STAG Industrial, Inc.
Form S-11/A
February 16, 2011

Use these links to rapidly review the document
TABLE OF CONTENTS
INDEX TO FINANCIAL STATEMENTS

Table of Contents

As filed with the Securities and Exchange Commission on February 16, 2011

Registration Statement No. 333-168368

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4
TO
FORM S-11

**FOR REGISTRATION
UNDER
THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES**

STAG Industrial, Inc.

(Exact name of registrant as specified in its governing instruments)

**99 High Street, 28th Floor
Boston, Massachusetts 02110
(617) 574-4777**

(Address, including Zip Code, and Telephone Number, including
Area Code, of Registrant's Principal Executive Offices)

**Benjamin S. Butcher
Chairman, Chief Executive Officer and President
STAG Industrial, Inc.
99 High Street, 28th Floor
Boston, Massachusetts 02110
(617) 574-4777**

(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

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

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

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

Subject to completion
Preliminary Prospectus dated February 16, 2011

PROSPECTUS

13,000,000 Shares

Common Stock

STAG Industrial, Inc. is a newly formed, self-administered and self-managed full-service real estate company focused on the acquisition, ownership and management of single-tenant industrial properties throughout the United States. Upon completion of our formation transactions and this offering, our portfolio will consist of 90 properties in 26 states with approximately 13.7 million rentable square feet.

This is our initial public offering. We are selling 13,000,000 shares of our common stock.

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for the shares. Our shares of common stock have been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol "STIR."

We intend to elect and qualify to be taxed as a real estate investment trust for U.S. federal income tax purposes ("REIT") commencing with our taxable year ending December 31, 2011. To assist us in qualifying as a REIT, shareholders are generally restricted from owning more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding shares of common stock or of our outstanding shares of capital stock. Our charter contains additional restrictions on the ownership and transfer of shares of our common stock. See "Description of Stock Restrictions on Ownership and Transfer of Stock."

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 21 of this prospectus.

	Per share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

The underwriters also may purchase up to an additional 1,950,000 shares from us, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2011.

BofA Merrill Lynch **J.P. Morgan** **UBS Investment Bank**

The date of this prospectus is , 2011.

Table of Contents

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus, any free writing prospectus prepared by us or information to which we have referred you. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates which are specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates. We will update this prospectus as required by law.

We use market data and industry forecasts and projections in this prospectus. We have obtained substantially all of the information under "Prospectus Summary Market Overview" and under "Market Overview" from market research prepared or obtained by CB Richard Ellis Econometric

Advisors ("CBRE-EA") in connection with this offering. Such information is included herein in reliance on CBRE-EA's authority as an expert on such matters. See "Experts." In addition, CBRE-EA in some cases has obtained market data and industry forecasts and projections from publicly available information and industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers' experience in the industry, and there is no assurance that any of the projections or forecasts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information.

In connection with this offering, we intend to make awards of restricted common stock and LTIP Units under our 2011 Equity Incentive Plan and determined the size of those awards using dollar values. The number of LTIP Units and shares of restricted stock we disclosed in this prospectus are based on the midpoint of the range set forth on the cover of this prospectus. If the actual initial public offering price is less than or greater than the midpoint of the range set forth on the cover of this prospectus, the number of LTIP Units and shares of restricted stock awarded will increase or decrease, respectively.

In this prospectus:

- "our company," "the company," "we," "us" and "our" refer to STAG Industrial, Inc., a Maryland corporation, and its consolidated subsidiaries after giving effect to the formation transactions described elsewhere in this prospectus, except where it is clear from the context that the term only means the issuer of the shares of common stock in this offering, STAG Industrial, Inc., or means STAG Industrial, Inc. and its subsidiaries before giving effect to the formation transactions;

- "annualized rent" means the monthly base cash rent for the applicable property or properties as of December 31, 2010 (which is different from rent calculated in accordance with GAAP for purposes of our financial statements), multiplied by 12, and "total annualized rent" means the annualized rent for all of our properties;

- "debt yields" means last 12 months net operating income divided by period ending debt on the referenced properties;

- "investment grade credit tenant" means a tenant that has a published senior unsecured credit rating of BBB-/Baa3 or above from one or both of Standard & Poor's or Moody's Investors Service;

- "net operating income" or "NOI" means operating revenue (including rental revenue, tenant recoveries and other operating revenue) less property-level operating expenses (including management fees and general and administrative expenses), and excludes depreciation and amortization, impairments, gain/loss on sale of real estate, interest expense and other non-operating items;

- "on a fully diluted basis" assumes the exchange of all outstanding common units of limited partnership interest in our operating partnership and all outstanding LTIP units in our operating partnership, for shares of our common stock on a one-for-one basis;

- "our operating partnership" means STAG Industrial Operating Partnership, L.P., a Delaware limited partnership, and the subsidiary through which we will conduct substantially all of our business;

- "our predecessor business" means the entities and properties to be contributed to our operating partnership pursuant to our formation transactions described elsewhere in this prospectus;

ii

Table of Contents

"on a pro forma basis" means after consummation of this offering at the midpoint of the price range set forth on the front cover of this prospectus, our formation transactions described elsewhere in this prospectus, including the contribution of our predecessor business to our operating partnership, the acquisition by STAG GI Investments, LLC of its 14 properties and its incurrence of associated indebtedness and the application of the proceeds of this offering as described under "Use of Proceeds";

"the management company" means STAG Capital Partners, LLC ("STAG") and STAG Capital Partners III, LLC ("SCP III"), which are part of our predecessor business;

"secondary markets" means, as described in market materials prepared for us by CBRE-EA and described in this prospectus, markets with net rentable square footage ranging between approximately 25 million and 200 million square feet; and

"sub-investment grade tenant" means a tenant that is not an investment grade credit tenant;

"primary markets" means, as described in market materials prepared for us by CBRE-EA and described in this prospectus, markets with a minimum of 200 million in net rentable square footage, located in the 29 largest industrial metropolitan areas.

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. You should read carefully the entire prospectus, including "Risk Factors," our financial statements, pro forma financial information, and related notes appearing elsewhere in this prospectus, before making a decision to invest in our common stock.

Unless indicated otherwise, the information included in this prospectus assumes (1) no exercise of the underwriters' option to purchase up to 1,950,000 additional shares of our common stock to cover overallotments, if any, and (2) the shares of common stock to be sold in this offering are sold at $ per share, which is the midpoint of the range set forth on the front cover of this prospectus.

The historical operations described in this prospectus refer to the historical operations of STAG Industrial, Inc. and our predecessor business. We have generally described the business operations in this prospectus as if the historical operations of our predecessor business were conducted by us.

Overview

STAG Industrial, Inc. is a newly formed, self-administered and self-managed full-service real estate company focused on the acquisition, ownership and management of single-tenant industrial properties throughout the United States. We will continue and grow the single-tenant industrial business conducted by our predecessor business. Benjamin S. Butcher, the Chairman of our board of directors and our Chief Executive Officer and President, together with an affiliate of New England Development, LLC ("NED"), a real estate development and management company, formed our predecessor business, which commenced active operations in 2004.

Upon completion of our formation transactions and this offering, our portfolio will consist of 90 properties in 26 states with approximately 13.7 million rentable square feet. As of December 31, 2010, our properties were 89.6% leased to 69 tenants, with no single tenant accounting for more than 5.5% of our total annualized rent and no single industry accounting for more than 14.8% of our total annualized rent.

We target the acquisition of individual Class B, single-tenant industrial properties predominantly in secondary markets throughout the United States with purchase prices ranging from $5 million to $25 million. We believe our focus on owning and expanding a portfolio of such properties will generate returns for our shareholders that are attractive in light of the risks associated with these returns because:

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

- In our view, investment yields on single tenant individual property acquisitions are typically greater than investment yields on portfolio acquisitions. With appropriate asset diversification, individual asset risk can be mitigated across an aggregated portfolio.

- Class B industrial properties tend to have higher current returns and lower volatility than Class A industrial properties.

- Secondary markets generally have less occupancy and rental rate volatility than primary markets.

- In our view, we typically do not face significant competition from other institutional industrial real estate buyers for acquisitions, as these buyers tend to focus on larger properties in select primary markets. Our typical competitors are local investors who often do not have ready access to debt or equity capital.

Table of Contents

- Tenants in our target properties tend to manage their properties directly, which allows us to grow our portfolio without substantially increasing the size of our asset management infrastructure.

For a description of what we consider to be Class A and Class B properties, see "Business Our Properties."

Our target properties are generally leased to:

- investment grade credit tenants on shorter term leases (less than four to six years);
- sub-investment grade credit tenants on longer term leases (greater than four to six years); or
- a variable combination of the above.

We believe the market inefficiently prices our target properties because investors underestimate the probability of tenant retention beyond the primary lease term, or overestimate the expected cost of tenant default. Further, we believe our underwriting processes, utilizing our proprietary model, allows us to acquire properties at a discount to their intrinsic values, where intrinsic values are determined by the properties' future cash flows.

We were incorporated on July 21, 2010 under the laws of the State of Maryland. We intend to elect and qualify to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), for the year ending December 31, 2011, and generally will not be subject to U.S. federal taxes on our income to the extent we currently distribute our income to our shareholders and maintain our qualification as a REIT. We are structured as an umbrella partnership REIT ("UPREIT") and will own substantially all of our assets and conduct substantially all of our business through our operating partnership. Our principal executive offices are located at 99 High Street, 28th Floor, Boston, Massachusetts 02110. Our telephone number is (617) 574-4777. Our website is www.stagreit.com. The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this prospectus or any other report or document we file with or furnish to the SEC.

Competitive Strengths

- ***Proven Growth Profile:*** Since 2004, we have deployed more than $1.3 billion of capital, representing the acquisition of 219 properties totaling approximately 35.2 million rentable square feet in 143 individual transactions. Our pursuit of many small acquisitions helps produce a smooth and predictable growth rate.

- ***Established Intermediary Relationships:*** Approximately 32.6% of the acquisitions we sourced, based on total purchase price, have been in "limited marketing" transactions where there has been no formal sales process. We believe we have developed a reputation as a credible and active buyer of single-tenant industrial real estate, which provides us access to significant acquisition opportunities that may not be available to our competitors.

- ***Recent Acquisition Activity:*** Our affiliate, STAG GI, LLC, formed a joint venture with STAG GI Investco, LLC ("GI Partners") called STAG GI Investments, LLC ("STAG GI"). Since formation in July 2010, STAG GI has acquired 14 industrial properties, representing 3.9 million rentable square feet located in nine states. In addition, STAG GI has entered into a purchase and sale agreement for the purchase of one 152,000-square foot industrial property and it also has executed two non-binding letters of intent for the purchase of two industrial properties with a combined 537,000 square feet, which represents an aggregate purchase price for all three properties of $30.5 million.

- ***Scalable Platform:*** We own properties in a variety of different markets within 26 states. We believe we have developed the experience and systems infrastructure necessary to acquire, own

Table of Contents

and manage properties throughout the United States, which will allow us to efficiently grow our portfolio in those markets and others. In addition, our focus on net lease properties ensures that our current staff of 26 employees (with incremental additions) will be sufficient to support our growth. As of February 10, 2011, we were pursuing approximately $450 million of specific additional potential acquisitions that we have identified as warranting investment consideration after an initial review.

Expertise in Underwriting Single-Tenant Properties: Our expertise and market knowledge have been derived from our significant acquisition activity, our relationships with a national network of commercial real estate brokers and our presence in numerous markets. Through our experience, we developed a proprietary underwriting process. We integrate real estate and corporate credit analysis to project the future cash flows of potential acquisitions. Central to our underwriting is assessing the probability of tenant retention during the lease term and beyond. We then analyze the costs associated with a vacancy event by estimating market rent, potential downtime and re-tenanting costs for the subject property.

Stable and Predictable Cash Flows: Our portfolio is diversified by tenant, industry and geography, which tends to reduce risk and earnings volatility. As of December 31, 2010, no single tenant accounted for more than 5.5% of our total annualized rent; no single industry represented more than 14.8% of our total annualized rent; and no single state was the site for properties generating more than 17.3% of our total annualized rent. Cash flow consistency across our portfolio is enhanced by our weighted average in-place remaining lease term of approximately 5.8 years as of December 31, 2010, low costs for tenant improvements and leasing commissions and low capital expenditures (which, for the properties we owned in 2010, averaged 1% and 4% of net operating income during 2010, respectively). It is further enhanced by our expected high tenant retention rate. The management company has achieved an average tenant retention rate (with respect to 97 leases) of 71.9% since its first property acquisition in 2004.

Conservative Balance Sheet and Liquidity Position: Upon consummation of our formation transactions, we will have a debt-to-earnings before interest, tax, depreciation and amortization ("EBITDA") ratio of approximately 4.5x, based on our pro forma EBITDA for the 12 months ended December 31, 2010. We intend to target a debt-to-EBITDA ratio of between 5.0x and 6.0x, although we may exceed these levels from time to time as we complete acquisitions. We believe that this leverage and liquidity profile, as well as the transparency and flexibility of our balance sheet and our UPREIT structure, facilitates future refinancings of our indebtedness and positions us to capitalize on external growth opportunities in the near term.

Experienced Management Team: The five senior members of our management team have significant real estate industry experience, including: Mr. Butcher with 28 years of experience; Mr. Sullivan with 29 years of experience; Mr. Mecke with 26 years of experience; Ms. Arnone with 23 years of experience; and Mr. King with 15 years of experience. All five have had an active role with our predecessor business and four have previous public REIT or public real estate company experience. In addition, GI Partners, a representative of which will be a member of our board of directors, has significant experience sponsoring real estate companies, including a public REIT, Digital Realty Trust, Inc.

Table of Contents

Our Strategies

Our primary business objectives are to own and operate a balanced and diversified portfolio of single-tenant industrial properties that maximizes cash flows available for distribution to our shareholders, and to enhance shareholder value over time by achieving sustainable long-term growth in funds from operations ("FFO") per share through the following strategies.

Investment Strategy

Our primary investment strategy is to acquire individual Class B, single-tenant industrial properties predominantly in secondary markets throughout the United States through third-party purchases and structured sale-leasebacks featuring high initial yields and strong ongoing cash-on-cash returns.

We believe secondary markets tend to have less occupancy and rental rate volatility and less buyer competition compared with primary markets. As of December 31, 2010, our properties had an average annualized rent of $4.07 per rentable square foot of leased space.

The performance of single-tenant properties tends to be binary in nature either a tenant is paying rent or the owner is paying the entire carrying cost of the property. We believe that this binary nature frequently causes the market to inefficiently price our target assets. In an attempt to avoid this binary risk and paying the entire carrying cost of a vacant property, potential investors in single-tenant properties may turn to the application of rigid decision rules that would induce buyers of single-tenant properties to avoid acquisitions where the tenant does not have an investment grade rating or where the remaining primary lease term is less than an arbitrary number such as 12 years. By adhering to such inflexible decision rules, other investors may miss attractive opportunities that we can identify and acquire.

We further believe that our method of using and applying the results of our due diligence and our ability to understand and underwrite risk allows us to exploit this market inefficiency. Lastly, we believe that the systematic aggregation of individual properties will result in a diversified portfolio that mitigates the risk of any single property and will produce sustainable returns which are attractive in light of the associated risks. A diversified portfolio with low correlated risk essentially a "virtual industrial park" facilitates debt financing and mitigates individual property ownership risk.

Growth Strategy

External Growth through Acquisitions: Our target acquisitions will be predominantly in secondary markets across the United States, in the $5 million to $25 million range. Where appropriate potential returns present themselves, we also may acquire assets in primary markets. We will continue to develop our large existing network of relationships with real estate and financial intermediaries. These individuals and companies give us access to significant deal flow both those broadly marketed and those exposed through only limited marketing. We believe that a significant portion of the 13.8 billion square feet of industrial space in the United States falls within our target investment criteria and that there will be ample supply of suitable acquisition opportunities.

