017, January 8, 2016, and February 22, 2016 to certain senior executive officers and senior employees, subject to the recipient's continued employment, will vest quarterly over four years, with the first vesting date being March 31, 2017, March 31, 2016, and March 31, 2016, respectively. LTIP units granted on January 6, 2017 and January 6, 2016 to independent directors, subject to the recipient's continued service, will vest on January 1, 2018 and January 1, 2017, respectively. Refer to Note 14 for details on the LTIP units granted on January 5, 2018. Vested LTIP units can be converted to Other Common Units on a one-for-one basis once a material equity transaction has occurred that results in the accretion of the member's capital account to the economic equivalent of an Other Common Unit. All LTIP units, whether vested or not, will receive the same monthly per unit distributions as Other Common Units, which equal per share dividends on common stock.

On January 25, 2016, the Company and Geoffrey G. Jervis, the Company's Chief Financial Officer, Executive Vice President and Treasurer, agreed that Mr. Jervis's employment with the Company would terminate effective February 25, 2016. Pursuant to the terms and conditions of the executive employment agreement and LTIP unit agreements between the Company and Mr. Jervis, and the Company's 2015 Outperformance Program ("OPP"), Mr. Jervis received a lump sum cash payment, the continuation of certain insurance benefits, immediate vesting of outstanding LTIP units, and eligibility to receive a pro-rated award payment under the OPP. Accordingly, the Company accelerated the expense recognition of Mr. Jervis's unvested LTIP units in the amount of approximately $1.6 million, which is included in general and administrative expenses for the year ended December 31, 2016 on the accompanying Consolidated Statements of Operations. Additionally, the unrecognized compensation expense associated with Mr. Jervis's participation in the OPP after February 25, 2016 will not be recognized. The Company also incurred approximately $1.5 million related to the lump sum cash payment and continuation of certain insurance benefits, which is included in general and administrative expenses during the year ended December 31, 2016 on the accompanying Consolidated Statements of Operations.

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

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

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

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

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

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

years.

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

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

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Other Common Units

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

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

8. Equity Incentive Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The 2015 OPP awards were valued at approximately $1.6 million utilizing a Monte Carlo simulation to estimate the probability of the conditions being satisfied. The Monte Carlo simulation used a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run approximately 500,000 times. For each simulation, the payoff is calculated at the settlement date, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the expected value of the award on the award date. Assumptions used in the valuations included (i) factors associated with the underlying performance of the Company’s stock price and total stockholder return over the term of the awards including total stock return volatility and risk-free interest and (ii) factors associated with the relative performance of the Company’s stock price and total stockholder return when compared to the MSCI US REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. The fair value of the 2015 OPP awards was estimated on the date of grant using the following Level 3 inputs in the Monte Carlo valuation: expected price volatility for the Company and the MSCI US REIT Index of 20% and 13.6%, respectively, and a risk free rate of 0.9814%. The expense associated with the value of the 2015 OPP awards will be amortized ratably over the measurement period.

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

Non-cash Compensation Expense

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

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

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

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

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

9. Earnings Per Share

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

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

	Year ended December 31,		
Earnings Per Share (in thousands, except share data)	2017	2016	2015
Numerator			
Net income (loss)	$32,200	$ 35,588	$ (29,345)
Less: preferred stock dividends	9,794	13,897	10,848
Less: amount allocated to participating securities	334	384	385
Less: income (loss) attributable to noncontrolling interest after preferred stock dividends	941	1,069	(1,962)
Net income (loss) attributable to common stockholders	$21,131	$ 20,238	$ (38,616)
Denominator			
Weighted average common shares outstanding — basic	89,537,714	70,637,185	66,307,972
Effect of dilutive securities[1]			
Share-based compensation	465,845	215,363	—
Weighted average common shares outstanding — diluted	90,003,559	70,852,548	66,307,972
Net income (loss) per share — basic and diluted			
Net income (loss) per share attributable to common stockholders — basic	$0.24	$ 0.29	$ (0.58)
Net income (loss) per share attributable to common stockholders — diluted	$0.23	$ 0.29	$ (0.58)

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

10. Future Minimum Rents

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

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

11. Commitments and Contingencies

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

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

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

Ground and Operating Lease Agreements

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

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

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

12. Employee Benefit Plans

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

13. Related-Party Transactions

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

14. Subsequent Events

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

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

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

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

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

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

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STAG Industrial, Inc.
Schedule II—Valuation and Qualifying Accounts
(in thousands)
Allowance for Doubtful Receivables and Accrued Rent Reserves

