STAG Industrial, Inc.
Form 10-Q
April 30, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2019

OR

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

For the transition period from to .

Commission file number 1-34907

STAG INDUSTRIAL, INC.
(Exact name of registrant as specified in its charter)

Maryland	27-3099608
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
One Federal Street, 23rd Floor Boston, Massachusetts	02110
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨ Emerging growth company ¨

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common and preferred stock as of the latest practicable date.

Class	Outstanding at April 29, 2019
Common Stock ($0.01 par value)	125,652,464
6.875% Series C Cumulative Redeemable Preferred Stock ($0.01 par value)	3,000,000

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Part I. Financial Information
Item 1. Financial Statements

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

	March 31, 2019	December 31, 2018
Assets		
Rental Property:		
Land	$377,530	$364,023
Buildings and improvements, net of accumulated depreciation of $321,010 and $316,930, respectively	2,392,547	2,285,663
Deferred leasing intangibles, net of accumulated amortization of $224,740 and $246,502, respectively	348,439	342,015
Total rental property, net	3,118,516	2,991,701
Cash and cash equivalents	7,857	7,968
Restricted cash	4,451	14,574
Tenant accounts receivable	44,928	42,236
Prepaid expenses and other assets	42,503	36,902
Interest rate swaps	5,214	9,151
Operating lease right-of-use assets	16,005	—
Total assets	$3,239,474	$3,102,532
Liabilities and Equity		
Liabilities:		
Unsecured credit facility	$115,500	$100,500
Unsecured term loans, net	596,642	596,360
Unsecured notes, net	572,587	572,488
Mortgage notes, net	56,109	56,560
Accounts payable, accrued expenses and other liabilities	41,381	45,507
Interest rate swaps	7,060	4,011
Tenant prepaid rent and security deposits	21,254	22,153
Dividends and distributions payable	15,846	13,754
Deferred leasing intangibles, net of accumulated amortization of $10,394 and $12,764, respectively	20,468	21,567
Operating lease liabilities	17,786	—
Total liabilities	1,464,633	1,432,900
Commitments and contingencies (Note 11)		
Equity:		
Preferred stock, par value $0.01 per share, 15,000,000 shares authorized,		
Series C, 3,000,000 shares (liquidation preference of $25.00 per share) issued and outstanding at March 31, 2019 and December 31, 2018	75,000	75,000
Common stock, par value $0.01 per share, 150,000,000 shares authorized, 118,174,102 and 112,165,786 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	1,182	1,122
Additional paid-in capital	2,266,695	2,118,179
Cumulative dividends in excess of earnings	(621,225)	(584,979)
Accumulated other comprehensive income (loss)	(2,253)	4,481
Total stockholders’ equity	1,719,399	1,613,803

Noncontrolling interest	55,442	55,829
Total equity	1,774,841	1,669,632
Total liabilities and equity	$ 3,239,474	$ 3,102,532

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

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

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

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

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

	Three months ended March 31,	
	2019	2018
Net income	$7,389	$25,149
Other comprehensive income (loss):		
Income (loss) on interest rate swaps	(6,978)	7,723
Other comprehensive income (loss)	(6,978)	7,723
Comprehensive income	411	32,872
Income attributable to noncontrolling interest after preferred stock dividends	(214)	(954)
Other comprehensive (income) loss attributable to noncontrolling interest	244	(325)
Comprehensive income attributable to STAG Industrial, Inc.	$441	$31,593