Internal Growth through Asset Management: Our asset management team will seek to maximize cash flows by maintaining high retention rates and leasing vacant space, managing operating expenses and maintaining our properties. We seek to accomplish these objectives by improving the overall performance and positioning of our assets by utilizing our tenant relationships and leasing expertise to maintain occupancy and increase rental rates. Our asset management team collaborates with our internal credit function to actively monitor the credit profile of each of our tenants on an ongoing basis. Additionally, we work with national and local brokerage companies to market and lease available properties on advantageous terms. During the period from March 3, 2004 to December 31, 2010, the

Table of Contents

management company achieved a lease renewal rate of 71.9%. As of December 31, 2010, our portfolio had approximately 1,434,217 square feet, or 10.4% of our total rentable square feet, available for lease.

Underwriting Strategy

We believe that our market knowledge, systems and processes allow us to analyze efficiently the risks in an asset's ability to produce cash flow going forward. We blend fundamental real estate analysis with corporate credit analysis in our proprietary model to make a probabilistic assessment of cash flows that will be realized in future periods. For each asset, our analysis focuses on:

Real Estate. We evaluate the physical real estate within the context of the market (and submarket) in which it is located and the prospect for re-tenanting the property if it becomes vacant.

Deal Parameters. We evaluate the tenant and landlord obligations contained within the existing or proposed lease and other transaction documents.

Tenant Credit. We apply fundamental credit analysis to evaluate the tenant's credit profile by focusing on the tenant's current and historical financial status, general business plan, operating risks, capital sources and earnings expectations. Using this data and publicly available bond default studies of comparable tenant credits, we estimate the probability of future rent loss due to tenant default.

Tenant Retention. We assess the tenant's use of its property and the degree to which the property is central to the tenant's ongoing operations, the tenant's potential cost to relocate, the supply/demand dynamic in the relevant submarket and the availability of suitable alternative properties. We believe tenant retention tends to be greater for properties that are critical to the tenants' businesses.

Financing Strategy

We intend to preserve a flexible capital structure and to utilize primarily debt secured by pools of properties. We have executed a loan agreement with several financial institutions establishing a $100 million secured corporate revolving credit facility (subject to increase to $200 million under certain circumstances). The credit facility is being held in escrow and will be available upon the closing of this offering and satisfaction of other customary closing conditions. In addition, in connection with our formation transactions, we will be assuming an existing secured acquisition credit facility from STAG GI that currently has $33.6 million of borrowing capacity and a commitment letter for an additional $65 million secured acquisition credit facility. We expect to fund property acquisitions initially through a combination of cash available from offering proceeds, our credit facilities and traditional mortgage financing. Where possible, we also anticipate using common units of limited partnership interest in our operating partnership ("common units") to acquire properties from existing owners seeking a tax-deferred transaction. We intend to meet our long-term liquidity needs through cash provided by operations and use of other financing methods as available from time to time including, but not limited to, secured and unsecured debt, perpetual and non-perpetual preferred stock, additional common equity issuances, letters of credit and other arrangements. In addition, we may invest in properties subject to existing mortgages or similar liens.

Table of Contents

Our Properties

The following tables portray the property type, geographic, and industry diversity of our properties and tenants, respectively, as of December 31, 2010:

Property Type	Total Number of Properties	Occupancy(1)	Total Rentable Square Feet	Percentage of Total Rentable Square Feet	Total Annualized Rent per Leased Square Foot	Total Annualized Rent (dollars in thousands)	Percentage of Total Annualized Rent
Warehouse/Distribution	43	89.3%	9,788,490	71.3%	$ 3.42	$ 29,915	59.9%
Flex/Office	21	89.1%	1,243,221	9.1%	9.92	10,993	22.0%
Manufacturing	26	90.6%	2,693,679	19.6%	3.71	9,059	18.1%
Total/Weighted Average	**90**	**89.6%**	**13,725,390**	**100%**	**$ 4.07**	**$ 49,967**	**100%**

State	Total Number of Properties	Occupancy(1)	Total Rentable Square Feet	Percentage of Total Rentable Square Feet	Total Annualized Rent per Leased Square Foot	Total Annualized Rent (dollars in thousands)	Percentage of Total Annualized Rent
North Carolina	9	100.0%	2,241,973	16.3%	$ 3.85	$ 8,636	17.3%
Ohio	11	75.0%	2,160,330	15.7%	3.94	6,386	12.8%
Wisconsin	6	98.9%	1,299,262	9.5%	2.83	3,636	7.3%
Michigan	7	93.8%	1,195,201	8.7%	2.75	3,080	6.2%
Maine	6	100.0%	378,979	2.8%	7.33	2,778	5.6%
Indiana	11	89.9%	854,228	6.2%	3.44	2,645	5.3%
Tennessee	2	100.0%	761,106	5.5%	3.33	2,538	5.1%
Minnesota	2	100.0%	558,894	4.1%	4.25	2,374	4.8%
Kentucky	2	97.3%	868,503	6.3%	2.71	2,290	4.6%
Florida	4	56.6%	329,184	2.4%	9.91	1,846	3.7%
New Jersey	2	100.0%	315,500	2.3%	5.45	1,718	3.4%
Massachusetts	3	58.5%	187,983	1.4%	7.19	790	1.6%
All Others	25	81.5%	2,574,247	18.8%	5.36	11,250	22.3%
Total/Weighted Average	**90**	**89.6%**	**13,725,390**	**100%**	**$ 4.07**	**$ 49,967**	**100%**

(1) Calculated as the average occupancy weighted by each property's rentable square footage. A few properties have more than one tenant.

Table of Contents

Industry	Total Number of Leases(1)	Total Leased Square Feet	Percentage of Total Leased Square Feet	Total Annualized Rent	Percentage of Total Annualized Rent
				(dollars in thousands)	
Containers & Packaging	8	1,975,891	16.0%	$ 7,416	14.8%
Business Services	5	759,960	6.2%	4,933	9.9%
Personal Products	6	1,734,489	14.1%	4,788	9.6%
Industrial Equipment, Components & Metals	7	824,318	6.7%	3,600	7.2%
Aerospace & Defense	6	665,930	5.4%	3,562	7.1%
Automotive	5	1,059,280	8.6%	3,539	7.1%
Food & Beverages	3	925,700	7.5%	3,306	6.6%
Technology	6	678,850	5.5%	3,157	6.3%
Finance	2	387,227	3.2%	3,115	6.2%
Retail	2	918,025	7.5%	3,022	6.0%
Office Supplies	4	1,254,836	10.2%	2,999	6.0%
Healthcare	3	192,230	1.6%	1,380	2.8%
Government	4	62,041	0.5%	1,309	2.6%
Air Freight & Logistics	3	242,292	2.0%	1,098	2.2%
Education	3	108,846	0.9%	1,092	2.2%
Other	5	501,258	4.1%	1,651	3.4%
Total/Weighted Average	**72**	**12,291,173**	**100%**	**$ 49,967**	**100%**

(1) A single lease may cover space in more than one building.

The following table sets forth information about the 10 largest tenants in our portfolio based on total annualized rent as of December 31, 2010:

Tenant	Total Leased Square Feet	Percentage of Total Leased Square Feet	Total Annualized Rent	Percentage of Total Annualized Rent
			(dollars in thousands)	
International Paper	573,323	4.7%	$ 2,765	5.5%
Bank of America	318,979	2.6%	2,233	4.5%
Spencer Gifts	491,025	4.0%	1,890	3.8%
Berry Plastics	315,500	2.6%	1,718	3.4%
Stream International	148,131	1.2%	1,666	3.3%
Archway Marketing Services	386,724	3.1%	1,623	3.2%
ConAgra Foods	342,700	2.8%	1,388	2.8%
Chrysler Group	343,416	2.8%	1,181	2.4%
DuPont	418,406	3.4%	1,151	2.3%
Cequent Performance Products	366,000	3.0%	1,138	2.3%
Total	**3,704,204**	**30.2%**	**$ 16,753**	**33.5%**

Table of Contents

As of December 31, 2010, our weighted average in-place remaining lease term across our portfolio was approximately 5.8 years. The following table sets forth a summary schedule of lease expirations for leases in place as of December 31, 2010, plus available space, for each of the five calendar years beginning with 2011 and thereafter in our portfolio. The information set forth in the table assumes that tenants exercise no renewal options and no early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Total Rentable Square Feet	Percentage of Total Expiring Square Feet	Total Annualized Rent[1]	Percentage of Total Annualized Rent
			(dollars in thousands)		
Available		1,434,217	10.4%		
2011	10	661,911	4.8%	3,364	6.7%
2012	13	1,515,134	11.0%	6,331	12.7%
2013	8	1,747,803	12.7%	5,485	11.0%
2014	9	1,698,275	12.4%	7,006	14.0%
2015	4	303,732	2.2%	1,450	2.9%
Thereafter	28	6,364,318	46.5%	26,331	52.7%
	72	**13,725,390**	**100%**	**$ 49,967**	**100%**

(1) Total annualized rent does not include any gross-up for tenant reimbursements and we had no rent abatements in effect as of December 31, 2010.

Recent Developments

Acquisition Activity

STAG GI has entered into a purchase and sale agreement for the purchase of one 152,000-square foot industrial property and it also has executed two non-binding letters of intent for the purchase of two industrial properties with a combined 537,000 square feet, which represents an aggregate purchase price for all three properties of $30.5 million. We are in various stages of due diligence and underwriting as part of our evaluations of these three potential acquisitions, and each is subject to significant outstanding conditions.

Leasing Activity

In addition, of the leases representing 1,041,705 square feet that were originally expiring in 2011, we executed two early renewals in 2010 representing 379,794 square feet of space. Including those leases, we have now renewed 73% of the square footage and 55% of the annualized rent that was expiring in 2011. We also have leased 65,182 square feet of vacant space in the first quarter of 2011, at a rental rate of $2.50 per square foot, initially equating to $162,955 of annualized rent (representing an increase of approximately $98,000 of annualized rent from the previous lease).

Financing Activity

We have executed a commitment letter, subject to customary closing conditions, to extend the maturity of our loan from Anglo Irish Bank Corporation Limited ("Anglo Master Loan (Fund III)"), which debt is due in 2012, to October 2013.

Market Overview

Unless otherwise indicated, all information contained in this Market Overview section is derived from market materials prepared by CBRE-EA as of February 11, 2011, and the projections and beliefs of CBRE-EA stated herein are as of that date.

Table of Contents

As of December 31, 2010, the overall U.S. industrial market consisted of approximately 257,000 buildings with 13.8 billion square feet of space. In terms of net rentable area ("NRA"), warehouse/distribution facilities constitute the majority (66.6%) of this space followed by manufacturing (20.6%) and flex/office (which includes research and development) (10.5%). Unclassified buildings (industrial facilities such as sewage treatment centers and airport hangars that are not amenable to private real estate investment) represent the remaining 2.3%.

	NRA (square feet in millions)	Number of Properties
Warehouse/Distribution	9,179	171,227
Manufacturing	2,846	41,596
Flex/Office	1,443	36,496
Other	323	8,049
All Industrial	**13,791**	**257,368**

Source: CBRE-EA Industrial Peer Select, Spring 2011.

The single-tenant industrial sector offers investors the opportunity to receive stable income from leases to a variety of firms across the spectrum of industrial sub-property types, and single-tenant industrial buildings are more likely to provide their owners with less volatile cash flows after expenses, as they generally do not require the same degree of tenant and capital improvement expenditures that are required on an ongoing basis to lease multi-tenanted space or other classes of commercial property.

Within the context of the broader real estate market, industrial property, including our targeted asset class, has exhibited a number of favorable investment characteristics:

- According to the National Council of Real Estate Investment Fiducuaries Property Index, industrial property has generally outperformed commercial property as a whole on a total return basis over the long term, by generating high and stable cash-flow yields.

- The current market environment provides an opportunity for well-capitalized investors to acquire industrial assets with strong cash flows at prices significantly discounted from levels of a few years ago due to the recent capital market dislocation on commercial real estate values.

- Industrial property fundamentals are expected to gradually improve as new supply remains low, the absorption rate increases and availabilities decrease over the next few years.

- Over the recent past, the Class B warehouse market has demonstrated a relatively higher degree of stability in terms of occupancy compared with newer and larger Class A space. Despite these market fundamentals, Class B space is relatively consistently priced at a discount to Class A space.

- Over the past 20 years, industrial properties in secondary markets on average have generated a superior economic rent growth with slightly lower volatility than their primary market counterparts.

Summary Risk Factors

An investment in our common stock involves material risks. You should consider carefully the risks described below and under "Risk Factors" before purchasing shares of our common stock in this offering:

- Our investments are concentrated in the industrial real estate sector, and we would be adversely affected by a downturn in that sector.

9

Table of Contents

- Our growth will depend upon our ability to acquire properties successfully. We may be unable to consummate acquisitions on advantageous terms, and acquisitions may not perform as we expect.

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

- Our officers and certain directors may have conflicting duties because they have a duty both to us and to the funds that will retain properties not contributed to us.

- We could be adversely affected if we fail to have access to capital on favorable terms.

- We have not obtained third-party property appraisals of the properties to be contributed to us in our formation transactions or fairness opinions in connection with our formation transactions. As a result, the consideration for these properties in our formation transactions may exceed their fair market value.

- We depend on tenants for revenue. Defaults by our tenants, as a result of bankruptcy or otherwise, could adversely affect us.

- We may be unable to renew or replace expiring leases or lease empty space on favorable terms or at all.

- Uninsured losses and contingent or unknown liabilities with respect to our properties, including environmentally hazardous conditions, could adversely affect us.

- Our charter and bylaws do not limit the amount or percentage of indebtedness that we may incur, and we could be adversely affected if we are unable to make required payments on our indebtedness, comply with other covenants in our indebtedness or refinance our indebtedness at maturity on favorable terms.

- Our accounting predecessor has experienced historical net losses and accumulated deficits after depreciation and we may experience future losses.

- We may not be able to make distributions at expected levels or at all.

- Our qualification as a REIT will depend on our satisfaction of numerous requirements under highly technical and complex provisions of the Code, and our failure so to qualify could adversely affect us, including our ability to make distributions.

- Investors in this offering will experience an immediate and substantial dilution in the pro forma net tangible book value of our common stock equal to $ per share.

Debt Financing and Liquidity

As of December 31, 2010, on a pro forma basis, we expect to have mortgage debt outstanding with an estimated aggregate balance of approximately $172.9 million at a weighted average annual interest rate of 5.8%. All of this debt will bear interest at a fixed rate through its initial term. Of the $172.9 million of fixed rate debt we expect to have outstanding, $72.0 million is fixed as a result of interest rate swaps. This debt will be comprised of a $72.0 million loan maturing in 2012, an $92.4 million loan maturing in 2018 and an $8.5 million loan maturing in 2027. See "Business Description of Certain Debt" for more information about such debt. We have executed a commitment letter, subject to customary closing conditions, to extend the maturity of our debt due in 2012 to October 2013. The pro forma debt yield on this instrument is

%.

We have executed a loan agreement with several financial institutions establishing a $100 million secured corporate revolving credit facility (subject to increase to $200 million under certain circumstances). The credit facility is being held in escrow and will be available upon the closing of this offering and satisfaction of other customary closing conditions. In addition, in connection with our formation transactions, we will be assuming an existing secured acquisition credit facility from STAG

Table of Contents

GI that currently has $33.6 million of borrowing capacity and a commitment letter for an additional $65 million secured acquisition credit facility.

Upon completion of this offering and after the debt paydowns discussed under "Use of Proceeds," we expect to have approximately $2.2 million in cash and $ million in credit facility capacity immediately available to us, and upon satisfaction of certain lender conditions, $ million in credit facility capacity, to fund working capital and property acquisitions and to execute our business strategy.

Our Formation Transactions and Structure

Background

We have deployed more than $1.3 billion through four private equity real estate funds, SCP Green, LLC ("Fund I"), STAG Investments II, LLC ("Fund II"), STAG Investments III, LLC ("Fund III") and STAG Investments IV, LLC ("Fund IV"), and one joint venture, STAG GI. We were formed to acquire the existing assets and operations of our predecessor business.