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

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

		Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2017				
City/State	Encumbrances (1)	Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Improvements	Land	Total	Accumulated Depreciation (3)	Acq Date
Albion, IN	$ —	$ 93	$ 67	$ —	$93	$ 67	$ 160	$ (27)	2006
Albion, IN	—	932	103	—	932	103	1,035	(271)	2006
Albion, IN	—	1,107	55	—	1,107	55	1,162	(322)	2006
Albion, IN	—	970	332	—	970	332	1,302	(282)	2006
Albion, IN	—	1,397	52	—	1,397	52	1,449	(407)	2006
Albion, IN	—	1,528	126	—	1,528	126	1,654	(445)	2006
Kendallville, IN	—	1,510	142	—	1,510	142	1,652	(440)	2006
Albion, IN	—	710	187	—	710	187	897	(207)	2006
Alexandria, MN	—	5,855	960	151	6,006	960	6,966	(1,077)	2008
Allentown, PA	—	7,336	1,962	783	8,119	1,962	10,081	(1,196)	2014
Arlington, TX	—	2,374	413	304	2,678	413	3,091	(664)	2007
Arlington, TX	—	6,151	1,246	913	7,064	1,246	8,310	(1,042)	2012
Avon, CT	—	2,750	336	483	3,233	336	3,569	(460)	2012
Avondale, AZ	—	13,163	1,674	—	13,163	1,674	14,837	(37)	2017
Batavia, IL	—	4,273	618	—	4,273	618	4,891	(110)	2017
Bedford Heights, OH	—	5,279	837	520	5,799	837	6,636	(190)	2017
Belfast, ME	—	10,331	1,883	487	10,818	1,883	12,701	(1,958)	2008
Belvidere, IL	—	4,083	442	255	4,338	442	4,780	(347)	2015
Belvidere, IL	—	16,914	2,341	—	16,914	2,341	19,255	(397)	2017
Belvidere, IL	—	3,956	733	36	3,992	733	4,725	(528)	2013
Belvidere, IL	—	3,436	1,310	—	3,436	1,310	4,746	(595)	2013
Belvidere, IL	—	3,517	538	114	3,631	538	4,169	(433)	2013
Belvidere, IL	—	6,899	670	—	6,899	670	7,569	(868)	2013
Belvidere, IL	—	4,299	668	—	4,299	668	4,967	(577)	2013
Belvidere, IL	—	3,711	866	159	3,870	866	4,736	(566)	2013
Belvidere, IL	—	2,808	586	22	2,830	586	3,416	(446)	2013
Belvidere, IL	—	8,303	1,542	591	8,894	1,542	10,436	(1,270)	2013
Belvidere, IL	—	71	216	—	71	216	287	(71)	2013
Belleville, MI	—	6,524	724	—	6,524	724	7,248	(96)	2017
Biddeford, ME	—	8,164	1,369	3,916	12,080	1,369	13,449	(827)	2016
Boardman, OH	—	3,473	282	834	4,307	282	4,589	(1,172)	2007
Brooklyn Park, MN	—	11,988	1,926	—	11,988	1,926	13,914	(427)	2016
Buena Vista, VA	—	2,500	534	635	3,135	534	3,669	(567)	2012

Buffalo, NY	—	2,924	146	—	2,924	146	3,070	(455)	2012
Burlington, NJ	—	42,652	5,135	79	42,731	5,135	47,866	(3,810)	2015
Burlington, NJ	—	19,577	4,030	1,238	20,815	4,030	24,845	(1,957)	2015
Calhoun, GA	—	2,764	388	—	2,764	388	3,152	(297)	2014
Camarillo, CA	—	10,785	7,242	237	11,022	7,242	18,264	(1,394)	2014
Camarillo, CA	—	19,857	7,989	25	19,882	7,989	27,871	(2,324)	2014
Cedar Hill, TX	—	11,971	4,066	—	11,971	4,066	16,037	(886)	2016
Charlotte, NC	—	8,768	3,535	3,306	12,074	3,535	15,609	(2,630)	2010
Charlotte, NC	—	2,443	805	4	2,447	805	3,252	(345)	2014
Charlotte, NC	—	3,554	386	287	3,841	386	4,227	(452)	2014
Charlotte, NC	—	3,961	515	—	3,961	515	4,476	(283)	2015
Charlotte, NC	—	4,445	678	—	4,445	678	5,123	(257)	2016
Chattanooga, TN	—	2,321	187	—	2,321	187	2,508	(265)	2015
Chattanooga, TN	—	4,730	380	13	4,743	380	5,123	(540)	2015
Chattanooga, TN	—	8,459	424	—	8,459	424	8,883	(1,100)	2015
Cheektowaga, NY	—	2,757	216	808	3,565	216	3,781	(713)	2008
Chesterfield, MI	—	1,169	207	62	1,231	207	1,438	(420)	2007
Chesterfield, MI	—	798	150	128	926	150	1,076	(232)	2007
Chesterfield, MI	—	802	151	224	1,026	151	1,177	(301)	2007
Chesterfield, MI	—	5,304	942	2,150	7,454	942	8,396	(2,054)	2007