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

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

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Cumulative Dividends in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest - Unit Holders in Operating Partnership	Total Equity
Three months ended March 31, 2019									
Balance, December 31, 2018	$75,000	112,165,786	$1,122	$2,118,179	$(584,979)	$4,481	$1,613,803	$55,829	$1,669,632
Leases cumulative effect adjustment (Note 2)	—	—	—	—	(214)	—	(214)	—	(214)
Proceeds from sales of common stock	—	5,441,409	55	150,134	—	—	150,189	—	150,189
Offering costs	—	—	—	(1,660)	—	—	(1,660)	—	(1,660)
Dividends and distributions, net	—	—	—	—	(42,834)	—	(42,834)	(1,546)	(44,380)
Non-cash compensation activity, net	—	127,836	1	(1,133)	(373)	—	(1,505)	2,368	863
Redemption of common units to common stock	—	439,071	4	6,024	—	—	6,028	(6,028)	—
Rebalancing of noncontrolling interest	—	—	—	(4,849)	—	—	(4,849)	4,849	—
Other comprehensive loss	—	—	—	—	—	(6,734)	(6,734)	(244)	(6,978)
Net income	—	—	—	—	7,175	—	7,175	214	7,389
Balance, March 31, 2019	$75,000	118,174,102	$1,182	$2,266,695	$(621,225)	$(2,253)	$1,719,399	$55,442	$1,774,841
Three months ended March 31, 2018									
Balance, December 31,	$145,000	97,012,543	$970	$1,725,825	$(516,691)	$3,936	$1,359,040	$51,267	$1,410,307

2017									
Cash flow hedging instruments cumulative effect adjustment	—	—	—	—	(258)	247	(11)	11	—
Offering costs	—	—	—	(107)	—	—	(107)	—	(107)
Dividends and distributions, net	—	—	—	—	(36,966)	—	(36,966)	(1,813)	(38,779)
Non-cash compensation activity, net	—	71,373	1	(855)	(537)	—	(1,391)	2,097	706
Redemption of common units to common stock	—	145,672	1	1,823	—	—	1,824	(1,824)	—
Rebalancing of noncontrolling interest	—	—	—	(2,059)	—	—	(2,059)	2,059	—
Other comprehensive income	—	—	—	—	—	7,398	7,398	325	7,723
Net income	—	—	—	—	24,195	—	24,195	954	25,149
Balance, March 31, 2018	$145,000	97,229,588	$972	$1,724,627	$(530,257)	$11,581	$1,351,923	$53,076	$1,404,999

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

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

	Three months ended March 31, 2019	2018
Cash flows from operating activities:		
Net income	$7,389	$25,149
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42,303	39,965
Loss on impairments	5,344	2,934
Non-cash portion of interest expense	618	534
Amortization of above and below market leases, net	961	1,207
Straight-line rent adjustments, net	(2,256)	(2,781)
Dividends on forfeited equity compensation	6	7
Gain on the sales of rental property, net	(1,274)	(22,689)
Non-cash compensation expense	2,278	2,220
Change in assets and liabilities:		
Tenant accounts receivable	(859)	848
Prepaid expenses and other assets	(2,686)	(5,531)
Accounts payable, accrued expenses and other liabilities	(3,775)	(2,720)
Tenant prepaid rent and security deposits	(899)	2,831
Total adjustments	39,761	16,825
Net cash provided by operating activities	47,150	41,974
Cash flows from investing activities:		
Acquisitions of land and buildings and improvements	(159,969)	(67,077)
Additions of land and building and improvements	(5,058)	(6,317)
Acquisitions of other assets	(1,049)	—
Proceeds from sales of rental property, net	16,602	49,631
Acquisition deposits, net	(2,997)	(605)
Acquisitions of deferred leasing intangibles	(24,345)	(11,744)
Net cash used in investing activities	(176,816)	(36,112)
Cash flows from financing activities:		
Proceeds from unsecured credit facility	208,000	110,000
Repayment of unsecured credit facility	(193,000)	(163,000)
Proceeds from unsecured term loans	—	75,000
Repayment of mortgage notes	(481)	(462)
Payment of loan fees and costs	—	(3)
Proceeds from sales of common stock	150,189	—
Offering costs	(1,544)	(88)
Dividends and distributions	(42,288)	(36,200)
Repurchase and retirement of share-based compensation	(1,444)	(1,524)
Net cash provided by (used in) financing activities	119,432	(16,277)
Decrease in cash and cash equivalents and restricted cash	(10,234)	(10,415)
Cash and cash equivalents and restricted cash—beginning of period	22,542	28,129
Cash and cash equivalents and restricted cash—end of period	$12,308	$17,714
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest	$10,449	$11,057
Supplemental schedule of non-cash investing and financing activities		