Our senior management team consists of Mr. Butcher, the Chairman of our board of directors and our Chief Executive Officer and President, Gregory W. Sullivan, our Chief Financial Officer, Executive Vice President and Treasurer, Stephen C. Mecke, our Chief Operating Officer and Executive Vice President, Kathryn Arnone, our Executive Vice President, General Counsel and Secretary, and David G. King, our Executive Vice President and Director of Real Estate Operations. They have each led or helped manage private and public real estate companies and funds, including STAG, AMB Property Corp., Trizec Hahn Corporation, Meditrust Corporation and LaQuinta Corporation.

Formation Transactions

Prior to or concurrent with the completion of this offering, we will engage in the following formation transactions, which are designed to consolidate the ownership of our property portfolio under our operating partnership and its subsidiaries, consolidate our acquisition and asset management businesses into a subsidiary of our operating partnership and enable us to qualify as a REIT for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2011:

- Pursuant to separate contribution agreements, our operating partnership will, directly or indirectly through its wholly-owned subsidiaries, acquire a 100% equity interest in the entities that own our properties in exchange for 6,088,861 common units, representing 31.1% of the total number of shares of our common stock outstanding on a fully diluted basis, as set forth in greater detail below:
  - Fund III will contribute 100% of the equity interests in the entities owning 57 of its properties to our operating partnership in exchange for 1,117,344 common units;
  - Fund IV will contribute 100% of the equity interests in the entities owning all 19 of its properties to our operating partnership in exchange for 1,985,770 common units; and
  - STAG GI will contribute 100% of the equity interests in the entities owning all 14 of its properties to our operating partnership in exchange for 2,985,747 common units.
- Pursuant to separate contribution agreements, the members of the management company will contribute their interests in the management company to our operating partnership in exchange for 85,787 common units, representing 0.4% of the total number of shares of our common stock outstanding on a fully diluted basis.
- In connection with the foregoing transactions, we will directly or indirectly assume approximately $172.9 million in principal amount of mortgage debt (together with all related accrued and unpaid interest) secured by certain of our properties that will remain outstanding.

Table of Contents

- With the proceeds of this offering, based on December 31, 2010 balances, we will repay approximately $231.6 million in indebtedness (including principal and related accrued interest). See "Use of Proceeds."

- We will close on a $100 million secured corporate revolving credit facility (subject to increase to $200 million under certain circumstances) contemporaneously with the closing of this offering.

- We will enter into a refinancing of our debt due in 2012 to extend the maturity date to October 2013 that we anticipate will close contemporaneously with the closing of this offering.

- Our executive officers will enter into employment agreements with us.

- We will issue 274,219 LTIP units in our operating partnership to our executive officers and independent directors and 122,500 shares of restricted common stock to our employees pursuant to our 2011 Equity Incentive Plan, representing in the aggregate 2.0% of the total number of shares of our common stock outstanding on a fully-diluted basis.

We will not enter into any tax protection agreements in connection with our formation transactions.

Services Agreements and Option Properties

Following completion of our formation transactions, Fund II will continue to operate as a private, fully-invested fund and will retain ownership of its 86 properties, with approximately 13.1 million rentable square feet. We will enter into a services agreement with Fund II on terms we believe to be customary, pursuant to which we will manage its properties in return for an annual asset management fee based on the equity investment in such assets, which will initially equal 0.94% of the equity investment and may increase up to 1.25% of the equity investment to the extent assets are sold and the total remaining equity investment is reduced.

Following completion of our formation transactions, Fund III will retain ownership of three properties with approximately 890,891 rentable square feet that are vacant and that are acquisition opportunities for us (the "Option Properties"). Following completion of our formation transactions, we will enter into a services agreement with Fund III pursuant to which we will manage the Option Properties for an annual fee of $30,000 per property and provide the limited administrative services (including preparation of reports for the Fund III lender and investors, bookkeeping, tax and accounting services) Fund III will require until its liquidation for an annual fee of $20,000. Upon approval of our independent directors, we will have the right to acquire any of the Option Properties individually.

In addition, we will enter into a services agreement with Fund IV pursuant to which we will provide the limited administrative services (including preparation of reports for the Fund IV investors, bookkeeping, tax and accounting services) Fund IV will require until its liquidation for an annual fee of $20,000. STAG GI will not require administrative services from us or our affiliates following completion of our formation transactions.

Following completion of our formation transactions, Fund II, Fund III, Fund IV and STAG GI will make no additional property acquisitions, and our senior management team will devote substantially all of its business time to our business.

Table of Contents

Corporate Structure

The chart below reflects our organization immediately following completion of our formation transactions and this offering.

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(1) Upon completion of this offering, we will grant 122,500 shares of restricted common stock, or 0.9% of our outstanding common stock, pursuant to our 2011 Equity Incentive Plan.

(2) Includes our executive officers' investments in Fund III, Fund IV and STAG GI and their residual interests in Fund III, Fund IV and STAG GI. Solely for purposes of this chart, we calculated our executive officers' residual interests assuming Fund III, Fund IV and STAG GI are liquidated on , 2011 at $ per share, the midpoint of the range set forth on the front cover of this prospectus and made certain other assumptions. We cannot estimate the actual timing of the liquidations of Fund III, Fund IV and STAG GI or the value of any distributions at the time of the liquidations. "See Benefits to Related Parties Formation Transactions" below.

(3) Excludes common units in which a director or executive officer has no pecuniary interest but that are owned by entities that a director or executive officer may directly or indirectly control. Includes LTIP units, as if LTIP units were common units, that will be issued

upon closing of this offering to our executive officers and independent directors pursuant to our 2011 Equity Incentive Plan.

(4) Ownership is through Fund III, Fund IV and/or STAG GI.

Table of Contents

Benefits to Related Parties

Upon completion of our formation transactions and this offering, our directors and executive officers and their affiliates will receive material financial and other benefits, as shown below. For a more detailed discussion of these benefits see "Management," "Certain Relationships and Related Transactions" and "Structure and Formation of Our Company Benefits of Our Formation Transactions and this Offering to Certain Parties."

Formation Transactions. Fund III, Fund IV, STAG GI and the members of the management company will receive 6,174,648 common units as a result of their contribution to us of the entities owning our properties and the management company, as described above under " Our Formation Transactions and Structure Formation Transactions." In addition, upon completion of our formation transactions, we will repay or assume indebtedness secured by our properties and unsecured indebtedness, as described under " Our Formation Transactions and Structure Formation Transactions" and "Use of Proceeds."

Upon completion of our formation transactions and this offering, Fund III will receive 1,117,344 common units, Fund IV will receive 1,985,770 common units, STAG GI will receive 2,985,747 common units and the management company will receive 85,787 common units. The number of common units that Fund III, Fund IV, STAG GI and the management company will receive in our formation transactions (an aggregate of 6,174,648 common units) is fixed and will not change based on the ultimate initial public offering price in this offering.

After the expiration of the lock-up period, Fund III, Fund IV and STAG GI may distribute its common units to its members in accordance with the fund's operating agreement. In addition to their invested equity, certain members of Fund III, Fund IV and STAG GI, including certain of our officers, employees and directors, have residual interests, or contingent profit interests, in Fund III, Fund IV and STAG GI. As a result, they may receive distributions related to these residual interests if there are sufficient proceeds after return of capital and preferred returns to themselves and the other equity investors in Fund III, Fund IV and STAG GI. In all cases where there is a residual distribution, the higher the share price of our common stock at the time a fund is liquidated, the greater the portion of the common units the fund will distribute to the holders of the residual interests.

The number of common units being issued to each fund in our formation transactions is fixed so that residual interests will not, in any manner, require us to issue additional common units or shares of common stock or otherwise dilute investors in this offering. In addition, because the value of the residual interests depends on the value of our common stock, not on the value of certain properties or portfolios individually, such residual interests align the interests of the holders of residual interests with the interests of our company and shareholders. See "Structure and Formation of Our Company Benefits of Our Formation Transactions and the Offering to Certain Parties."

The table below sets forth a list of what individual directors and executive officers of our company will receive as a result of the contributions.

	Common Units[2]	
Name[1]	**Number**	**Value[3]**
Benjamin S. Butcher	109,606	$
Gregory W. Sullivan	133,106	
Stephen C. Mecke	29,810	
Kathryn Arnone	12,809	
David G. King	15,099	

(1) The amounts shown in the table reflect common units received by the individual directly or received by any entity, but if by an entity only to the extent of the individual's interest in the assets of the entity. Accordingly,

the amounts shown in the table above do not reflect common units received by entities that may be controlled by the individual (except to the extent of the individual's interest in the assets of the entity).

(2) Includes our executive officers' investments in Fund III, Fund IV and STAG GI and their residual interests in Fund III, Fund IV and STAG GI. Solely for purposes of this table, we calculated our executive officers' residual interests assuming Fund III, Fund IV and STAG GI are liquidated on , 2011 at $ per share, which is the midpoint of the price range set forth on the front cover of this prospectus and made certain other assumptions. We cannot estimate the actual timing of the liquidations of Fund III, Fund IV and STAG GI or the value of any distributions at the time of the liquidations. See " Benefits to Related Parties Formation Transactions" below.

(3) Based upon an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the front cover of this prospectus.

Voting Agreement. An affiliate of GI Partners will receive rights to designate two nominees for election to our board of directors, and Fund III, Fund IV, STAG GI and the contributors of the management company will enter into a voting agreement pursuant to which they will vote any shares of common stock that they own in favor of the election of the two nominees at each annual meeting of shareholders.

Services Agreements and Option Agreement. We will enter into services agreements with each of Fund II, Fund III and Fund IV and an option to purchase agreement with Fund III with respect to the Option Properties. See " Our Formation Transactions and Structure Services Agreements and Option Properties."

Registration Rights Agreement. We have agreed to file a shelf registration statement with the Securities and Exchange Commission ("SEC") covering the resale of the shares of common stock issued or issuable in exchange for common units issued in our formation transactions. We have also agreed to provide rights to these holders of common units to demand additional registration statement filings.

Employment Agreements. Messrs. Butcher, Sullivan, Mecke and King and Ms. Arnone will enter into employment agreements with us providing for salary, discretionary bonus and other benefits.

Equity Incentive Plan Grants. We will issue 274,219 LTIP units to our executive officers and independent directors and 122,500 shares of restricted common stock to our employees pursuant to our 2011 Equity Incentive Plan, representing in the aggregate 2.0% of the total number of shares of our common stock outstanding on a fully-diluted basis.

Indemnification Agreements. Our bylaws provide that we will indemnify our directors, executive officers and employees to the fullest extent permitted by Maryland law. We also intend to enter into indemnification agreements with our directors and executive officers. See "Management Limitation on Liabilities and Indemnification of Directors and Officers."

Conflicts of Interest

The executive officers for each of the managers of Fund II, Fund III, Fund IV and STAG GI consist of a number of persons who serve as executive officers in similar positions in our company, specifically: Messrs. Butcher, Sullivan, Mecke and King and Ms. Arnone. Also, Mr. Butcher, who is a member of our board of directors, also serves on the board of managers and/or management committees of the managers of Fund II, Fund III and Fund IV, and is a member of the board of directors of STAG GI. Our executive officers and certain of our directors may have conflicting duties because they have a duty to both us and to Fund II (which will retain ownership of its properties and continue as a private, fully-invested fund until liquidated), Fund III (which will retain ownership of the Option Properties), Fund IV and STAG GI. Upon completion of our formation transactions, all of these entities will be fully invested and, as a result, will not be making any additional investments in income properties. It is possible that the executive officers' and board members' fiduciary duty to Fund II, Fund III, Fund IV and STAG GI, including, without limitation, their interests in Fund II and the Option Properties, will conflict with what will be in the best interests of our company.

We did not conduct arm's-length negotiations with respect to the terms and structuring of our formation transactions, resulting in the principals of the management company having the ability to influence the type and level of benefits that they and our other affiliates will receive. We have not obtained third-party appraisals of the properties to be contributed to us in our formation transactions or fairness opinions in connection with our formation transactions.

Additional conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their management of our company. At the same time, we, as the indirect general partner of our operating partnership, have duties to our operating partnership and to its limited partners in connection with the management of our operating partnership under Delaware law as modified by our operating partnership agreement. Our duties, as the indirect general partner of our operating partnership, may come into conflict with the duties of our directors and officers to our company.

We plan to adopt policies to reduce potential conflicts of interest. Generally, our policies will provide that any transaction involving us in which any of our directors, officers or employees has an interest must be approved by a vote of a majority of our disinterested directors. However, we cannot assure you that these policies will be successful in eliminating the influence of these conflicts. See "Policies with Respect to Certain Activities Conflicts of Interest Policies."

Tax Status

We will elect to be taxed as a REIT under the Code commencing with our taxable year ending December 31, 2011. As a REIT, we generally will not be subject to U.S. federal income tax on income that we distribute currently to our shareholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including the distribution requirement described below. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, we will not be allowed a deduction for dividends to our shareholders in computing our taxable income and we may be precluded from qualifying for treatment as a REIT for the four-year period following the year of our failure to qualify. Even if we qualify as a REIT for U.S. federal income tax purposes, we may still be subject to state and local taxes on our income and property and to U.S. federal income and excise taxes on our undistributed income.

Distribution Policy

We are a newly formed company that has not commenced operations, and as a result, we have not paid any distributions as of the date of this prospectus. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income tax, we intend to make quarterly distributions of all or substantially all of our net income to holders of our common shares out of assets legally available therefor. We intend to pay a pro rata initial distribution with respect to the period commencing on the completion of this offering and ending at the last day of the then-current fiscal quarter, based on a distribution of $ per share for a full quarter. On an annualized basis, this would be $ per share, or an annual distribution rate of approximately %, based on the midpoint of the range set forth on the cover page of this prospectus. We estimate this initial annual distribution rate will represent approximately % of estimated cash available for distribution to our common shareholders for the 12 months ending December 31, 2011. We intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless our actual results of operations, economic conditions or other factors differ materially from the assumption used is our estimate. Any future distributions we make will be at the discretion of our board of directors and will depend upon our earnings and financial condition, maintenance of REIT qualification, the applicable provisions of the Maryland General Corporation Law ("MGCL") and such other factors as our board may determine in its sole discretion. We anticipate that our estimated cash available for distribution will exceed the annual distribution requirements applicable to REITs. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements and may need to use the proceeds from future equity and debt offerings, sell assets or borrow funds to make some distributions. We have no intention to use the net proceeds of this offering to make distributions nor do we intend to make distributions using shares of common stock. We cannot assure you that our distribution policy will not change in the future.

Restrictions on Ownership and Transfer of Stock

Due to limitations on the concentration of ownership of a REIT imposed by the Code, not more than 50% of the value of the outstanding shares of beneficial ownership of a REIT may be owned, directly or indirectly, by five or fewer individuals (as defined by the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made). As a result, our charter provides that, subject to certain exceptions, no person may beneficially own, or be deemed to own by virtue of the attribution provisions of the Code, either more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding shares of capital stock, or more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding common stock. Our board of directors may, in its discretion, exempt a person from the 9.8% ownership limits under certain circumstances. In connection with our formation transactions, our board of directors has granted a waiver to STAG GI to own up to % of our outstanding common stock on a fully diluted basis. Our charter also prohibits any person from, among other matters: beneficially or constructively owning or transferring shares of our capital stock if such ownership or transfer would result in our being "closely held" within the meaning of Section 856(h) of the Code; owning or transferring our capital stock if such ownership or transfer would result in us becoming a "pension-held REIT" under Section 856(h)(3)(D) of the Code; transferring shares of our capital stock if such transfer would result in our capital stock being owned by fewer than 100 persons; or beneficially or constructively owning or transferring shares of our capital stock if such ownership or transfer would cause us to own, directly or indirectly, 10% or more of the ownership interests in a tenant of our company (or a tenant of any entity owned or controlled by us) or would cause any independent contractor to not be treated as such under Section 856(d)(3) of the Code, or beneficially or constructively owning shares of our capital stock to the extent such beneficial or constructive ownership would otherwise cause us to fail to qualify as a REIT. See "Description of Stock Restrictions on Ownership and Transfer of Stock."