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City/State	Encumbrances (1)	Initial Cost to STAG Industrial, Inc. Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Gross Amounts at Which Carried at December 31, 2017 Building & Improvements	Land	Total	Accumulated Depreciation (3)	Acq Date
Chester, VA	—	3,402	775	—	3,402	775	4,177	(613	2014
Chicopee, MA	—	5,867	504	77	5,944	504	6,448	(1,020	2012
Chippewa Falls, WI	—	2,303	133	—	2,303	133	2,436	(416	2011
Chippewa Falls, WI	—	544	44	—	544	44	588	(96	2011
Cincinnati, OH	—	2,395	119	895	3,290	119	3,409	(1,866	2007
Cleveland, TN	—	3,161	554	84	3,245	554	3,799	(638	2011
Clinton, PA	—	19,339	—	—	19,339	—	19,339	(382	2017
Clinton, TN	—	3,302	403	78	3,380	403	3,783	(493	2015
Columbus, OH	—	5,222	337	—	5,222	337	5,559	(76	2017
Columbus, OH	—	3,123	489	167	3,290	489	3,779	(594	2014
Columbia, SC	—	5,171	783	—	5,171	783	5,954	(367	2016
West Columbia, SC	—	6,988	715	868	7,856	715	8,571	(1,006	2013
Council Bluffs, IA	—	4,438	414	—	4,438	414	4,852	(38	2017
Dallas, GA	—	1,712	475	—	1,712	475	2,187	(311	2012
LaGrange, GA	—	3,175	240	331	3,506	240	3,746	(711	2007
Danville, KY	—	11,772	965	3,699	15,471	965	16,436	(2,722	2007
Daytona Beach, FL	—	875	1,237	1,711	2,586	1,237	3,823	(760	2007
Dayton, OH	—	5,896	331	391	6,287	331	6,618	(598	2015
Dayton, OH	—	23,725	2,465	—	23,725	2,465	26,190	(707	2017
DeForest, WI	—	5,402	1,131	151	5,553	1,131	6,684	(262	2016
DeKalb, IL	—	4,568	489	—	4,568	489	5,057	(669	2013
De Pere, WI	—	6,144	525	—	6,144	525	6,669	(1,056	2012
Duncan, SC	—	11,258	1,002	745	12,003	1,002	13,005	(2,070	2012
Duncan, SC	—	6,739	709	81	6,820	709	7,529	(1,028	2012
Durham, NC	—	2,700	753	31	2,731	753	3,484	(291	2015
Earth City, MO	—	2,806	1,123	60	2,866	1,123	3,989	(176	2016
Edgefield, SC	—	938	220	750	1,688	220	1,908	(325	2012
Edwardsville, KS	—	13,224	1,360	—	13,224	1,360	14,584	(300	2017
Elizabethtown, PA	—	5,357	1,000	152	5,509	1,000	6,509	(605	2014
Elkhart, IN	—	210	25	143	353	25	378	(71	2007
Elkhart, IN	—	3,519	422	571	4,090	422	4,512	(1,005	2007
El Paso, TX	—	3,674	—	—	3,674	—	3,674	(17	2017
El Paso, TX	—	10,398	—	—	10,398	—	10,398	(49	2017
El Paso, TX	—	9,099	1,248	26	9,125	1,248	10,373	(1,048	2014
El Paso, TX	—	7,905	1,124	—	7,905	1,124	9,029	(1,096	2014
El Paso, TX	—	14,159	1,854	812	14,971	1,854	16,825	(1,685	2014
El Paso, TX	—	9,897	1,581	99	9,996	1,581	11,577	(1,102	2014
El Paso, TX	—	5,893	1,136	—	5,893	1,136	7,029	(554	2015

El Paso, TX	—	3,096	—	1,088	4,184	—	4,184	(721)	2012
Erlanger, KY	—	3,826	635	6	3,832	635	4,467	(291)	2016
East Troy, WI	—	4,962	304	—	4,962	304	5,266	(530)	2014
East Windsor, CT	—	5,711	400	72	5,783	400	6,183	(284)	2016
East Windsor, CT	—	4,713	348	614	5,327	348	5,675	(1,264)	2012
Fairborn, OH	—	5,650	867	—	5,650	867	6,517	(779)	2015
Fairfield, OH	—	2,842	948	17	2,859	948	3,807	(298)	2016
Farmington, NY	—	5,342	410	20	5,362	410	5,772	(1,447)	2007
Forest Park, GA	—	9,527	1,733	744	10,271	1,733	12,004	(590)	2016
Forest Park, GA	—	8,189	1,715	127	8,316	1,715	10,031	(431)	2016
Fort Wayne, IN	—	3,142	112	—	3,142	112	3,254	(359)	2014
Fort Worth, TX	—	2,965	389	752	3,717	389	4,106	(700)	2011
Gaffney, SC	—	4,712	1,233	85	4,797	1,233	6,030	(173)	2017
Gahanna, OH	—	4,191	1,265	1,258	5,449	1,265	6,714	(1,290)	2011
Gardiner, ME	—	8,983	948	—	8,983	948	9,931	(565)	2016
Garland, TX	—	5,425	1,344	294	5,719	1,344	7,063	(889)	2014
Garland, TX	—	6,058	1,542	586	6,644	1,542	8,186	(577)	2015
Germantown, WI	—	6,035	1,186	—	6,035	1,186	7,221	(964)	2014
Gloversville, NY	(714)	1,299	117	—	1,299	117	1,416	(208)	2012
Gloversville, NY	(1,154)	2,603	151	—	2,603	151	2,754	(420)	2012
Gloversville, NY	(824)	1,486	154	36	1,522	154	1,676	(238)	2012