Change in additions of land, building, and improvements included in accounts payable, accrued expenses, and other liabilities	$(1,094)	$1,908
Additions to building and other capital improvements from non-cash compensation	$(14)	$(4)
Change in loan fees, costs, and offering costs included in accounts payable, accrued expenses, and other liabilities	$(116)	$(90)
Leases cumulative effect adjustment (Note 2)	$(214)	$—
Dividends and distributions accrued	$15,846	$14,460

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

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STAG Industrial, Inc.
Notes to Consolidated Financial Statements
(unaudited)
1. Organization and Description of Business

STAG Industrial, Inc. (the “Company”) is an industrial real estate operating company focused on the acquisition and operation of single-tenant, industrial properties throughout the United States. The Company was formed as a Maryland corporation and has elected to be treated and intends to continue to qualify as a real estate investment trust (“REIT”) under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. The Company is structured as an umbrella partnership REIT, commonly called an UPREIT, and owns substantially all of its assets and conducts substantially all of its business through its operating partnership, STAG Industrial Operating Partnership, L.P., a Delaware limited partnership (the “Operating Partnership”). As of March 31, 2019 and December 31, 2018, the Company owned a 96.7% and 96.5%, respectively, common equity interest in the Operating Partnership. The Company, through its wholly owned subsidiary, is the sole general partner of the Operating Partnership. As used herein, the “Company” refers to STAG Industrial, Inc. and its consolidated subsidiaries and partnerships, including the Operating Partnership, except where context otherwise requires.

As of March 31, 2019, the Company owned 395 buildings in 38 states with approximately 78.2 million rentable square feet, consisting of 328 warehouse/distribution buildings, 58 light manufacturing buildings, and nine flex/office buildings. The Company’s buildings were approximately 95.2% leased to 359 tenants as of March 31, 2019.

2. Summary of Significant Accounting Policies

Interim Financial Information

The accompanying interim financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and with the instructions to Form 10-Q and Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the accompanying interim financial statements include all adjustments, consisting of normal recurring items, necessary for their fair statement in conformity with GAAP. Interim results are not necessarily indicative of results for a full year. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company’s consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Basis of Presentation

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

New Accounting Standards and Reclassifications

New Accounting Standards Adopted

In July 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-11 which amends Topic 842, Leases, and provides lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component if the non-lease components otherwise would be accounted for under the new revenue guidance and both of the following are met: i) the timing and pattern of transfer of the non-lease component(s) and associated lease component are the same; and ii) the lease component, if accounted for separately, would be classified as an operating lease. Under this new expedient, if the non-lease components associated with the lease component are the predominant component of the combined component, a company should account for the combined component in accordance with Topic 606, Revenue from Contracts with Customers. Otherwise, the company should account for the combined component as an operating lease in accordance with Topic 842. In December 2018, the FASB issued ASU 2018-20 which amends Topic 842, Leases, and allows lessors to continue to exclude from revenue the lessor costs that are paid by lessees directly to third parties. The Company adopted Topic 842 on January 1, 2019, using the practical expedient, and i t did not have a material impact on the Company’s consolidated financial statements. The Company determined that for all leases where the Company is the lessor, that the timing and pattern of transfer of the non-lease components and associated lease components are the same, and that the lease components, if accounted for separately, would be classified as an operating lease. Accordingly, the Company has made an accounting policy election to recognize the combined component in accordance with Topic 842 as rental income on the accompanying Consolidated Statements of Operations.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), and various subsequent ASU’s, which set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). Topic 842 superseded the previous leases standard, Topic 840, Leases. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less are accounted for similar to the previous guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to the previous guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 impacted the Company’s consolidated financial statements as the Company has ground leases and its corporate office lease for which it is the lessee, which resulted in the recording of a right-of-use asset and the related lease liability.