Lock-Up Arrangements

We and our executive officers and directors and the owners of the management company, Fund III, Fund IV and STAG GI have agreed not to sell or transfer any common units or shares of common stock, as applicable, for a period of 180 days in the case of our company and 12 months in the case of our executive officers, directors and contributors after the date of this prospectus. Specifically, all of these parties have agreed, subject to exceptions, not to directly or indirectly offer, pledge, sell or contract to sell any common units or shares of common stock, sell any option or contract to purchase any common units or shares of common stock, purchase any option or contract to sell any common units or shares of common stock, grant any option, right or warrant for the sale of any common units or shares of common stock, lend or otherwise dispose of or transfer any common units or shares of common stock, request or demand that we file a registration statement related to the common units or shares of common stock, or enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common units or shares of common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

Table of Contents

The Offering

Common stock offered by us	13,000,000 shares of common stock (plus up to an additional 1,950,000 shares of common stock that we may issue and sell upon the exercise of the underwriters' overallotment option)
Common stock and common units to be outstanding after completion of our formation transactions and this offering	19,571,367 shares/units(1)(2)(3)
Use of proceeds(4)	We estimate that the net proceeds we will receive from the sale of shares of our common stock in this offering will be approximately $ million (or approximately $ million if the underwriters exercise their overallotment option in full), in each case assuming a public offering price of $ per share, which is the mid-point of the range set forth on the cover of this prospectus, and after deducting underwriting discounts and commissions of approximately $ million (or approximately $ million if the underwriters exercise their overallotment option in full) and estimated organizational and offering expenses of approximately $4.7 million payable by us. We will contribute the net proceeds we receive from this offering to our operating partnership in exchange for common units in our operating partnership. We expect our operating partnership will use the net proceeds as follows: approximately $223.2 million to repay mortgage debt secured by certain of the properties we will acquire in our formation transactions, including approximately $5.4 million secured by the Option Properties (common units to be issued to Fund III in our formation transactions will be reduced accordingly); approximately $4.4 million to repay the loan dated January 31, 2009 from an affiliate of NED to the Fund III subsidiaries that will be contributed to us in our formation transactions; approximately $3.0 million to repay the loan originally drawn on May 15, 2007 from Fund III to the management company; approximately $2.5 million for general corporate purposes including acquisitions of real estate assets; approximately $1.8 million to terminate a portion of an interest rate swap due to the retirement of mortgage debt; approximately $1.1 million to repay expenditures associated with the retirement of indebtedness and the attainment of lender consents on existing indebtedness (including financing fees, related legal fees, and contingent waiver fees), and fees associated with the revolving credit facility; approximately $1.0 million to repay the line of credit dated May 15, 2007 from an affiliate of NED to the management company; and approximately $0.6 million to pay transfer taxes associated with the contribution of our properties to us. If the underwriters exercise their overallotment option in full, we expect to use the additional $ million of net proceeds for general corporate purposes, including acquisitions of real estate assets. See "Use of Proceeds."
Proposed New York Stock Exchange symbol	"STIR"

(1) Assumes the underwriters' overallotment option to purchase up to an additional 1,950,000 shares of common stock is not exercised.

(2) Does not include 1,036,515 shares of our common stock reserved for future issuance under our 2011 Equity Incentive Plan. Includes 274,219 LTIP units to be granted to our executive officers and independent directors under our 2011 Equity Incentive Plan upon consummation of this offering and 122,500 shares of our restricted common stock to be issued under our 2011 Equity Incentive Plan to certain employees upon consummation of this offering. See "Management Equity Incentive Plan" for additional information.

(3) Includes 6,174,648 common units held by limited partners (other than STAG Industrial, Inc.) expected to be outstanding following consummation of our formation transactions.

(4) The debt repayments described above are estimated based on principal and related accrued interest outstanding as of December 31, 2010.

18

Table of Contents

Summary Financial Information

The following table sets forth summary financial and operating data on (1) a pro forma basis for our company and (2) an historical basis for STAG Predecessor Group. On a pro forma basis, we will own 90 properties, consisting of 57 properties owned by STAG Predecessor Group and 33 properties that constitute STAG Contribution Group. STAG Predecessor Group, which includes the entity that is considered our accounting acquirer, is part of our predecessor business and consists of the subsidiaries of Fund III that will be contributed to us by Fund III in our formation transactions. STAG Contribution Group consists of the properties owned by Fund IV and STAG GI that will be contributed to us in the formation transactions.

In the summary financial and operating data, we have not presented historical information for STAG Industrial, Inc. because we have not had any corporate activity since our formation other than the issuance of shares of common stock in connection with the initial capitalization of our company and activity in connection with our formation transactions and this offering, and because we believe that a discussion of the results of STAG Industrial, Inc. would not be meaningful.

We have not presented historical financial information for the management company as its results are not considered significant, and because we believe that a discussion of these results (which primarily consist of acquisition and asset management fees from Fund II, Fund III and Fund IV and general and administrative costs), would not be meaningful.

You should read the following summary financial and operating data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation," our unaudited pro forma consolidated financial statements and related notes, the historical combined financial statements and related notes of STAG Predecessor Group, the historical combined statements of revenue and certain expenses and related notes of STAG Contribution Group, and the historical (combined) statements of revenue and certain expenses and related notes of the various properties listed in the Index to the Financial Statements.

The unaudited pro forma condensed consolidated balance sheet data is presented as if this offering and our formation transactions had occurred on December 31, 2010, and the unaudited pro forma statement of operations and other data for the year ended December 31, 2010, is presented as if this offering and our formation transactions had occurred on January 1, 2010. The pro forma financial information is not necessarily indicative of what our actual financial condition would have been as of December 31, 2010 or what our actual results of operations would have been assuming this offering and our formation transactions had been completed as of January 1, 2010, nor does it purport to represent our future financial position or results of operations.

The summary historical combined balance sheet information as of December 31, 2010 and 2009, and the historical combined statement of operations data for the years ended December 31, 2010, 2009, and 2008, have been derived from the combined financial statements of the STAG Predecessor Group audited by PricewaterhouseCoopers LLP, independent registered public accountants, whose report thereon is included elsewhere in this prospectus. The summary historical cost balance sheet information as of December 31, 2008 and the historical combined statement of operations data for the year ended December 31, 2007 have been derived from audited combined financial statements of the STAG Predecessor Group, which are not included in this prospectus. The summary historical combined balance sheet information as of December 31, 2007 and 2006 and the historical combined statement of operations for the period ended December 31, 2006 have been derived from the unaudited combined financial statements of the STAG Predecessor Group, which are not included in this prospectus.

The audited historical financial statements of STAG Predecessor Group in this prospectus, and therefore the historical financial and operating data in the table below, exclude the operating results and financial condition of the Option Properties, the entities that own the Option Properties and the management company.

Table of Contents

	Company Pro Forma	STAG Predecessor Group Historical				
	Year Ended December 31,	Year Ended December 31,				Period Ended December 31,
	2010	2010	2009	2008	2007[1]	2006
	(unaudited)				(unaudited)	(unaudited)
	(dollars in thousands)					
Statement of Operations Data:						
Revenue						
Rental income	$ 52,511	$ 24,249	$ 25,658	$ 27,319	$ 11,162	$ 941
Tenant recoveries	6,137	3,761	4,508	3,951	1,326	
Other	1,252					
Total revenue	59,900	28,010	30,166	31,270	12,488	941
Expenses						
Property	9,320	6,123	8,409	5,813	1,437	11
General and administrative	11,282	937	1,078	1,112	648	29
Depreciation and amortization	26,295	9,514	10,257	12,108	4,687	336
Loss on impairment of assets				3,728		
Total expenses	46,897	16,574	19,744	22,761	6,772	376
Other income (expense)						
Interest income	16	16	66	140	163	4
Interest expense	(10,771)	(14,116)	(14,328)	(15,058)	(7,861)	(616)
Gain (loss) on interest rate swaps	100	(282)	(1,720)	(1,275)		
Total other income (expense)	(10,655)	(14,382)	(15,982)	(16,193)	(7,698)	(612)
Net income (loss)	$ 2,348	$ (2,946)	$ (5,560)	$ (7,684)	$ (1,982)	$ (47)
Balance Sheet Data (End of Period):						
Rental property, before accumulated depreciation	$ 433,772	$ 210,186	$ 210,009	$ 208,948	$ 212,688	$ 31,998
Rental property, after accumulated depreciation	414,511	190,925	195,383	200,268	210,294	31,808
Total assets	512,264	211,004	220,116	229,731	242,134	35,976
Notes payable	172,904	207,550	212,132	216,178	217,360	31,877
Total liabilities	186,290	219,340	221,637	223,171	220,548	32,305
Owners'/shareholders' equity (deficit)	325,974	(8,336)	(1,521)	6,560	21,586	3,671
Other Data: (unaudited)						
Net operating income (NOI)[2]	$ 50,580	$ 21,887	$ 21,757	$ 25,457	$ 11,051	$ 930
EBITDA[2]	39,398	20,668	18,959	19,342	10,403	901
FFO[2]	28,643	6,568	4,697	4,424	2,705	289
Adjusted funds from operations (AFFO)[2]	29,448	5,858	6,166	8,081	2,443	243

(1) We have prepared the results of operations for the year ended December 31, 2007 by combining amounts for 2007 obtained by adding the audited operating results of each of the Antecedent for the period of January 1, 2007 to May 31, 2007 and STAG Predecessor Group for the period of June 1, 2007 to December 31, 2007 (since the difference in basis between Antecedent and STAG Predecessor Group were not materially different and the entities were under common management). Although this combined presentation does not comply with U.S. generally accepted accounting principles ("GAAP"), we believe that it provides a meaningful method of comparison.

(2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more detailed explanations of net operating income ("NOI"), EBITDA, FFO and adjusted funds from operations ("AFFO"), and reconciliations of NOI, EBITDA, FFO and AFFO to net income computed in accordance with GAAP.

20

Table of Contents

RISK FACTORS

An investment in our common stock involves risks. In addition to other information in this prospectus, you should carefully consider the following risks before investing in our common stock offered by this prospectus. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make cash distributions to our shareholders, which could cause you to lose all or a significant portion of your investment in our common stock. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements."

Risks Related to Our Business and Operations

Our investments are concentrated in the industrial real estate sector, and our business would be adversely affected by an economic downturn in that sector.

All of our 90 properties are industrial properties, including 43 warehouse/distribution facilities, 26 manufacturing facilities and 21 flex/office facilities. This concentration may expose us to the risk of economic downturns in the industrial real estate sector to a greater extent than if our properties were more diversified across other sectors of the real estate industry.

Adverse economic conditions will negatively affect our returns and profitability.

Our operating results may be affected by market and economic challenges, including the current global economic credit environment, which may result from a continued or exacerbated general economic slow down experienced by the nation as a whole or by the local economies where our properties may be located, or by the real estate industry, including the following:

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

Also, to the extent we purchase real estate in an unstable market, we are subject to the risk that if the real estate market ceases to attract the same level of capital investment in the future that it attracts at the time of our purchases, or the number of companies seeking to acquire properties decreases, the value of our investments may not appreciate or may decrease significantly below the amount we pay for these investments. The length and severity of any economic slow down or downturn cannot be predicted. Our operations could be negatively affected to the extent that an economic slow down or downturn is prolonged or becomes more severe.

Dislocations in the credit markets and real estate markets could have a material adverse effect on our results of operations, financial condition and ability to pay distributions to you.

Domestic and international financial markets recently experienced significant dislocations brought about in large part by failures in the U.S. banking system. These dislocations have impacted the availability of credit. If this dislocation in the credit markets causes the inability to borrow at attractive rates, our ability to borrow monies to finance the purchase of, or other activities related to, real estate assets will be negatively impacted. If we are unable to borrow monies on terms and conditions that we find acceptable, we likely will have to reduce the number of properties we can purchase, and the return on the properties we do purchase may be lower. Also, if the values of our properties decline we may be unable to refinance all of our debt as it matures. All of these events would have a material adverse effect on our results of operations, financial condition and ability to pay distributions.

Events or occurrences that affect areas in which our properties are geographically concentrated may impact financial results.

In addition to general, regional, national and international economic conditions, our operating performance is impacted by the economic conditions of the specific markets in which we have concentrations of properties. We have holdings in the following states (which, as of December 31, 2010, accounted for the percentage of our total annualized rent indicated): North Carolina (17.3%); Ohio (12.8%); Wisconsin (7.3%); and Michigan (6.2%). Our operating performance could be adversely affected if conditions become less favorable in any of the states or regions in which we have a concentration of properties.

We are subject to industry concentrations that make us susceptible to adverse events with respect to certain industries.

We are subject to certain industry concentrations with respect to our properties, including the following (which, as of December 31, 2010, accounted for the percentage of our total annualized rent indicated): Containers & Packaging (14.8%); Business Services (9.9%); Personal Products (9.6%); Industrial Equipment, Components & Metals (7.2%); Aerospace & Defense (7.1%); Automotive (7.1%); Food & Beverages (6.6%); and Technology (6.3%). Such industries are subject to specific risks that could result in downturns within the industries. For example, several of our technology tenants operate in the telecommunications sector. Telecommunications companies face risks regarding their ability to adapt to new technological developments and changes in regulations by the Federal Communications Commission and other federal, state and local agencies. Any downturn in one or more of these industries, or in any other industry in which we may have a significant concentration now or in the future, could adversely affect our tenants who are involved in such industries. If any of these tenants is unable to withstand such downturn or is otherwise unable to compete effectively in its business, it may be forced to declare bankruptcy, fail to meet its rental obligations, seek rental concessions or be unable to enter into new leases, which could materially and adversely affect us.

We are subject to risks involved in single-tenant leases, and the default by one or more tenants could materially and adversely affect us.

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

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

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

As a newly formed REIT, we have no operating history and may not be able to operate our business successfully or implement our business strategies as described in this prospectus.

We were organized in July 2010 and will commence operations upon completion of our formation transactions and this offering. We are subject to all the risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objectives and that the value of your investment could decline substantially.

As a newly formed REIT, we have no experience operating as a publicly traded REIT, which may affect our ability to successfully operate our business or generate sufficient cash flow to make or sustain distributions to our shareholders.

We have no experience operating as a publicly traded REIT. We cannot assure you that our past experience will be sufficient to successfully operate our company as a REIT or a publicly traded company, including the requirements to timely meet disclosure requirements and comply with the Sarbanes-Oxley Act of 2002. Failure to maintain REIT status would have an adverse effect on our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to you.

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

Our success depends to a significant degree upon the continued contributions of certain key personnel including, but not limited to, Messrs. Butcher, Sullivan, Mecke and King and Ms. Arnone, whose continued service is not guaranteed, and each of whom would be difficult to replace. While we have entered into employment contracts with Messrs. Butcher, Sullivan, Mecke and King and Ms. Arnone, they may nevertheless cease to provide services to us at any time. If any of our key personnel were to cease employment with us, our operating results could suffer. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flows. Further, such a loss could be negatively perceived in the capital markets. We have not obtained and do not expect to obtain key man life insurance on any of our key personnel except for Mr. Butcher, the founder of STAG. The policy has limits in the amount of $5.0 million and covers us in the event of Mr. Butcher's death.

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

Table of Contents

RISK FACTORS

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

We acquire and intend to continue to acquire primarily generic distribution warehouses, manufacturing properties and flex/office facilities. The acquisition of properties entails various risks, including the risks that our investments may not perform as we expect. Further, we face competition for attractive investment opportunities from other well-capitalized real estate investors, including both publicly-traded REITs and private institutional investment funds, and these competitors may have greater financial resources than us and a greater ability to borrow funds to acquire properties. This competition will increase as investments in real estate become increasingly attractive relative to other forms of investment. As a result of competition, we may be unable to acquire additional properties as we desire or the purchase price may be significantly elevated. In addition, we expect to finance future acquisitions through a combination of secured and unsecured borrowings, proceeds from equity or debt offerings by us or our operating partnership or its subsidiaries and proceeds from property contributions and divestitures which may not be available and which could adversely affect our cash flows. Any of the above risks could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock.

We may be unable to source "limited marketing" deal flow in the future, which could adversely affect our ability to locate and acquire additional properties at attractive prices.