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		Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2017				
City/State	Encumbrances (1)	Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Improvements	Land	Total	Accumulated Depreciation (3)	Acq Date
Golden, CO	—	6,164	742	261	6,425	742	7,167	(844	2013
Goshen, IN	—	6,509	1,442	1,768	8,277	1,442	9,719	(1,446	2010
Grand Junction, CO	—	4,002	314	—	4,002	314	4,316	(334	2015
Grand Rapids, MI	—	7,532	169	34	7,566	169	7,735	(739	2015
Graniteville, SC	—	8,389	1,629	—	8,389	1,629	10,018	(685	2016
Greenwood, SC	(1,484	1,848	166	—	1,848	166	2,014	(285	2012
Greenwood, SC	(1,264	1,232	169	290	1,522	169	1,691	(241	2012
Fountain Inn, SC	—	13,511	1,878	—	13,511	1,878	15,389	(85	2017
Greenville, SC	—	3,379	309	35	3,414	309	3,723	(342	2015
Greer, SC	—	1,434	129	303	1,737	129	1,866	(148	2015
Greer, SC	—	1,748	128	64	1,812	128	1,940	(162	2015
Greer, SC	—	460	153	25	485	153	638	(43	2015
Greer, SC	—	3,016	306	99	3,115	306	3,421	(305	2015
Fountain Inn, SC	—	4,438	719	95	4,533	719	5,252	(458	2016
Groveport, OH	—	10,920	642	84	11,004	642	11,646	(149	2017
Grove City, OH	—	3,974	730	—	3,974	730	4,704	(300	2016
Gurnee, IL	—	11,380	1,716	211	11,591	1,716	13,307	(1,241	2014
Gurnee, IL	—	4,902	1,337	954	5,856	1,337	7,193	(1,109	2012
Hampstead, MD	—	34,969	780	—	34,969	780	35,749	(4,607	2013
Harrisonburg, VA	—	11,179	1,455	144	11,323	1,455	12,778	(1,603	2012
Hartland, WI	—	4,634	1,526	—	4,634	1,526	6,160	(249	2016
Harvard, IL	—	2,980	1,157	—	2,980	1,157	4,137	(778	2013
Hazelwood, MO	—	5,815	1,382	1,391	7,206	1,382	8,588	(1,594	2011
Hebron, KY	—	4,601	370	—	4,601	370	4,971	(607	2014
Hilliard, OH	—	7,412	550	8	7,420	550	7,970	(52	2017
Holland, MI	(3,067	3,475	279	60	3,535	279	3,814	(715	2012
Houston, TX	—	7,790	2,255	9	7,799	2,255	10,054	(1,123	2013
Houston, TX	—	4,906	1,428	17	4,923	1,428	6,351	(817	2014
Houston, TX	—	5,019	565	780	5,799	565	6,364	(1,009	2014
Houston, TX	—	8,448	2,546	158	8,606	2,546	11,152	(374	2016
Houston, TX	—	5,037	1,502	—	5,037	1,502	6,539	(219	2017
Houston, TX	—	5,564	953	—	5,564	953	6,517	(197	2017
Houston, TX	—	7,052	927	—	7,052	927	7,979	(152	2017
Huntersville, NC	—	3,123	1,061	109	3,232	1,061	4,293	(483	2012
Idaho Falls, ID	—	2,735	356	—	2,735	356	3,091	(450	2013
Independence, VA	(1,379	2,212	226	110	2,322	226	2,548	(524	2012
Itasca, IL	—	12,216	2,428	5	12,221	2,428	14,649	(668	2016
Jackson, TN	—	2,374	230	337	2,711	230	2,941	(473	2012