The Company adopted ASU 2016-02 on January 1, 2019, using the modified retrospective transition method. The adoption of this standard resulted in a cumulative effect adjustment of approximately $0.2 million recorded as an increase to cumulative dividends in excess of earnings as of January 1, 2019 in the accompanying Consolidated Statements of Equity. The cumulative effect adjustment related to initial direct costs of leases where the Company is the lessor and that, as of January 1, 2019, had not begun to amortize and are no longer allowed to be capitalized under the new standard. On January 1, 2019, the Company recognized operating lease right-of-use assets of approximately $16.3 million and related operating lease liabilities of approximately $18.0 million on the accompanying Consolidated Balance Sheets, related to the leases where the Company is the lessee. The Company adopted the new standard using the practical expedient package which allowed the Company to (i) not reassess whether any expired or existing contracts are or contain leases; (ii) not reassess the lease classification for any expired or existing leases; and (iii) not reassess initial direct costs for any existing leases. This practical expedient allows the Company to continue to account for its ground leases as operating leases. Prospectively, any new or modified ground leases may be classified as a financing lease. The adoption of this standard by the Company has been applied prospectively, and the comparative periods have not been restated.

For leases in which the Company is the lessee, the Company recognizes a right-of-use asset and corresponding lease liability on the accompanying Consolidated Balance Sheets equal to the present value of the fixed lease payments. In determining operating right-of-use asset and lease liability for the Company’s existing operating leases upon the adoption of the new lease guidance, the Company was required to estimate an appropriate incremental borrowing rate on a fully-collateralized basis for the terms of the leases. The Company utilized a market-based approach to estimate the incremental borrowing rate for each individual lease. Since the terms under the ground leases are significantly longer than the terms of borrowings available to the Company on a fully-collateralized basis, the estimate of this rate required significant judgment, and considered factors such as yields on outstanding public debt and other market based pricing on longer duration financing instruments.

The new leases standard requires the Company to evaluate cash basis versus accrual basis of rental income recognition based on the collectability of future lease payments.

Reclassifications

Prior period amounts have been reclassified to conform to the current year presentation due to the adoption of ASU 2016-02. Amounts previously classified as rental income and tenant recoveries in the prior period are now classified as rental income on the accompanying Consolidated Statements of Operations, as the Company has made an accounting policy election to combine these amounts that are accounted for under the new leases standard.

Restricted Cash

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

Reconciliation of cash and cash equivalents and restricted cash (in thousands)	March 31, 2019	December 31, 2018
Cash and cash equivalents	$ 7,857	$ 7,968
Restricted cash	4,451	14,574
Total cash and cash equivalents and restricted cash	$ 12,308	$ 22,542

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Taxes

Federal Income Taxes

The Company's taxable REIT subsidiaries recognized a net loss of approximately $12,000 and $36,000 for the three months ended March 31, 2019 and 2018, respectively, which has been included on the accompanying Consolidated Statements of Operations.

State and Local Income, Excise, and Franchise Tax

State and local income, excise, and franchise taxes in the amount of $0.2 million and $0.2 million have been recorded in other expenses on the accompanying Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018, respectively.

Uncertain Tax Positions

As of March 31, 2019 and December 31, 2018, there were no liabilities for uncertain tax positions.

Concentrations of Credit Risk

Management believes the current credit risk of the Company's portfolio is reasonably well diversified and does not contain any unusual concentration of credit risk.

3. Rental Property

The following table summarizes the components of rental property as of March 31, 2019 and December 31, 2018.