A key component of our growth strategy is to continue to acquire additional industrial real estate assets. Since 2004, approximately 32.6% of the acquisitions we sourced, based on total purchase price, were acquired before they were widely marketed by real estate brokers, or "limited marketing" transactions. Properties that are acquired by "limited marketing" transactions are typically more attractive to us as a purchaser because of the absence of a formal sales process, which could lead to higher prices. If we cannot obtain "limited marketing" deal flow in the future, our ability to locate and acquire additional properties at attractive prices could be somewhat adversely affected.

The fair market value of the consideration for the assets to be acquired by us in our formation transactions may exceed the assets' aggregate book value and fair market value.

We have not obtained updated third-party appraisals of the properties and other assets to be contributed to us in our formation transactions or fairness opinions in connection with our formation transactions. The initial public offering price of our common stock was determined in consultation with the underwriters based on the history and prospects for the industry in which we compete, our financial information, the ability of our management and our business potential and earning prospects, the prevailing securities markets at the time of this offering, and the recent market prices of, and the demand for, publicly traded shares of generally comparable companies. The initial public offering price does not necessarily bear any relationship to the book value or the fair market value of such assets. As a result, the consideration for these assets in our formation transactions may exceed their book value and fair market value.

The cash available for distribution to shareholders may not be sufficient to pay dividends at expected levels, nor can we assure you of our ability to make distributions in the future. We may use borrowed funds to make distributions.

All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT qualification and other factors as our board of directors may deem relevant from time to time. We may not be able to make distributions in the future. In addition, some of our distributions may include a return of capital. To the extent that we

RISK FACTORS

make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for U.S. federal income tax purposes to the extent of the holder's adjusted tax basis in its shares. A return of capital is not taxable, but it has the effect of reducing the holder's adjusted tax basis in its investment. To the extent that distributions exceed the adjusted tax basis of a holder's shares, they will be treated as gain from the sale or exchange of such stock. See "U.S. Federal Income Tax Considerations Taxation of shareholders." If we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been.

Our ability to pay our estimated initial annual distribution depends upon our actual operating results, and, in adverse scenarios, we may have to borrow funds under our secured corporate revolving credit facility to pay this distribution, which could slow our growth.

We expect to pay an initial annual dividend of $ per share, or $ million in the aggregate, which represents approximately % (or a deficiency of $) of our estimated cash available for distribution of $ million for the 12 months ending December 31, 2011 calculated as described in "Distribution Policy" (which does not take into account future tenant retention and potential acquisitions). Assuming our operating cash flow does not increase, we will be required either to fund future distributions from cash balances, borrowings under our secured corporate revolving credit facility or to reduce such distributions. Use of our secured corporate revolving credit facility to pay distributions will reduce the amount of our borrowing capacity available for other purposes. If we need to borrow funds on a regular basis to meet our distribution requirements or if we reduce the amount of our distribution, our stock price may be adversely affected.

We have owned our properties for a limited time, and we may not be aware of characteristics or deficiencies involving any one or all of them.

Prior to our formation transactions and this offering, Fund III, Fund IV and STAG GI owned or controlled our 90 initial properties comprising an aggregate 13.7 million rentable square feet. All of these properties have been under management for less than four years. The properties may have characteristics or deficiencies unknown to us that could affect their valuation or revenue potential and such properties may not ultimately perform up to our expectations. We cannot assure you that the operating performance of the properties will not decline under our management.

Risks Related to Our Organization and Structure

We may pursue less vigorous enforcement of terms of contribution, purchase and sale and other agreements because of conflicts of interest with certain of our officers and directors.

Certain of our directors and executive officers have ownership interests in the other entities or properties to be contributed to us in our formation transactions, including Fund III, Fund IV, STAG GI and the management company. Following the completion of our formation transactions and this offering, under the contribution agreements with certain of our directors and executive officers and their affiliates, we will be entitled to indemnification in the event of breaches of the representations and warranties made by them with respect to the entities and properties to be acquired by us. Such indemnification is limited and we are not entitled to any other indemnification in connection with our formation transactions. See " We are assuming liabilities in connection with our formation transactions, including unknown liabilities" above. In addition, we expect that our executive officers will enter into employment agreements with us pursuant to which they will agree, among other things, not to engage in certain business activities in competition with us and pursuant to which they will devote substantially all of their business time to our business. See "Management Employment Agreements."

We may choose not to enforce, or to enforce less vigorously, our rights under these agreements due to our ongoing relationship with our directors and executive officers.

Certain of our directors and executive officers exercised significant influence with respect to the terms of our formation transactions, including the economic benefits they will receive, and as a result, the consideration given by us may exceed the fair market value of the properties.

We did not conduct arm's-length negotiations with respect to all of the terms of our formation transactions. In the course of structuring our formation transactions, our directors and executive officers had the ability to influence the type and level of benefits that they and our other officers will receive from us. In addition, certain of our directors and executive officers had substantial pre-existing ownership interests in Fund III, Fund IV, STAG GI and the management company, and will receive substantial economic benefits as a result of our formation transactions. The formation transaction documents provide that the individual allocations of the total formation transaction value to each prior investor are determined by the provisions of the applicable partnership agreement or organizational document of the relevant fund. Also, our directors and executive officers have assumed management and/or director positions with us, for which they will obtain certain other benefits such as employment agreements, restricted stock or LTIP unit grants and other compensation.

Our executive officers and directors have duties to Fund II, Fund III, Fund IV and STAG GI which may create conflicts of interest, which may impede business decisions that could benefit our shareholders.

Certain of our executive officers and directors also serve on the board of managers and/or management committees of the managers of Fund II, Fund III and Fund IV, and are members of the board of directors of STAG GI. Our officers and directors may have conflicting duties because they have a duty to both us and to Fund II (which will retain ownership of its properties and continue as a private, fully-invested fund until liquidated), Fund III (which will retain ownership of the Option Properties), Fund IV and STAG GI. Upon completion of our formation transactions, all of these entities will be fully invested and, as a result, will not be making any additional investments in income properties. However, some Fund II properties may be competitive with our current or future properties. It is possible that the executive officers' and board members' fiduciary duty to Fund II, Fund III, Fund IV and STAG GI, including, without limitation, their interests in Fund II and the Option Properties, will conflict with what will be in the best interests of our company.

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

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

In addition, conflicts may arise when the interests of our shareholders and the limited partners of the operating partnership diverge, particularly in circumstances in which there may be an adverse tax consequence to the limited partners. Tax consequences to holders of common units upon a sale or refinancing of our properties may cause the interests of our senior management to differ from your own. As a result of unrealized built-in gain attributable to contributed property at the time of contribution, some holders of common units, including our principals, may suffer different and more adverse tax consequences than holders of our common stock upon the sale or refinancing of the properties owned by our operating partnership, including disproportionately greater allocations of items of taxable income and gain upon a realization event. As those holders will not receive a correspondingly greater distribution of cash proceeds, they may have different objectives regarding the appropriate pricing, timing and other material terms of any sale or refinancing of certain properties, or whether to sell or refinance such properties at all.

We may experience conflicts of interest with several members of our senior management team who have or may become limited partners in our operating partnership through the receipt of LTIP units granted under our 2011 Equity Incentive Plan. See "Management Equity Incentive Plan."

Our growth depends on external sources of capital which are outside of our control, which may affect our ability to seize strategic opportunities, satisfy debt obligations and make distributions to our shareholders.

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

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

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

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

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

Our charter contains 9.8% ownership limits. Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to limit any person to actual or constructive ownership of no more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our capital stock and no more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limits. However, our board of directors may not grant an exemption from the ownership limits to any proposed transferee whose ownership, direct or indirect, of more than 9.8% of the value or number of our outstanding shares of our common stock could jeopardize our status as a REIT. The ownership limits contained in our charter and the restrictions on ownership of our common stock may delay or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our shareholders. See "Description of Stock Restrictions on Ownership and Transfer of Stock."

Our board of directors may create and issue a class or series of preferred stock without shareholder approval. Our board of directors is empowered under our charter to amend our charter to increase or decrease the aggregate number of shares of our common stock or the number of shares of stock of any class or series that we have authority to issue, to designate and issue from time to time one or more classes or series of preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock without shareholder approval. Our board of directors may determine the relative rights, preferences and privileges of any class or series of preferred stock issued. As a result, we may issue series or classes of preferred stock with preferences, dividends, powers and rights, voting or otherwise, senior to the rights of holders of our common stock. The issuance of preferred stock could also have the effect of delaying or preventing a change of control transaction that might otherwise be in the best interests of our shareholders.

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

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

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

Certain provisions of Maryland law could inhibit changes in control. Certain provisions of the MGCL may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control under circumstances that otherwise could provide our shareholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested shareholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter impose special appraisal rights and special shareholder voting requirements on these combinations; and

- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have elected to opt out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL, by resolution of our board of directors, and in the case of the control share provisions of the MGCL, pursuant to a provision in our bylaws. However, only upon the approval of our shareholders, our board of directors may by resolution elect to repeal the foregoing opt-outs from the business combination provisions of the MGCL and we may, only upon the approval of our shareholders, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Additionally, Title 8, Subtitle 3 of the MGCL, permits our board of directors, without shareholder approval and regardless of what is currently provided in our charter or our bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not currently have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change in control of our company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price.

Our charter, bylaws, the partnership agreement for our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our shareholders. See "Certain Provisions of Maryland Law and of Our Charter and Bylaws Our Board of Directors," " Business Combinations," " Control Share Acquisitions," " Maryland Unsolicited Takeovers Act," " Advance Notice of Director Nominations and New Business" and "Our Operating Partnership and the Partnership Agreement."

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

In connection with this offering, we are entering into employment agreements with Messrs. Butcher, Sullivan, Mecke and King and Ms. Arnone. These employment agreements provide that each executive may terminate his or her employment and, under certain conditions, receive severance based on two or three times (depending on the officer) the annual total of salary and bonus and immediate vesting of all outstanding equity-based awards. In the case of certain terminations, they would not be restricted from competing with us after their departure. See "Management Employment Agreements" for further details about the terms of these employment agreements.

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

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

If we fail to establish and maintain an effective system of integrated internal controls, we may not be able to accurately report our financial results.

In the past, we have reported our results to the investors in our predecessor business on a fund-by-fund basis. We have generally maintained separate systems and procedures for each fund, which makes it more difficult for us to evaluate and integrate their systems and procedures on a reliable company-wide basis. In addition, for certain funds we were not required to report our results on a GAAP basis. In connection with our operation as a public company, we will be required to report our operations on a consolidated basis under GAAP and, in some cases, on a property by property basis. We are in the process of implementing an internal audit function and modifying our company-wide systems and procedures in a number of areas to enable us to enhance our reporting on a consolidated basis under GAAP as we continue the process of integrating the financial reporting of our predecessor. If we fail to implement proper overall business controls, including as required to integrate our predecessor entities and support our growth, our results of operations could be harmed or we could fail to meet our reporting obligations.

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

Our board of directors has overall authority to oversee our operations and determine our major corporate policies. This authority includes significant flexibility. For example, our board of directors can do the following:

- amend or revise at any time and from time to time our investment, financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations;
- amend our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements;
- within the limits provided in our charter, prevent the ownership, transfer and/or accumulation of shares in order to protect our status as a REIT or for any other reason deemed to be in the best interests of us and our shareholders;

- issue additional shares without obtaining shareholder approval, which could dilute the ownership of our then-current shareholders;
- amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series, without obtaining shareholder approval;
- classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares, without obtaining shareholder approval;
- employ and compensate affiliates;
- direct our resources toward investments that do not ultimately appreciate over time;
- change creditworthiness standards with respect to third-party tenants; and
- determine that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Any of these actions could increase our operating expenses, impact our ability to make distributions or reduce the value of our assets without giving you, as a shareholder, the right to vote.

Our rights and the rights of our shareholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors' and officers' liability to us and our shareholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our bylaws require us to indemnify our directors and officers to the maximum extent permitted by Maryland law for liability actually incurred in connection with any proceeding to which they may be made, or threatened to be made, a party, except to the extent that the act or omission of the director or officer was material to the matter giving rise to the proceeding and was either committed in bad faith or was the result of active and deliberate dishonesty, the director or officer actually received an improper personal benefit in money, property or services, or, in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. As a result, we and our shareholders may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

General Real Estate Risks

Our performance and value are subject to general economic conditions and risks associated with our real estate assets.

The investment returns available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by the properties, as well as the expenses incurred in connection with the properties. If our properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, then our ability to pay distributions to our shareholders could be adversely affected. In addition, there are significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) that

generally do not decline when circumstances reduce the income from the property. Income from and the value of our properties may be adversely affected by:

- changes in general or local economic climate;
- the attractiveness of our properties to potential tenants;
- changes in supply of or demand for similar or competing properties in an area;
- bankruptcies, financial difficulties or lease defaults by our tenants;
- changes in interest rates and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive or otherwise reduce returns to shareholders;
- changes in operating costs and expenses and our ability to control rents;
- changes in or increased costs of compliance with governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws, and our potential liability thereunder;
- our ability to provide adequate maintenance and insurance;
- changes in the cost or availability of insurance, including coverage for mold or asbestos;
- unanticipated changes in costs associated with known adverse environmental conditions or retained liabilities for such conditions;
- periods of high interest rates and tight money supply;
- tenant turnover;
- general overbuilding or excess supply in the market; and
- disruptions in the global supply chain caused by political, regulatory or other factors including terrorism.

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

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

Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties.

We compete with other owners, operators and developers of real estate, some of which own properties similar to ours in the same markets and submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates or below the rental rates we currently charge our tenants, we may lose potential tenants, and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire. As a result, our financial condition, cash flows, cash available for distribution, trading price of our common stock and ability to satisfy our debt service obligations could be materially adversely affected.

Table of Contents

A significant portion of our properties have leases that expire in the next three years and we may be unable to renew leases, lease vacant space or re-lease space as leases expire, which could adversely affect our results of operations, cash flows and the value of our common stock.

Our results of operations, cash flows and the value of our common stock would be adversely affected if we are unable to lease, on economically favorable terms, a significant amount of space in our operating properties. As of December 31, 2010, leases with respect to 30.4% of our total annualized rent will expire on or before December 31, 2013. We cannot assure you expiring leases will be renewed or that our properties will be re-leased at base rental rates equal to or above the current average base rental rates. In addition, the number of vacant or partially vacant industrial properties in a market or submarket could adversely affect our ability to re-lease the space at attractive rental rates.

A property that incurs a vacancy could be difficult to sell or re-lease, which could adversely affect our results of operations, cash flows and the value of our common stock.

A property may incur a vacancy either by the continued default of a tenant under its lease or the expiration of one of our leases. In addition, certain of the properties we acquire may have some level of vacancy at the time of closing. Certain of our properties may be specifically suited to the particular needs of a tenant. We may have difficulty obtaining a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenue resulting in less cash available to be distributed to shareholders. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

We may not have funding for future tenant improvements, which could adversely affect our results of operations, cash flows and the value of our common stock.

When a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract one or more new tenants, we will be required to expend funds to construct new tenant improvements in the vacated space. Except with respect to our current reserves for capital expenditures, tenant improvements and leasing commissions, we cannot assure you that we will have adequate sources of funding available to us for such purposes in the future.

Bankruptcy laws will limit our remedies if a tenant becomes bankrupt and rejects the lease and we may be unable to collect balances due on our leases.

If a tenant becomes bankrupt or insolvent, that could diminish the income we receive from that tenant's leases. Our tenants may experience downturns in their operating results due to adverse changes to their business or economic conditions, and those tenants that are highly leveraged may have a higher possibility of filing for bankruptcy or insolvency. We may not be able to evict a tenant solely because of its bankruptcy. On the other hand, a bankruptcy court might authorize the tenant to terminate its leases with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be an unsecured prepetition claim subject to statutory limitations, and therefore such amounts received in bankruptcy are likely to be substantially less than the remaining rent we otherwise were owed under the leases. In addition, any claim we have for unpaid past rent could be substantially less than the amount owed. If the lease for such a property is rejected in bankruptcy, our revenue would be reduced and could cause us to reduce distributions to shareholders.