Jacksonville, FL	—	3,438	451	410	3,848	451	4,299	(164	2017
Jacksonville, FL	—	7,867	650	161	8,028	650	8,678	(328	2017
Jacksonville, FL	—	8,195	674	1,557	9,752	674	10,426	(399	2017
Jacksonville, FL	—	7,266	596	1,016	8,282	596	8,878	(327	2017
Janesville, WI	—	17,477	828	530	18,007	828	18,835	(2,758	2013
Jefferson City, TN	—	8,494	1,350	—	8,494	1,350	9,844	(1,893	2014
Johnstown, NY	(714	1,304	178	—	1,304	178	1,482	(227	2012
Johnstown, NY	(1,044	1,592	216	—	1,592	216	1,808	(228	2012
Johnstown, NY	(852	978	151	—	978	151	1,129	(206	2012
Johnstown, NY	(1,594	1,467	140	—	1,467	140	1,607	(257	2012
Kansas City, MO	—	5,539	703	92	5,631	703	6,334	(730	2012
Kenosha, WI	—	3,991	797	—	3,991	797	4,788	(253	2016
Kentwood, MI	—	2,478	407	—	2,478	407	2,885	(377	2013
Knoxville, TN	—	3,201	447	—	3,201	447	3,648	(421	2015
Lafayette, IN	(1,182	2,205	295	79	2,284	295	2,579	(328	2012
Lafayette, IN	(2,006	3,405	410	123	3,528	410	3,938	(487	2012
Lafayette, IN	(4,122	8,135	906	261	8,396	906	9,302	(1,428	2012
Lancaster, PA	—	5,480	1,520	—	5,480	1,520	7,000	(1,014	2015
Langhorne, PA	—	3,868	1,370	36	3,904	1,370	5,274	(294	2016
Langhorne, PA	—	3,105	1,308	33	3,138	1,308	4,446	(287	2016
Langhorne, PA	—	6,372	1,884	1	6,373	1,884	8,257	(305	2016

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		Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2017				
City/State	Encumbrances (1)	Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Improvements	Land	Total	Accumulated Depreciation (3)	Acq Date
Lansing, MI	—	8,164	501	—	8,164	501	8,665	(1,592	2011
Lansing, MI	—	4,077	580	—	4,077	580	4,657	(681	2012
Lansing, MI	(5,496	7,162	429	—	7,162	429	7,591	(1,149	2012
Lansing, MI	—	5,209	907	—	5,209	907	6,116	(809	2013
Laredo, TX	—	10,195	1,535	—	10,195	1,535	11,730	(238	2017
Las Vegas, NV	—	3,259	770	—	3,259	770	4,029	(40	2017
Laurens, SC	—	4,254	151	—	4,254	151	4,405	(349	2015
Lebanon, PA	—	5,235	1,380	—	5,235	1,380	6,615	(509	2017
Lenexa, KS	—	7,610	2,368	—	7,610	2,368	9,978	(1,340	2014
Lewiston, ME	—	5,515	173	1,525	7,040	173	7,213	(2,067	2007
Lexington, NC	—	3,968	232	688	4,656	232	4,888	(851	2008
Libertyville, IL	—	6,455	421	80	6,535	421	6,956	(649	2015
Libertyville, IL	—	770	143	9	779	143	922	(264	2015
Londonderry, NH	—	6,683	730	—	6,683	730	7,413	(967	2013
Longmont, CO	—	9,647	1,529	581	10,228	1,529	11,757	(1,243	2014
Loudon, TN	—	3,751	170	—	3,751	170	3,921	(348	2015
Louisville, KY	—	3,875	386	520	4,395	386	4,781	(982	2011
Louisville, KY	—	6,182	616	632	6,814	616	7,430	(1,512	2011
Macedonia, OH	—	8,195	1,690	44	8,239	1,690	9,929	(813	2015
Machesney Park, IL	—	3,742	300	—	3,742	300	4,042	(426	2015
Madison, WI	—	6,365	609	—	6,365	609	6,974	(21	2017
Madison, WI	—	4,518	444	—	4,518	444	4,962	(14	2017
Madison, TN	—	5,758	1,655	1,786	7,544	1,655	9,199	(1,319	2010
Malden, MA	—	2,817	366	—	2,817	366	3,183	(764	2007
Malden, MA	—	3,961	507	—	3,961	507	4,468	(1,073	2007
Maple Grove, MN	—	6,634	969	—	6,634	969	7,603	(161	2017
Marion, IA	—	2,257	691	49	2,306	691	2,997	(428	2013
Marion, IN	(2,803	2,934	243	718	3,652	243	3,895	(521	2012
Marshall, MI	—	1,051	199	—	1,051	199	1,250	(207	2013
Mascot, TN	—	3,228	284	—	3,228	284	3,512	(373	2016
Mascot, TN	—	3,452	385	65	3,517	385	3,902	(664	2013
Salem, OH	—	7,674	858	252	7,926	858	8,784	(1,986	2006
Mason, OH	—	4,731	673	—	4,731	673	5,404	(680	2014
Mayville, WI	—	4,118	547	330	4,448	547	4,995	(1,275	2007
Mebane, NC	—	4,570	481	457	5,027	481	5,508	(750	2012
Mebane, NC	—	4,148	443	—	4,148	443	4,591	(675	2012
Mebane, NC	—	4,999	358	9	5,008	358	5,366	(717	2013
Mechanicsburg, PA	—	5,143	1,482	770	5,913	1,482	7,395	(933	2014