Rental Property (in thousands)	March 31, 2019	December 31, 2018
Land	$377,530	$ 364,023
Buildings, net of accumulated depreciation of $211,755 and $199,497, respectively	2,180,636	2,082,781
Tenant improvements, net of accumulated depreciation of $21,026 and $36,450, respectively	31,108	30,704
Building and land improvements, net of accumulated depreciation of $88,229 and $80,983, respectively	173,715	168,229
Construction in progress	7,088	3,949
Deferred leasing intangibles, net of accumulated amortization of $224,740 and $246,502, respectively	348,439	342,015
Total rental property, net	$3,118,516	$ 2,991,701

Acquisitions

The following table summarizes the acquisitions of the Company during the three months ended March 31, 2019.

Market [(1)]	Date Acquired	Square Feet	Buildings	Purchase Price (in thousands)
Cincinnati/Dayton, OH	January 24, 2019	176,000	1	$ 9,965
Pittsburgh, PA	February 21, 2019	455,000	1	28,676
Boston, MA	February 21, 2019	349,870	1	26,483
Minneapolis/St Paul, MN	February 28, 2019	248,816	1	21,955

Greenville/Spartanburg, SC	March 7, 2019	331,845	1	24,536
Philadelphia, PA	March 7, 2019	148,300	1	10,546
Omaha/Council Bluffs, NE-IA	March 11, 2019	237,632	1	20,005
Houston, TX	March 28, 2019	132,000	1	17,307
Baltimore, MD	March 28, 2019	167,410	1	13,648
Houston, TX	March 28, 2019	116,750	1	12,242
Three months ended March 31, 2019		2,363,623	10	$ 185,363

(1) As defined by CoStar Realty Information Inc ("CoStar"). If the building is located outside of a CoStar defined market, the city and state is reflected.

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The following table summarizes the allocation of the consideration paid at the date of acquisition during the three months ended March 31, 2019 for the acquired assets and liabilities in connection with the acquisitions identified in the table above.

Acquired Assets and Liabilities	Purchase Price (in thousands)	Weighted Average Amortization Period (years) of Intangibles at Acquisition
Land	$ 18,152	N/A
Buildings	127,201	N/A
Tenant improvements	1,349	N/A
Building and land improvements	11,235	N/A
Construction in progress	2,032	N/A
Other assets	1,049	N/A
Deferred leasing intangibles - In-place leases	16,743	7.9
Deferred leasing intangibles - Tenant relationships	8,404	11.3
Deferred leasing intangibles - Above market leases	327	4.3
Deferred leasing intangibles - Below market leases	(1,129)	8.5
Total purchase price	$ 185,363	

The table below sets forth the results of operations for the three months ended March 31, 2019 for the buildings acquired during the three months ended March 31, 2019 included in the Company's Consolidated Statements of Operations from the date of acquisition.

Results of Operations (in thousands)	Three months ended March 31, 2019
Total revenue	$ 1,194
Net loss	$ 145

Dispositions

During the three months ended March 31, 2019, the Company sold five buildings comprised of approximately 1.0 million square feet with a net book value of approximately $15.3 million to third parties. These buildings contributed approximately $0.1 million and $1.1 million to revenue for the three months ended March 31, 2019 and 2018, respectively. These buildings contributed approximately $(0.2) million and $0.5 million to net income (loss) (exclusive of gain on the sales of rental property, net) for the three months ended March 31, 2019 and 2018, respectively. Net proceeds from the sales of rental property were approximately $16.6 million and the Company recognized the full gain on the sales of rental property, net, of approximately $1.3 million for the three months ended March 31, 2019.

Loss on Impairments

The following table summarizes the Company's loss on impairments for assets held and used during the three months ended March 31, 2019.

Market[1]	Buildings	Event or Change in Circumstance Leading to Impairment Evaluation[2]	Valuation technique utilized to estimate fair value	Fair Value[3] (in thousands)	Loss on Impairments
Rapid City, SD	1	Change in estimated hold period	Discounted cash flows	(4)	
Three months ended March 31, 2019				$4,373	$ 5,344

(1) As defined by CoStar. If the building is located outside of a CoStar defined market, the city and state is reflected.