The fact that real estate investments are not as liquid as other types of assets may reduce economic returns to investors.

Real estate investments are not as liquid as other types of investments, and this lack of liquidity may limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. In addition, we intend to comply with the safe harbor rules relating to the number of properties that can be disposed of in a year, the tax bases and the costs of improvements made to these properties, and other items that enable a REIT to avoid punitive taxation on the sale of assets. Thus, our ability at any time to sell assets or contribute assets to property funds or other entities in which we have an ownership interest may be restricted. This lack of liquidity may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions and, as a result, could adversely affect our financial condition, results of operations, cash flows and our ability to pay distributions on, and the market price of, our common stock.

Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market.

We have acquired, and may continue to acquire, properties in markets that are new to us. When we acquire properties located in these markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures.

Uninsured losses relating to real property may adversely affect your returns.

We attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, there are certain losses, including losses from floods, earthquakes, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. In addition, changes in the cost or availability of insurance could expose us to uninsured casualty losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by the amount of any such uninsured loss, and we could experience a significant loss of capital invested and potential revenue in these properties and could potentially remain obligated under any recourse debt associated with the property. Moreover, we, as the indirect general partner of our operating partnership, generally will be liable for all of our operating partnership's unsatisfied recourse obligations, including any obligations incurred by our operating partnership as the general partner of joint ventures. Any such losses could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock. In addition, we may have no source of funding to repair or reconstruct the damaged property, and we cannot assure you that any such sources of funding will be available to us for such purposes in the future. We evaluate our insurance coverage annually in light of current industry practice through an analysis prepared by outside consultants.

Contingent or unknown liabilities could adversely affect our financial condition.

As part of our formation transactions, we will assume existing liabilities of contributed operating companies and liabilities in connection with contributed properties, some of which may be unknown or unquantifiable at the time this offering is consummated. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions beyond the scope of our environmental insurance coverage, claims of tenants, vendors or other persons dealing with the entities prior to this offering, tax liabilities, and accrued but unpaid liabilities whether incurred in the ordinary course of business or otherwise. As part of our formation transactions, the owners of our predecessor business have only made limited representations and warranties to us regarding the entities, properties and assets that we will own following our formation transactions that survive for a period of one year and agreed to indemnify us and our operating partnership for breaches of such representations subject to specified deductibles and caps, as applicable. Because many liabilities, including tax liabilities, may not be identified within such period, we may have no recourse against any of the owners of our predecessor business for these liabilities.

In addition, we may in the future acquire properties, or may have previously owned properties, subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based on ownership of any of these entities or properties, then we might have to pay substantial sums to settle it, which could adversely affect our cash flows.

Environmentally hazardous conditions may adversely affect our operating results.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resources or property damage or other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination, or otherwise adversely affect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition and ownership of our properties, we may be exposed to such costs. The cost of defending against environmental claims, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to our shareholders.

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

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

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

Preliminary assessments of environmental conditions at a property that meet certain specifications are often referred to as "Phase I environmental site assessments" or "Phase I environmental assessments." They are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. Phase I environmental assessments generally include an historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey. In connection with our secured corporate revolving credit facility and STAG GI's recent acquisition activity, 66.8% of the total rentable square feet of our portfolio have Phase I environmental site assessments that are less than 12 months old. Material environmental conditions, liabilities or compliance concerns may arise after the environmental assessment has been completed. Moreover, there can be no assurance that:

- future laws, ordinances or regulations will not impose any material environmental liability; or

- the current environmental condition of our properties will not be affected by tenants, by the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third parties unrelated to us.

Compliance or failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs.

Under the Americans with Disabilities Act of 1990, as amended (the "ADA"), places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If we are required to make unanticipated expenditures to comply with the ADA, including removing access barriers, then our cash flows and the amounts available for distributions to our shareholders may be adversely affected. While we believe that our properties are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us that will affect our cash flows and results of operations.

One of our properties is subject to a ground lease that exposes us to the loss of such property upon breach or termination of the ground lease and may limit our ability to sell this property.

We own one of our properties through a leasehold interest in the land underlying the building and we may acquire additional buildings in the future that are subject to similar ground leases. As lessee under a ground lease, we are exposed to the possibility of losing the property upon expiration, or an earlier breach by us, of the ground lease, which may have an adverse effect on our business, financial condition and results of operations, our ability to make distributions to our shareholders and the trading price of our common stock.

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

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

We may be unable to sell a property if or when we decide to do so, including as a result of uncertain market conditions, which could adversely affect the return on your investment.

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

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

We may acquire properties with "lock-out" provisions which may affect our ability to dispose of the properties.

We may acquire properties through contracts that could restrict our ability to dispose of the property for a period of time. These "lock-out" provisions could affect our ability to turn our investments into cash and could affect cash available for distributions to you. Lock-out provisions could also impair our ability to take actions during the lock-out period that would otherwise be in the best interest of our shareholders and, therefore, may have an adverse impact on the value of our common stock relative to the value that would result if the lock-out provisions did not exist.

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

If we decide to sell any of our properties, we presently intend to use our best efforts to sell them for cash. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash distributions to shareholders and result in litigation and related expenses.

Even in the absence of a purchaser default, the distribution of the proceeds of sales to our shareholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

Risks Related to Our Debt Financings

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

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

In particular, loans obtained to fund property acquisitions will generally be secured by first mortgages on such properties. If we are unable to make our debt service payments as required, a lender could foreclose on the property or properties securing its debt. This could cause us to lose part or all of our investment, which in turn could cause the value of our common stock and distributions payable to shareholders to be reduced. Certain of our existing and future indebtedness is and may be cross-collateralized and, consequently, a default on this indebtedness could cause us to lose part or all of our investment in multiple properties. See "Policies With Respect to Certain Activities Financing Policies."

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

As of December 31, 2010, we had total pro forma outstanding debt of approximately $172.9 million, and we expect that we will incur additional indebtedness in the future. Interest we pay reduces our cash available for distributions. We have entered into interest rate swaps to mitigate the risk of increasing interest rates for our $72.0 million in variable rate debt. Since we have incurred and may continue to incur variable rate debt, increases in interest rates raise our interest costs, which reduces our cash flows and our ability to make distributions to you. If we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected, and we may lose the property securing such indebtedness. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments.

Covenants in our mortgage loans and any future credit facility could limit our flexibility and adversely affect our financial condition or our status as a REIT.

The terms of our mortgage loans require us to comply with loan-to-collateral-value ratios, debt service coverage ratios and, in the case of an event of default, limitations on the ability of our subsidiaries that are borrowers under our mortgage loans to make distributions to us or our other subsidiaries. We have executed a loan agreement with several financial institutions establishing a $100 million secured corporate revolving credit facility (subject to increase to $200 million under certain circumstances). The credit facility is being held in escrow and will be available upon the closing of this offering and satisfaction of other customary closing conditions. In addition, in connection with our formation transactions, we will be assuming an existing secured acquisition credit facility from

STAG GI that currently has $33.6 million of borrowing capacity and a commitment letter for an additional $65 million secured acquisition credit facility. There is no assurance that we will be able to enter into a definitive agreement relating to the additional acquisition facility that we find acceptable, or at all. Any facility we obtain will likely include a number of additional customary financial and other covenants. Any of our existing loan covenants or future credit facility covenants may limit our flexibility in our operations and prevent us from making distributions to our shareholders, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations.

As of December 31, 2010, we had certain secured loans that are cross-collateralized by multiple properties. If we default on any of these loans we may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all cross-collateralized properties within the applicable pool. Moreover, any future corporate credit facility of ours may contain certain cross-default provisions which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the facility in addition to any mortgage or other debt that is in default. If our properties were foreclosed upon, or if we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected.

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

If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to make distributions.

Some of our financing arrangements require us to make a lump-sum or "balloon" payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to shareholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

High mortgage rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. In addition, we run the risk of being unable to refinance mortgage debt when the loans come due or of being unable to refinance such debt on favorable terms. If interest rates are higher when we refinance such debt, our income could be reduced. We may be unable to refinance such debt at appropriate times, which may require us to sell properties on terms that are not advantageous to us or could result in the foreclosure of such properties. If any of these events occur, our cash flows would be reduced. This, in turn, would reduce cash available for distribution to you and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

Our hedging strategies may not be successful in mitigating our risks associated with interest rates and could reduce the overall returns on your investment.

We use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. These instruments involve risks, such as the risk that the counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such agreements are not legally enforceable. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the 75% or 95% REIT income tests. In addition, the nature and timing of hedging transactions may influence the effectiveness of our hedging strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. Moreover, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses that may reduce the overall return on your investment.

Risks Related to this Offering

The purchase price per share of our common stock may not accurately reflect the future value of our company.

The purchase price per share of our common stock offered pursuant to this prospectus reflects the result of negotiations between us and the representatives of the underwriters. The purchase price may not accurately reflect the future value of our company, and the offering price may not be realized upon any subsequent disposition of the shares.

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

In the future, we may attempt to increase our capital resources by making offerings of debt or additional offerings of equity securities, including commercial paper, senior or subordinated notes and series of preferred stock or common stock. Upon liquidation, holders of our debt securities and shares of preferred stock, if any, and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common stock, or both. Preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments or both that could limit our ability to make a dividend distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

The number of shares of our common stock available for future sale, including by our affiliates and other continuing investors, could adversely affect the market price of our common stock, and future sales by us of shares of our common stock may be dilutive to existing shareholders.

Sales of substantial amounts of shares of our common stock in the public market, or upon exchange of common units or exercise of any options, or the perception that such sales might occur could adversely affect the market price of our common stock. The exchange of common units for common stock, the exercise of any stock options or the vesting of any restricted stock granted under our 2011 Equity Incentive Plan, the issuance of our common stock or common units in connection with property, portfolio or business acquisitions and other issuances of our common stock or common units could have an adverse effect on the market price of the shares of our common stock. Also, continuing investors that will hold 6,174,648 common units on a pro forma basis are parties to an agreement that provides for registration rights. The exercise of these registration rights could depress the price of our common stock. The existence of shares of our common stock reserved for issuance as restricted shares or upon exchange of options or common units may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future sales by us of our common stock may be dilutive to existing shareholders.

Lock-up agreements may not limit the number of shares of common stock that will be available for sale into the market, which could reduce the market price for our common stock.

Our executive officers and our directors and the owners of the management company, Fund III, Fund IV and STAG GI have entered into lock-up agreements that, subject to exceptions, prohibit them from selling, pledging, transferring or otherwise disposing of our common stock or securities convertible into our common stock for a period of 12 months after the date of this prospectus. The representatives of the underwriters may, in their discretion, release all or any portion of the common stock subject to the lock-up agreements with our directors and officers and the owners of the management company, Fund III, Fund IV and STAG GI at any time without notice or shareholder approval. If the restrictions under the lock-up agreements are waived or terminated, up to approximately 6,448,867 shares of common stock, including securities convertible into our common stock, will be available for sale into the market, subject only to applicable securities rules and regulations and, in some cases, vesting requirements, which could reduce the market price for our common stock.

There are no established trading markets for our common stock and broad market fluctuations could negatively impact the market price of our stock.

Currently, there is no established trading market for our common stock. Our shares of common stock have been approved for listing on the New York Stock Exchange ("NYSE"), subject to official notice of issuance, under the symbol "STIR." We cannot assure you that an active trading market for our common stock will develop after the offering or if one does develop, that it will be sustained.

Even if an active trading market develops, the market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines, you may be unable to resell your shares at or above the initial public offering price. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could

Table of Contents

affect our stock price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results;
- changes in our operations or earnings estimates or publication of research reports about us or the industry;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by institutional shareholders;
- speculation in the press or investment community; and
- general market and economic conditions.

In addition, the stock market has experienced price and volume fluctuations that have affected the market prices of many companies in industries similar or related to ours and may have been unrelated to operating performances of these companies. These broad market fluctuations could reduce the market price of our common stock.

Differences between the book value of the assets to be acquired in our formation transactions and the price paid for our common stock will result in an immediate and material dilution of the book value of our common stock.

As of December 31, 2010, the pro forma net tangible book value of the assets to be acquired by us in our formation transactions was approximately $ million, or $ per share of our common stock held by our continuing investors, assuming the exchange of common units for shares of our common stock on a one-for-one basis. As a result, the pro forma net tangible book value per share of our common stock after the consummation of our formation transactions and this offering will be less than the initial public offering price. The purchasers of our common stock offered hereby will experience immediate and substantial dilution of $ per share in the pro forma net tangible book value per share of our common stock.

Increases in market interest rates may result in a decrease of the value of our common stock.

One of the factors that will influence the price of our common stock will be the dividend yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates may lead prospective purchasers of our common stock to expect a higher dividend yield and, if we are unable to pay such yield, the market price of our common stock could decrease.

The market price of our common stock could be adversely affected by our level of cash dividends.

The market value of the equity securities of a REIT is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales or refinancings, and is secondarily based upon the real estate market value of the underlying assets. For that reason, our common stock may trade at prices that are higher or lower than our net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectations with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock.

STAG Predecessor Group has experienced historical net losses and accumulated deficits after depreciation and amortization and we may experience future losses.

STAG Predecessor Group had historical net losses of $2.9 million, $5.6 million and $7.7 million for the years ended December 31, 2010, 2009 and 2008, respectively. STAG Predecessor Group had historical accumulated deficits after effects of depreciation and amortization of $8.3 million and $1.5 million as of December 31, 2010 and December 31, 2009, respectively. There can be no assurance that we will not continue to incur net losses in the future, which could adversely affect our ability to service our indebtedness and our ability to pay dividends or make distributions, any of which could adversely affect the trading price of our common stock.

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

Following this offering, we will become subject to reporting and other obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. These reporting and other obligations will place significant demands on our management, administrative, operational, internal audit and accounting resources and will cause us to incur significant expenses. We may need to upgrade our systems or create new systems; implement additional financial and management controls, reporting systems and procedures; expand our internal audit function; and hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, operating results and stock price.

U.S. Federal Income Tax Risks

Failure to qualify as a REIT would reduce our net earnings available for investment or distribution.

Our qualification as a REIT will depend upon our ability to meet requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets and other tests imposed by the Code. If we fail to qualify as a REIT for any taxable year after electing REIT status, we will be subject to U.S. federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to shareholders because of the additional tax liability. In addition, dividends to shareholders would no longer qualify for the dividends-paid deduction and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax. For a discussion of the REIT qualification tests and other considerations relating to our election to be taxed as REIT, see "U.S. Federal Income Tax Considerations."

Our shareholders may have current tax liability on distributions they elect to reinvest in our common stock.

In the future, we may institute a dividend reinvestment plan, which would allow our shareholders to acquire additional shares of common stock by automatically reinvesting their cash dividends. If our shareholders participate in a dividend reinvestment plan, they will be deemed to have received, and for income tax purposes will be taxed on, the amount reinvested in shares of our common stock to the extent the amount reinvested was not a tax-free return of capital. In addition, our shareholders will be treated for tax purposes as having received an additional distribution to the extent the shares are purchased at a discount to fair market value. As a result, unless a shareholder is a tax-exempt entity, it may have to use funds from other sources to pay its tax liability on the value of the shares of common stock received.

Even if we qualify as a REIT for U.S. federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flow and our ability to make distributions to our shareholders.

Even if we qualify as a REIT for U.S. federal income tax purposes, we may be subject to some U.S. federal, state and local taxes on our income or property. For example:

- In order to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income to our shareholders (which is determined without regard to the dividends-paid deduction or net capital gain). To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on the undistributed income.

- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

- If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.

- If we sell an asset, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain would be subject to the 100% "prohibited transaction" tax unless such sale were made by our taxable REIT subsidiary ("TRS") or if we qualify for a safe harbor from tax.

We intend to make distributions to our shareholders to comply with the REIT requirements of the Code.

REIT distribution requirements could adversely affect our ability to execute our business plan.