Mechanicsburg, PA	—	7,144	1,800	—	7,144	1,800	8,944	(935	2014
New Kingston, PA	—	8,687	2,041	—	8,687	2,041	10,728	(1,121	2014
Mechanicsburg, PA	—	8,008	1,452	—	8,008	1,452	9,460	(1,027	2014
Milford, CT	—	10,040	1,264	300	10,340	1,264	11,604	(378	2017
Montgomery, AL	—	7,523	418	1,329	8,852	418	9,270	(326	2016
Montgomery, IL	—	12,485	2,190	1,934	14,419	2,190	16,609	(2,047	2012
Mooresville, NC	—	18,010	4,195	—	18,010	4,195	22,205	(196	2017
Mooresville, NC	—	7,411	701	216	7,627	701	8,328	(1,541	2011
Mountain Home, NC	—	2,472	523	—	2,472	523	2,995	(325	2014
Murfreesboro, TN	—	2,863	722	9	2,872	722	3,594	(487	2014
Nashua, NH	—	8,682	1,431	—	8,682	1,431	10,113	(1,266	2014
Nashville, TN	—	3,601	547	—	3,601	547	4,148	(503	2013
Newark, DE	—	1,478	197	392	1,870	197	2,067	(539	2007
Newark, DE	—	1,891	232	205	2,096	232	2,328	(671	2007
New Berlin, WI	—	6,500	1,068	141	6,641	1,068	7,709	(1,093	2013
New Castle, DE	—	17,767	2,616	—	17,767	2,616	20,383	(1,151	2016
New Hope, MN	—	1,970	1,919	—	1,970	1,919	3,889	(448	2013
Lopatcong, NJ	—	9,822	1,554	1,599	11,421	1,554	12,975	(736	2010
Newton, NC	—	7,568	732	1,283	8,851	732	9,583	(718	2010
North Haven, CT	—	39,911	4,086	1,387	41,298	4,086	45,384	(4,893	2015
North Jackson, OH	—	4,427	1,528	—	4,427	1,528	5,955	(617	2013

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City/State	Encumbrances (1)	Initial Cost to STAG Industrial, Inc. Building & Improvements (2)	Initial Cost to STAG Industrial, Inc. Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Gross Amounts at Which Carried at December 31, 2017 Building & Improvements	Gross Amounts at Which Carried at December 31, 2017 Land	Total	Accumulated Depreciation (3)	Acq Date
North Jackson, OH	—	7,681	486	—	7,681	486	8,167	(835)	2011
Norcorss, GA	—	2,586	1,589	—	2,586	1,589	4,175	(331)	2016
Norton, MA	—	6,740	2,839	—	6,740	2,839	9,579	(1,412)	2011
Novi, MI	(2,693)	3,879	252	13	3,892	252	4,144	(761)	2012
Novi, MI	—	6,035	626	—	6,035	626	6,661	(516)	2015
Oakwood Village, OH	—	3,091	343	—	3,091	343	3,434	(399)	2015
Ocala, FL	—	13,296	731	952	14,248	731	14,979	(1,810)	2013
O'Fallon, MO	—	3,632	1,233	—	3,632	1,233	4,865	(69)	2017
O'Fallon, MO	—	2,676	1,242	266	2,942	1,242	4,184	(587)	2010
O'Hara, PA	(15,443)	18,875	1,435	7,468	26,343	1,435	27,778	(3,936)	2012
Oklahoma City, OK	—	2,211	746	5	2,216	746	2,962	(159)	2016
Oklahoma City, OK	—	9,199	1,614	1,373	10,572	1,614	12,186	(827)	2015
Olathe, KS	—	20,763	2,431	156	20,919	2,431	23,350	(987)	2016
Orlando, FL	—	4,839	1,339	—	4,839	1,339	6,178	(768)	2013
Orlando, FL	—	1,996	721	—	1,996	721	2,717	(356)	2012
Pedricktown, NJ	—	10,696	2,414	—	10,696	2,414	13,110	(263)	2017
Pensacola, FL	—	2,989	145	343	3,332	145	3,477	(1,293)	2007
Phenix City, AL	(1,539)	1,493	276	252	1,745	276	2,021	(306)	2012
Phoenix, AZ	—	5,770	1,653	—	5,770	1,653	7,423	(554)	2015
Piedmont, SC	—	4,152	231	86	4,238	231	4,469	(372)	2015
Piedmont, SC	—	2,127	158	—	2,127	158	2,285	(196)	2015
Piedmont, SC	—	2,302	204	—	2,302	204	2,506	(333)	2015
Pineville, NC	—	1,380	392	—	1,380	392	1,772	(277)	2012
Pittston, PA	—	19,959	677	—	19,959	677	20,636	(283)	2017
Plymouth, MI	—	4,670	365	—	4,670	365	5,035	(533)	2015
Pocatello, ID	—	3,472	399	363	3,835	399	4,234	(1,147)	2007
Portage, IN	—	5,416	—	—	5,416	—	5,416	(758)	2012
Portland, TN	—	8,353	1,662	66	8,419	1,662	10,081	(1,678)	2012
Portland, ME	—	3,727	891	10	3,737	891	4,628	(611)	2012
Rapid City, SD	—	10,662	2,071	1,020	11,682	2,071	13,753	(3,858)	2007
Reading, PA	—	5,401	1,708	67	5,468	1,708	7,176	(442)	2016
Muhlenberg TWP, PA	—	13,866	843	232	14,098	843	14,941	(2,181)	2012
Redford, MI	—	6,114	728	368	6,482	728	7,210	(359)	2017
Reno, NV	—	3,461	1,372	—	3,461	1,372	4,833	(511)	2014
Rock Hill, SC	(3,906)	6,297	1,411	351	6,648	1,411	8,059	(456)	2016
Rock Hill, SC	—	4,512	1,095	—	4,512	1,095	5,607	(151)	2017