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

(3) The estimated fair value of the property is based on Level 3 inputs and is a non-recurring fair value measurement. Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

(4) Level 3 inputs used to determine fair value for the property impaired for the three months ended March 31, 2019: discount rate of 12.0% and exit capitalization rate of 12.0%.

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Deferred Leasing Intangibles

The following table sets forth the deferred leasing intangibles on the accompanying Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018.

	March 31, 2019			December 31, 2018		
Deferred Leasing Intangibles (in thousands)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Above market leases	$70,961	$ (30,409)	$40,552	$73,122	$ (31,059)	$42,063
Other intangible lease assets	502,218	(194,331)	307,887	515,395	(215,443)	299,952
Total deferred leasing intangible assets	$573,179	$ (224,740)	$348,439	$588,517	$ (246,502)	$342,015
Below market leases	$30,862	$ (10,394)	$20,468	$34,331	$ (12,764)	$21,567
Total deferred leasing intangible liabilities	$30,862	$ (10,394)	$20,468	$34,331	$ (12,764)	$21,567

The following table sets forth the amortization expense and the net decrease to rental income for the amortization of deferred leasing intangibles during the three months ended March 31, 2019 and 2018.

	Three months ended March 31,	
Deferred Leasing Intangibles Amortization (in thousands)	2019	2018
Net decrease to rental income related to above and below market lease amortization	$ 967	$ 1,207
Amortization expense related to other intangible lease assets	$ 16,814	$ 18,100

The following table sets forth the amortization of deferred leasing intangibles over the next five calendar years beginning with 2019 as of March 31, 2019.

Year	Amortization Expense Related to Other Intangible Lease Assets (in thousands)	Net Decrease to Rental Income Related to Above and Below Market Lease Amortization (in thousands)
Remainder of 2019	$ 48,278	$ 2,900
2020	$ 54,265	$ 3,546
2021	$ 43,369	$ 2,221
2022	$ 35,017	$ 1,361
2023	$ 28,732	$ 1,363

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4. Debt

The following table sets forth a summary of the Company's outstanding indebtedness, including borrowings under the Company's unsecured credit facility, unsecured term loans, unsecured notes, and mortgage notes as of March 31, 2019 and December 31, 2018.

Loan	Principal Outstanding as of March 31, 2019 (in thousands)	Principal Outstanding as of December 31, 2018 (in thousands)	Interest Rate (1)(2)		Maturity Date	Prepayment Terms (3)
Unsecured credit facility:						
Unsecured Credit Facility (4)	$ 115,500	$ 100,500	L + 0.90%		Jan-15-2023	i
Total unsecured credit facility	115,500	100,500				
Unsecured term loans:						
Unsecured Term Loan C	150,000	150,000	2.39	%	Sep-29-2020	i
Unsecured Term Loan B	150,000	150,000	3.05	%	Mar-21-2021	i
Unsecured Term Loan A	150,000	150,000	2.70	%	Mar-31-2022	i
Unsecured Term Loan D	150,000	150,000	2.85	%	Jan-04-2023	i
Unsecured Term Loan E (5)	—	—	3.92	%	Jan-15-2024	i
Total unsecured term loans	600,000	600,000				
Less: Total unamortized deferred financing fees and debt issuance costs	(3,358)	(3,640)				
Total carrying value unsecured term loans, net	596,642	596,360				
Unsecured notes:						
Series F Unsecured Notes	100,000	100,000	3.98	%	Jan-05-2023	ii
Series A Unsecured Notes	50,000	50,000	4.98	%	Oct-1-2024	ii
Series D Unsecured Notes	100,000	100,000	4.32	%	Feb-20-2025	ii
Series G Unsecured Notes	75,000	75,000	4.10	%	Jun-13-2025	ii
Series B Unsecured Notes	50,000	50,000	4.98	%	Jul-1-2026	ii
Series C Unsecured Notes	80,000	80,000	4.42	%	Dec-30-2026	ii
Series E Unsecured Notes	20,000	20,000	4.42	%	Feb-20-2027	ii
Series H Unsecured Notes	100,000	100,000				