From time to time, we may generate taxable income greater than our income for financial reporting purposes, or our taxable income may be greater than our cash flow available for distribution to shareholders (for example, where a borrower defers the payment of interest in cash pursuant to a contractual right or otherwise). If we do not have other funds available in these situations we could be required to borrow funds, sell investments at disadvantageous prices or find another alternative source of funds to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce the value of our equity. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

To maintain our REIT status, we may be forced to forego otherwise attractive opportunities, which may delay or hinder our ability to meet our investment objectives and reduce our shareholders' overall return.

To qualify as a REIT, we must satisfy certain tests on an ongoing basis concerning, among other things, the sources of our income, nature of our assets and the amounts we distribute to our shareholders. We may be required to make distributions to shareholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for

Table of Contents

distribution. Compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits and the value of our shareholders' investment.

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

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

The "taxable mortgage pool" rules may increase the taxes that we or our shareholders incur and may limit the manner in which we conduct securitizations.

We may be deemed to be, or make investments in entities that own or are themselves deemed to be, taxable mortgage pools. Similarly, certain of our securitizations or other borrowings could be considered to result in the creation of a taxable mortgage pool for U.S. federal income tax purposes. As a REIT, provided that we own 100% of the equity interests in a taxable mortgage pool, we generally would not be adversely affected by the characterization of the securitization as a taxable mortgage pool. Certain categories of shareholders, however, such as foreign shareholders eligible for treaty or other benefits, shareholders with net operating losses, and certain tax-exempt shareholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax-exempt "disqualified organizations," such as certain government-related entities that are not subject to tax on unrelated business income, we will incur a corporate-level tax on a portion of our income from the taxable mortgage pool. In that case, we are authorized to reduce and intend to reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax by the amount of such tax paid by us that is attributable to such shareholder's ownership. Moreover, we would be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for U.S. federal income tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

We may be subject to adverse legislative or regulatory tax changes affecting REITs that could have a negative effect on us.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our shareholders or us. We cannot predict how changes in the tax laws might affect our shareholders or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification.

Table of Contents

Our formation transactions may be treated other than as a tax-free transaction for federal income tax purposes and our contributors could be required to recognize taxable gain.

As a result of our formation transactions described above, the contributors expect to defer approximately $ million of taxable income and taxable gain. The contribution transactions are expected to be tax free, in whole or in part, to us, our operating partnership and the contributors. Our operating partnership will have a carryover tax basis in the assets of the limited liability companies acquired by us by contribution such that our basis will be the same as the basis immediately before our formation transactions, adjusted upward by the gain, if any, recognized by the contributors. As a result of the contributions, we will have substantial built-in taxable income in our assets immediately after our formation transactions.

We intend to take the position that each of the contributions of the interests in the limited liability companies qualify as a tax-free transaction, in whole or in part, under the Code. To the extent any of these contributions does not so qualify, then the contribution would be treated as a taxable asset sale in which the contributors would be required to recognize taxable gain. If the contribution is treated as a taxable event, our adjusted tax basis in the assets of the limited liability companies is expected to equal the then fair market value of the consideration paid for such assets.

ERISA Risks

If you fail to meet the fiduciary and other standards under ERISA or the Code as a result of an investment in our common stock, you could be subject to criminal and civil penalties

Fiduciaries of employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") should take into account their fiduciary responsibilities in connection with a decision to invest in our common stock. If such fiduciaries breach their responsibilities, including (among other things) the responsibility to act prudently, to diversify the plan's assets, and to follow plan documents and investment policies, they may be held liable for plan losses and may be subject to civil or criminal penalties and excise taxes. Similar consequences may result if a plan's investment in shares of our stock constitutes a so-called "prohibited transaction" under ERISA. Plans or arrangements that are not subject to ERISA, such as individual retirement accounts, may be subject to Section 4975 of the Code, which contains similar prohibited transaction rules.

Although it is intended that our underlying assets and our operating partnership's underlying assets will not constitute "plan assets" of ERISA plans within the meaning of Department of Labor regulations and Section 3(42) of ERISA, there can be no assurance in this regard. If our assets or our operating partnership's assets constitute plan assets under ERISA, certain transactions in which we might normally engage could constitute prohibited transactions under ERISA or the Code. If our assets or our operating partnership's assets are plan assets, our managers may be fiduciaries under ERISA.

Governmental employee benefit plans and certain church plans are exempt from ERISA, but these plans may be subject to federal, state or local laws that are similar to the ERISA laws and regulations discussed above.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make statements in this prospectus that are forward-looking statements, which are usually identified by the use of words such as "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "seeks," "should," "will," and variations of such words or similar expressions. Our forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by our forward-looking statements are reasonable, we can give no assurance that our plans, intentions, expectations, strategies or prospects will be attained or achieved and you should not place undue reliance on these forward-looking statements. Furthermore, actual results may differ materially from those described in the forward-looking statements and may be affected by a variety of risks and factors including, without limitation:

- the factors included in this prospectus, including those set forth under the headings "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business;"
- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- potential defaults on or non-renewal of leases by tenants;
- potential bankruptcy or insolvency of tenants;
- acquisition risks, including failure of such acquisitions to perform in accordance with projections;
- the timing of acquisitions and dispositions;
- potential natural disasters such as hurricanes;
- national, international, regional and local economic conditions;
- the general level of interest rates;
- potential changes in the law or governmental regulations that affect us and interpretations of those laws and regulations, including changes in real estate and zoning or REIT tax laws, and potential increases in real property tax rates;
- financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on

attractive terms or at all;

lack of or insufficient amounts of insurance;

our ability to qualify and maintain our qualification as a REIT;

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

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

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Market data and industry forecasts and projections used in this prospectus have been obtained from CBRE-EA or other independent industry sources. Forecasts, projections and other forward-looking information obtained from CBRE-EA or other sources are subject to similar qualifications and uncertainties as other forward-looking statements in this prospectus.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of shares of our common stock in this offering will be approximately $ million (or approximately $ million if the underwriters exercise their overallotment option in full), in each case assuming a public offering price of $ per share, which is the mid-point of the range set forth on the cover of this prospectus, and after deducting underwriting discounts and commissions of approximately $ million (or approximately $ million if the underwriters exercise their overallotment option in full) and estimated organizational and offering expenses of approximately $4.7 million payable by us. We will contribute the net proceeds of this offering to our operating partnership in exchange for common units in our operating partnership.

We expect our operating partnership will use the net proceeds as follows:

- approximately $223.2 million (including principal and related accrued interest) to repay mortgage debt secured by certain of the properties we will acquire in our formation transactions, including approximately $5.4 million secured by the Option Properties (common units to be issued to Fund III in our formation transactions will be reduced accordingly), which bears interest at a weighted average rate of 4.6% per annum and has a weighted average remaining years to maturity of 1.3 years;

- approximately $4.4 million (including principal and related accrued interest) to repay the loan dated January 31, 2009 from an affiliate of NED to the Fund III subsidiaries that will be contributed to us in our formation transactions, which bears interest at LIBOR plus 12.50% per annum and is scheduled to mature on January 31, 2012;

- approximately $3.0 million (including principal and related accrued interest) to repay the loan originally drawn on May 15, 2007 from Fund III to the management company, of which $312,600 was advanced to the management company in the past 12 months for payment of general corporate expenses (including salaries, office rent, interest on corporate debt, etc.), which bears interest at 9.0% per annum and has no stated maturity date;

- approximately $2.5 million for general corporate purposes including acquisitions of real estate assets;

- approximately $1.8 million to terminate a portion of an interest rate swap due to the retirement of mortgage debt;

- approximately $1.1 million to repay expenditures associated with the retirement of indebtedness and the attainment of lender consents on existing indebtedness (including financing fees, related legal fees, and contingent waiver fees), and fees associated with the revolving credit facility;

- approximately $1.0 million (including principal and related accrued interest) to repay the line of credit dated May 15, 2007 from an affiliate of NED to the management company, which bears interest at 13.0% per annum and is scheduled to mature on March 1, 2011; and

- approximately $0.6 million to pay transfer taxes associated with the contribution of our properties to us.

If the underwriters exercise their overallotment option in full, we expect to use the additional $ million of net proceeds for general corporate purposes, including acquisitions of real estate assets.

The debt repayments described above are estimated based on principal and related accrued interest outstanding as of December 31, 2010. The actual amounts of the debt repayments will depend

USE OF PROCEEDS

on the principal and related accrued interest outstanding at the time of payment and may be greater than or less than our estimates above.

Pending application of cash proceeds, we intend to invest the net proceeds temporarily in interest-bearing, short-term investment-grade securities, money-market accounts or checking accounts, which are consistent with our intention to qualify for taxation as a REIT. Such investments may include, for example, government and government agency certificates, certificates of deposit, interest-bearing bank deposits and mortgage loan participations. These initial investments are expected to provide a lower net return than we will seek to achieve from investments in our properties.

Table of Contents

DISTRIBUTION POLICY

We intend to elect and qualify to be treated as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2011. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. We will not be required to make distributions with respect to income derived from the activities conducted through STAG Industrial TRS, LLC (our "TRS") that is not distributed to us. Our TRS is the entity through which we will provide any third-party management and advisory services, potentially including management services provided to Fund II, Fund III and Fund IV, unless such services can be provided without jeopardizing our REIT status. To the extent our TRS's income is not distributed and is instead reinvested with the operations of our TRS, the value of our equity interest in our TRS will increase. The aggregate value of the securities that we hold in our TRS may not exceed 25% of the total value of our gross assets. In part because of restrictions applicable to us as a REIT, distributions from our TRS to us will not exceed 25% of our gross income with respect to any given taxable year.

We are a newly formed company that has not commenced operations and, as a result, we have not paid distributions as of the date of this prospectus. To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income tax, we intend to make quarterly distributions of all or substantially all of our taxable income to holders of our common stock out of assets legally available therefor. We intend to pay a pro rata initial distribution with respect to the period commencing on the completion of this offering and ending at the last day of the then-current fiscal quarter, based on a distribution of $ per share for a full quarter. On an annualized basis, this would be $ per share, or an annual distribution rate of approximately %, based on the midpoint of the range set forth on the cover page of this prospectus. We estimate that this initial annual distribution rate will represent approximately % of estimated cash available for distribution to our common shareholders for the 12 months ending December 31, 2011. Our intended initial annual distribution rate has been established based on our estimate of cash available for distribution for the 12 months ending December 31, 2011, which we have calculated based on adjustments to our pro forma net income for the 12 months ended December 31, 2010 (after giving effect to the offering and the formation transactions). This estimate was based on our pro forma operating results and does not take into account our growth strategy, nor does it take into account any unanticipated expenditures we may have to make or any debt we may have to incur. In estimating our cash available for distribution for the 12 months ending December 31, 2011, we have made certain assumptions as reflected in the table and footnotes below.

Our estimate of cash available for distribution does not include the effect of any changes in our working capital. Our estimate also does not reflect the amount of cash estimated to be used for investing activities for acquisition and other activities, other than a reserve for recurring capital expenditures and current contractual tenant improvement or leasing commission costs to be incurred in the 12 months ending December 31, 2011 related to any new leases or lease renewals entered into as of February 16, 2011. It also does not reflect the amount of cash estimated to be used for financing activities, other than scheduled debt principal payments on mortgage and other indebtedness that will be outstanding upon completion of this offering. Any such investing and/or financing activities may have a material effect on our estimate of cash available for distribution. Because we have made the assumptions set forth above in estimating cash available for distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and we have estimated cash available for distribution for the sole purpose of determining the amount of our initial annual distribution rate. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP). In addition,

DISTRIBUTION POLICY

the methodology upon which we made the adjustments described below is not necessarily intended to be a basis for determining future dividends or other distributions.

We intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless our actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Any future distributions we make will be at the discretion of our board of directors and will depend upon our earnings and financial condition, maintenance of REIT qualification and the applicable provisions of the MGCL and such other factors as our board may determine in its sole discretion. We anticipate that our estimated cash available for distribution will exceed the annual distribution requirements applicable to REITs. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements and we may need to use the proceeds from future equity and debt offerings, sell assets or borrow funds to make distributions. We have no intention to use the net proceeds from this offering to make distributions nor do we intend to make distributions using shares of common stock. We cannot assure you that our distribution policy will not change in the future. Actual distributions may be significantly different from the expected distributions. For more information regarding risk factors that could materially adversely affect our earnings and financial condition, please see "Risk Factors."

We anticipate that, at least initially, our distributions will exceed our then current and accumulated earnings and profits as determined for U.S. federal income tax purposes due to non-cash expenses, primarily depreciation and amortization charges that we expect to incur. Therefore, a portion of these distributions may represent a return of capital for federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits will not be taxable to a taxable U.S. shareholder under current U.S. federal income tax law to the extent those distributions do not exceed the shareholder's adjusted tax basis in his or her common stock, but rather will reduce the adjusted basis of the common stock. Therefore, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. shareholder's adjusted tax basis in his or her common stock, they generally will be treated as a capital gain realized from the taxable disposition of those shares. We expect that   % of our estimated initial dividend will represent a return of capital for the tax period ending December 31, 2011. The percentage of our shareholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see "U.S. Federal Income Tax Considerations."

The following table describes our pro forma net income before non-controlling interest for the year ended December 31, 2010, and the adjustments we have made thereto in order to estimate our initial cash available for distribution to the holders or our common stock for the year ending December 31, 2011 (dollars in thousands, except per share data). The table reflects our condensed consolidated information, including common units in our operating partnership. Each common unit in

Table of Contents

DISTRIBUTION POLICY

our operating partnership may be redeemed for cash, or at our option, one share of our common stock, beginning 12 months after completion of this offering.

Pro forma net income before non-controlling interest for the 12 months ended December 31, 2010	$ 2,348
Add: Pro forma real estate depreciation and amortization	26,295
Add: Amortization of deferred financing costs	367
Less: Net effects of straight-line rents and amortization of acquired above/below market lease intangibles	(538)
Add: Non-cash compensation expense	1,525
Less: Gain on interest rate swaps	(100)
Pro forma cash flows provided by operations for the 12 months ended December 31, 2010	29,897
Add: Net increases in contractual rent income and related revenue(1)	1,617
Less: Net decreases in contractual rental and related revenue due to lease expirations, assuming no renewals(2)	(3,159)
Estimated cash flows provided by operations for the 12 months ending December 31, 2011	28,355
Less: Provision for tenant improvements and leasing commissions(3)	(255)
Less: Estimated annual provision for recurring capital expenditures(4)	(293)
Estimated cash flows used in investing activities for the 12 months ending December 31, 2011	(548)
Less: Scheduled debt principal payments(5)	(3,093)
Estimated cash flows used in financing activities for the 12 months ending December 31, 2011	(3,093)
Estimated cash available for distribution for the 12 months ending December 31, 2011	$ 24,714
Estimated cash available for distribution to non-controlling interests for the 12 months ending December 31, 2011	8,143
Estimated cash available for distribution to common shareholders for the 12 months ending December 31, 2011	16,571
Estimated cash available for distribution for the 12 months ending December 31, 2011	24,714
Estimated annual distribution to non-controlling interest for the 12 months ending December 31, 2011	
Estimated annual distribution to common shareholders for the 12 months ending December 31, 2011	
Estimated annual distribution for the 12 months ending December 31, 2011	$
Estimated distribution per common unit for the 12 months ending December 31, 2011(6)	$
Estimated distribution per share for the 12 months ending December 31, 2011(6)	$
Payout ratio based on estimated cash available for distribution to our holders of common stock/common units	%

(1) Represents net increases in contractual rent income and related revenue from new leases, renewals, contractual rent increases and lease termination fees, net of abatements, from existing leases that were not in effect for the year ended December 31, 2010 or that will go into effect during the year ending December 31, 2011, based on leases entered into as of February 16, 2011.

(2) Represents net decreases in contractual rental and related revenue due to lease expirations assuming no new leases or lease renewals for leases that expired during the year ended December 31, 2010 or will expire during the year ending December 31, 2011, other than renewals of month-to-month leases, unless the new lease or lease renewal was executed and delivered on or before February 16, 2011.