Rockwall, TX	—	16,066	2,683	—	16,066	2,683	18,749	(363)	2017
Rogers, MN	—	11,787	1,671	238	12,025	1,671	13,696	(3,198)	2011
Rogers, AR	—	8,280	1,072	287	8,567	1,072	9,639	(1,665)	2011
Romulus, MI	—	15,043	1,080	—	15,043	1,080	16,123	(372)	2017
Rural Hall, NC	—	5,664	439	366	6,030	439	6,469	(1,250)	2008
Salem, OR	—	3,150	599	640	3,790	599	4,389	(716)	2010
Salem, OR	—	1,452	266	433	1,885	266	2,151	(404)	2010
Salisbury, NC	—	5,284	1,535	28	5,312	1,535	6,847	(288)	2017
San Antonio, TX	—	10,395	1,568	35	10,430	1,568	11,998	(428)	2016
Sauk Village, IL	—	5,405	877	105	5,510	877	6,387	(787)	2013
Savage, MN	—	3,996	3,194	546	4,542	3,194	7,736	(943)	2014
Savannah, GA	—	13,219	439	—	13,219	439	13,658	(1,626)	2014
San Diego, CA	—	15,016	2,290	22	15,038	2,290	17,328	(389)	2017
South Easton, MA	—	5,880	403	—	5,880	403	6,283	(17)	2017
Sergeant Bluff, IA	—	6,188	247	450	6,638	247	6,885	(3,800)	2007
Seville, OH	—	4,536	766	171	4,707	766	5,473	(1,074)	2007
Shannon, GA	—	12,969	393	—	12,969	393	13,362	(1,513)	2013
South Holland, IL	—	3,900	714	—	3,900	714	4,614	(765)	2013
Shreveport, LA	—	6,265	1,804	145	6,410	1,804	8,214	(834)	2015
Simpsonville, SC	—	2,960	957	848	3,808	957	4,765	(549)	2012
Simpsonville, SC	—	3,418	470	938	4,356	470	4,826	(576)	2012
Smithfield, NC	—	10,657	613	12	10,669	613	11,282	(857)	2011
Smyrna, GA	—	3,286	264	—	3,286	264	3,550	(603)	2012

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		Initial Cost to STAG Industrial, Inc.			Gross Amounts at Which Carried at December 31, 2017				
City/State	Encumbrances (1)	Building & Improvements (2)	Land	Costs Capitalized Subsequent to Acquisition and Valuation Provision	Building & Improvements	Land	Total	Accumulated Depreciation (3)	Acq Date
South Bend, IN	—	4,834	411	—	4,834	411	5,245	(804)	2012
Franklin Township, NJ	—	8,322	2,272	—	8,322	2,272	10,594	(446)	2017
Sparks, NV	—	6,328	938	934	7,262	938	8,200	(327)	2017
Spartanburg, SC	—	15,100	1,867	166	15,266	1,867	17,133	(862)	2016
Spartanburg, SC	—	3,694	342	—	3,694	342	4,036	(547)	2014
Spartanburg, SC	—	5,797	493	432	6,229	493	6,722	(963)	2012
Stafford, TX	—	6,570	339	—	6,570	339	6,909	(19)	2017
Statham, GA	—	6,130	588	1,151	7,281	588	7,869	(965)	2012
Sterling Heights, MI	(1,484)	4,191	513	415	4,606	513	5,119	(683)	2012
Stone Mountain, GA	—	2,738	612	645	3,383	612	3,995	(63)	2017
Stoughton, MA	—	2,613	2,256	824	3,437	2,256	5,693	(904)	2015
Stoughton, MA	—	1,216	538	—	1,216	538	1,754	(268)	2015
Streetsboro, OH	—	5,481	2,161	214	5,695	2,161	7,856	(1,473)	2010
Strongsville, OH	—	5,853	491	94	5,947	491	6,438	(761)	2014
Sun Prairie, WI	—	5,809	2,360	2,377	8,186	2,360	10,546	(1,454)	2008
Swedesboro, NJ	—	5,129	1,212	—	5,129	1,212	6,341	(74)	2017
Toledo, OH	—	6,831	213	—	6,831	213	7,044	(1,215)	2012
Burlington, NJ	—	—	3,267	248	248	3,267	3,515	—	2015
Libertyville, IL	—	—	369	2	2	369	371	—	2015
Libertyville, IL	—	—	397	2	2	397	399	—	2015
Tulsa, OK	—	8,242	966	—	8,242	966	9,208	(691)	2015
Twinsburg, OH	—	8,027	590	—	8,027	590	8,617	(1,793)	2007
Visalia, CA	—	21,839	4,346	—	21,839	4,346	26,185	(1,616)	2016
Vonore, TN	—	8,243	2,355	85	8,328	2,355	10,683	(1,771)	2011
Waco, TX	—	1,394	—	619	2,013	—	2,013	(299)	2008
West Allis, WI	—	1,905	462	371	2,276	462	2,738	(191)	2015
West Allis, WI	—	1,860	444	24	1,884	444	2,328	(170)	2015
West Allis, WI	—	929	252	176	1,105	252	1,357	(97)	2015
West Allis, WI	—	1,039	251	—	1,039	251	1,290	(97)	2015
Walker, MI	—	4,872	855	136	5,008	855	5,863	(1,097)	2010
Wallingford, CT	—	6,111	585	—	6,111	585	6,696	(149)	2017
Walton, KY	—	6,244	2,105	—	6,244	2,105	8,349	(191)	2017
Ware Shoals, SC	(244)	197	133	—	197	133	330	(35)	2012
Warren, MI	—	6,111	502	10	6,121	502	6,623	(247)	2017
Warren, MI	—	16,035	1,290	—	16,035	1,290	17,325	(813)	2016
Waukegan, IL	—	5,140	1,004	—	5,140	1,004	6,144	(166)	2017
Waukegan, IL	—	5,547	914	—	5,547	914	6,461	(80)	2017

West Chester, OH	—	8,868	936	—	8,868	936	9,804	(356)	2016
West Chicago, IL	—	2,036	768	772	2,808	768	3,576	(119)	2016
West Chicago, IL	—	674	382	286	960	382	1,342	(71)	2016
West Chicago, IL	—	768	450	272	1,040	450	1,490	(71)	2016
West Chicago, IL	—	895	369	269	1,164	369	1,533	(84)	2016
West Chicago, IL	—	904	216	276	1,180	216	1,396	(57)	2016
West Chicago, IL	—	6,247	915	969	7,216	915	8,131	(546)	2016
West Columbia, SC	—	9,570	488	—	9,570	488	10,058	(380)	2016
West Columbia, SC	—	9,151	240	7	9,158	240	9,398	(47)	2017
West Columbia, SC	—	4,646	551	2,301	6,947	551	7,498	(286)	2016
Westborough, MA	—	5,808	661	—	5,808	661	6,469	(271)	2016
Hamilton, OH	—	8,585	1,046	598	9,183	1,046	10,229	(1,661)	2014
Wichita, KS	(1,484)	1,815	88	11	1,826	88	1,914	(263)	2012
Wichita, KS	(1,621)	1,839	107	131	1,970	107	2,077	(323)	2012
Wichita, KS	(742)	833	76	181	1,014	76	1,090	(168)	2012
Williamsport, PA	—	9,059	688	—	9,059	688	9,747	(1,404)	2013
Winston-Salem, NC	—	11,054	610	16	11,070	610	11,680	(1,387)	2014
Wood Dale, IL	—	5,042	1,226	—	5,042	1,226	6,268	(205)	2016
Woodstock, IL	—	3,796	496	—	3,796	496	4,292	(645)	2012
York, PA	—	14,538	2,152	96	14,634	2,152	16,786	(195)	2017
Yorkville, WI	—	4,893	416	—	4,893	416	5,309	(454)	2014

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

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

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

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

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

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

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

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