(3) Provision for tenant improvements and leasing commissions includes any current contractual tenant improvement or leasing commission costs to be paid or incurred in the year ending December 31, 2011 related to any new leases or lease renewals entered into as of February 16, 2011. During the 12 months ending December 31, 2011, we expect to have additional tenant improvement and leasing commission expenditures related to new and

renewal leasing that occur after December 31, 2010. Any increases in such expenditures would be directly related to such new and renewal leasing in that such expenditures would be incurred when a new lease is signed or an expiring lease is renewed, and are not included herein because we have no contractual obligations at this time for such future leasing.

DISTRIBUTION POLICY

(4) Estimated annual provision for recurring capital expenditures is based on $0.03 per leasable square foot of such expenditures for our consolidated portfolio. This estimate is based on the 2010 recurring capital expenditures of our existing portfolio.

(5) Represents all scheduled debt repayments for the 12 months ending December 31, 2011, including both amortization and other principal repayments, excluding debt that we intend to repay with net proceeds of this offering.

(6) Estimated distribution per share for the 12 months ending December 31, 2011 is based on 13,000,000 shares outstanding, 274,219 LTIP units outstanding, and 122,500 shares of restricted common stock outstanding following the completion of this offering and estimated distribution per common unit for the 12 months ending December 31, 2011 is based on 6,174,648 common units outstanding following the completion of this offering.

As reflected in the payout ratio shown in the table above, our estimated initial annual dividend of $ per share, or $ million in the aggregate, represents approximately % (or a deficiency of $) of our estimated cash available for distribution of $ million for the 12 months ending December 31, 2011. However, the above table does not include any increases or decreases in revenues or costs associated with: (1) any rental and related revenue increases or decreases from changes in occupancy in our real estate portfolio subsequent to December 31, 2010; (2) rental and related revenue from renewals of expiring leases in our real estate portfolio that may be executed subsequent to December 31, 2010 without regard to tenant retention (the management company has achieved an average tenant retention rate of 71.9% since its first property acquisition in 2004); (3) rental and related revenue from acquisitions completed subsequent to the completion of this offering, not considered probable at the time of the offering, from our current acquisition pipeline and other acquisition opportunities; and (4) any offsetting costs associated with any increases in revenue, such as tenant improvements and leasing commissions. As a result, our actual payout ratio could be higher or lower than the payout ratio shown in the table above. In any case, assuming our operating cash flow does not increase, we will be required either to fund future distributions from cash balances, borrowings under our secured corporate revolving credit facility or to reduce such distributions.

If the above table was calculated based on our average tenant retention rate of 71.9%, our payout ratio based on estimated cash available for distribution would be % to our holders of common stock and common units.

Table of Contents

CAPITALIZATION

The following table sets forth:

- the historical capitalization of STAG Predecessor Group as of December 31, 2010;
- our unaudited pro forma capitalization as of December 31, 2010, without giving effect to the sale of 13,000,000 shares of common stock in this offering at an assumed initial public offering price of $ per share (the mid-point of the offering price range on the cover of this prospectus), net of the underwriting discounts and estimated organizational and offering expenses payable by us, use of proceeds of this offering and the grant of LTIP units to our executive officers and independent directors and shares of restricted common stock to certain employees; and
- our unaudited pro forma capitalization as of December 31, 2010.

This table should be read in conjunction with "Use of Proceeds," "Selected Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and STAG Predecessor Group's historical audited financial statements and the unaudited pro forma financial information and related notes appearing elsewhere in this prospectus.

	As of December 31, 2010		
	STAG Predecessor Group Historical	Company Pro Forma Prior to this Offering (unaudited)	Company Pro Forma(1)(2)(3) (unaudited)
	(dollars in thousands)		
Debt	$ 207,550	$ 404,479	$ 172,904
Owners' equity (deficit)	(8,336)	88,975	
Shareholders' equity (deficit):			
Preferred stock, par value $0.01 per share, 10,000,000 shares authorized, no shares issued and outstanding			
Common stock, par value $0.01 per share; 100,000,000 shares authorized, 0, 110 and 13,122,500 shares issued and outstanding on a historical, pro forma prior to this offering and pro forma basis, respectively			131
Additional paid-in capital			218,433
Non-controlling interest in our operating partnership			107,410
Total owners' and shareholders' equity (deficit)	(8,336)	88,975	325,974
Total capitalization	$ 199,214	$ 493,454	$ 498,878

(1) Assumes 13,000,000 shares will be sold in this offering at an initial public offering price of $ per share for net proceeds of approximately $ million after deducting the underwriting discounts and estimated organizational and offering expenses of approximately $ million. See "Use of Proceeds."

(2) Does not include the underwriters' option to purchase up to 1,950,000 additional shares of common stock.

(3) The common stock outstanding as shown does not include common units in our operating partnership to be issued in connection with our formation transactions. The common stock outstanding as shown includes 122,500 shares of restricted common stock to be granted to certain employees under our equity incentive plan upon the completion of this offering. The common stock outstanding as shown does not include (1) 274,219 LTIP units to be

granted to our executive officers and independent directors under our equity incentive plan or (2) 1,036,515 shares of our common stock reserved for future issuance under our equity incentive plan. See "Management Equity Incentive Plan."

Table of Contents

DILUTION

Purchasers of our common stock offered in this prospectus will experience an immediate and substantial dilution of the net tangible book value of our common stock from the initial public offering price. As of December 31, 2010, we had a net tangible book value of approximately $ million, or $ per share of our common stock held by continuing investors, assuming the exchange of common units into shares of our common stock on a one-for-one basis. After giving effect to the sale of the shares of our common stock offered hereby, including the use of proceeds as described under "Use of Proceeds," and our formation transactions, the deduction of underwriting discounts and commissions, and estimated formation transaction and offering expenses, the pro forma net tangible book value as of December 31, 2010 attributable to common shareholders, excluding the effects of the grant of LTIP units and including the shares of restricted common stock to our executive officers, directors and certain employees, would have been $ million, or $ per share of our common stock. This amount represents an immediate increase in net tangible book value of $ per share to continuing investors and an immediate dilution in pro forma net tangible book value of $ per share from the assumed public offering price of $ per share of our common stock to new public investors. See "Risk Factors Risks Related to this Offering Differences between the book value of the assets to be acquired in our formation transactions and the price paid for our common stock will result in an immediate and material dilution of the book value of our common stock." The following table illustrates this per share dilution:

Assumed initial public offering price per share	$
Net tangible book value per share before our formation transactions and this offering[(1)]	$
Increase in pro forma net tangible book value per share attributable to our formation transactions[(2)]	$
Increase in pro forma net tangible book value per share attributable to this offering[(3)]	$
Net increase in pro forma net tangible book value per share attributable to the formation transactions and this offering	$
Pro forma net tangible book value per share after our formation transactions and this offering[(4)]	$
Dilution in pro forma net tangible book value per share to new investors[(5)]	$

(1) Net tangible book value per share of our common stock before our formation transactions and this offering is determined by dividing net tangible book value based on December 31, 2010 net book value of the tangible assets (consisting of total assets less intangible assets, which are comprised of goodwill, deferred financing and leasing costs, acquired above-market leases and acquired in place lease value, net of liabilities to be assumed, excluding acquired below market leases and acquired above-market ground leases) of STAG Predecessor Group by the number of shares of our common stock issued to Fund III in exchange for STAG Predecessor Group, assuming the exchange of the common units issued to Fund III for shares of our common stock on a one-for-one basis.

(2) Increase in the net tangible book value attributable to our formation transactions represents the difference between (a) the net tangible book value per share before our formation transactions and this offering and (b) the pro forma net tangible book value, excluding net offering proceeds, divided by the number of outstanding shares of common stock after our formation transactions, but before this offering, assuming the exchange of all outstanding common units for shares of our common stock on a one-for-one basis and excluding the restricted shares of common stock and LTIP units that we will issued upon completion of the offering.

(3) The increase in pro forma net tangible book value per share attributable to this offering is determined by subtracting (a) the sum of (i) the pro forma net tangible book value per share before our formation transactions and this offering (see note (1) above) and (ii) the increase in pro forma net tangible book value per share attributable to our formation transactions (see note (2) above) from (b)(i) the pro forma net tangible book value per share after our formation transactions and this offering (see note (4) below) divided by (ii) the number of outstanding shares of common stock after our formation transactions and this offering, assuming the exchange of all outstanding common units for shares of our common stock on a one-for-one basis and excluding the restricted shares of common stock and LTIP units that we will issue upon completion of this offering.

Table of Contents

DILUTION

(4) Based on pro forma net tangible book value of approximately $ million divided by the shares of common stock to be outstanding after our formation transactions and this offering, assuming the exchange of all outstanding common units for shares of our common stock on a one-for-one basis and excluding the restricted shares of common stock and LTIP units that we will issue upon completion of this offering.

(5) Dilution is determined by subtracting pro forma net tangible book value per share of our common stock after our formation transactions and this offering from the initial public offering price paid by a new investor for a share of our common stock.

The principal reduction in our pro forma net tangible book value in the table set forth above is not from goodwill but rather from net lease related assets and liabilities which are categorized by GAAP as intangibles. Our lease related intangible assets and liabilities primarily reflect the present value of the difference of in-place leasing rates and prevailing market rates as well as the avoided costs and lost revenue as if the buildings were vacant. If the above table was calculated without excluding lease related intangible assets and liabilities, the pro forma net tangible book value per share after our formation transactions and this offering would be $ and the dilution in pro forma net tangible book value per share to new investors would be $. In addition, the computations in the dilution table above do not reflect the fair value of the properties contributed by the STAG Predecessor Group as these assets are accounted for at carryover book basis.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial and operating data on (1) a pro forma basis for our company and (2) an historical basis for the STAG Predecessor Group. On a pro forma basis we will own 90 properties consisting of 57 properties owned by STAG Predecessor Group and 33 properties that constitute STAG Contribution Group. STAG Predecessor Group, which includes the entity that is considered our accounting acquirer, is part of our predecessor business and consists of the subsidiaries of Fund III that will be contributed to us by Fund III in our formation transactions. STAG Contribution Group consists of the properties owned by Fund IV and STAG GI that will be contributed to us in the formation transactions.

In the selected financial and operating data, we have not presented historical financial information for STAG Industrial, Inc. because we have not had any corporate activity since our formation other than the issuance of shares of common stock in connection with the initial capitalization of our company and activity in connection with our formation transactions and this offering, and because we believe that a discussion of the results of STAG Industrial, Inc. would not be meaningful.

We have not presented historical financial information for the management company as its results are not considered significant, and because we believe that a discussion of these results, (which primarily consist of acquisition and asset management fees from Fund II, Fund III and Fund IV and general and administrative costs) would not be meaningful.

You should read the following summary financial and operating data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation," our unaudited pro forma consolidated financial statements and related notes, the historical combined financial statements and related notes of STAG Predecessor Group, the historical combined statements of revenue and certain expenses and related notes of STAG Contribution Group, and the historical (combined) statements of revenue and certain expenses and related notes of the various properties listed in the Index to the Financial Statements.

The unaudited pro forma condensed consolidated balance sheet data is presented as if this offering and our formation transactions had occurred on December 31, 2010, and the unaudited pro forma statement of operations and other data for the year ended December 31, 2010 is presented as if this offering and our formation transactions had occurred on January 1, 2010. The pro forma financial information is not necessarily indicative of what our actual financial condition would have been as of December 31, 2010 or what our actual results of operations would have been assuming this offering and our formation transactions had been completed as of January 1, 2010, nor does it purport to represent our future financial position or results of operations.

The selected historical combined balance sheet information as of December 31, 2010 and 2009, and the historical combined statement of operations data for the years ended December 31, 2010, 2009, and 2008, have been derived from the combined financial statements of the STAG Predecessor Group audited by PricewaterhouseCoopers LLP, independent registered public accountants, whose report thereon is included elsewhere in this prospectus. The summary historical cost balance sheet information as of December 31, 2008 and the historical combined statement of operations data for the year ended December 31, 2007 have been derived from audited combined financial statements of the STAG Predecessor Group, which are not included in this prospectus. The summary historical combined balance sheet information as of December 31, 2007 and 2006 and the historical combined statement of operations for the period ended December 31, 2006 have been derived from the unaudited combined financial statements of the STAG Predecessor Group, which are not included in this prospectus.

Table of Contents

SELECTED FINANCIAL INFORMATION

The audited historical financial statements of STAG Predecessor Group in this prospectus, and therefore the historical financial and operating data in the table below exclude the operating results and financial condition of the Option Properties, the entities that own the Option Properties and the management company.

	Company Pro Forma	STAG Predecessor Group Historical				
	Year Ended December 31,	Year Ended December 31,				Period Ended December 31,
	2010	2010	2009	2008	2007[1]	2006
	(unaudited)				(unaudited)	(unaudited)
	(dollars in thousands)					
Statement of Operations Data:						
Revenue						
Rental income	$ 52,511	$ 24,249	$ 25,658	$ 27,319	$ 11,162	$ 941
Tenant recoveries and other income	6,137	3,761	4,508	3,951	1,326	
Other	1,252					
Total revenue	59,900	28,010	30,166	31,270	12,488	941
Expenses						
Property	9,320	6,123	8,409	5,813	1,437	11
General and administrative	11,282	937	1,078	1,112	648	29
Depreciation and amortization	26,295	9,514	10,257	12,108	4,687	336
Loss on impairment of assets				3,728		
Total expenses	46,897	16,574	19,744	22,761	6,772	376
Other income (expense)						
Interest income	16	16	66	140	163	4
Interest expense	(10,771)	(14,116)	(14,328)	(15,058)	(7,861)	(616)
Gain (loss) on interest rate swaps	100	(282)	(1,720)	(1,275)		
Total other income (expense)	(10,655)	(14,382)	(15,982)	(16,193)	(7,698)	(612)
Net income (loss)	$ 2,348	$ (2,946)	$ (5,560)	$ (7,684)	$ (1,982)	$ (47)
Balance Sheet Data (End of Period):						
Rental property, before accumulated depreciation	433,772	210,186	210,009	208,948	212,688	31,998
Rental property, after accumulated depreciation	414,511	190,925	195,383	200,268	210,294	31,808
Total assets	512,264	211,004	220,116	229,731	242,134	35,976
Notes payable	172,904	207,550	212,132	216,178	217,360	31,877
Total liabilities	186,290	219,340	221,637	223,171	220,548	32,305
Owners'/shareholders' equity (deficit)	325,974	(8,336)	(1,521)	6,560	21,586	3,671
Other Data:						
Cash flow provided by operating activities		$ 9,334	$ 8,365	$ 8,431	$ 3,488	$ 273
Cash flow used in investing activities		(2,088)	(2,040)	(411)	(203,669)	(30,041)
Cash flow (used in) provided by financing activities		(8,451)	(6,921)	(8,524)	204,581	35,315

Table of Contents

SELECTED FINANCIAL INFORMATION

	Company Pro Forma	STAG Predecessor Group Historical				
	Year Ended December 31,	Year Ended December 31,				Period Ended December 31,
	2010	2010	2009	2008	2007[1]	2006
	(dollars in thousands)					
Net operating income (NOI) (unaudited)[2]						
Rental income	$ 52,511	$ 24,249	$ 25,658	$ 27,319	$ 11,162	$ 941
Tenant recoveries	6,137	3,761	4,508	3,951	1,326	
Other operating income	1,252					
Property expenses	(9,320)	(6,123)	(8,409)	(5,813)	(1,437)	(11)
Net operating income (NOI)	50,580	21,887	21,757	25,457	11,051	930
Net income (loss)	2,348	(2,946)	(5,560)	(7,684)	(1,982)	(47)
Interest income	(16)	(16)	(66)	(140)	(163)	(4)
(Gain) loss on interest rate swaps	(100)	282	1,720	1,275		
Depreciation and amortization	26,295	9,514	10,257	12,108	4,687	336
Interest expense	10,771	14,116	14,328	15,058	7,861	616
General and administrative expenses	11,282	937	1,078	1,112	648	29
Loss on impairment				3,728		
Net operating income (NOI)	50,580	21,887	21,757	25,457	11,051	930
EBITDA (unaudited)[2]						
Net income (loss)	2,348	(2,946)	(5,560)	(7,684)	(1,982)	(47)
Interest expense	10,771	14,116	14,328	15,058	7,861	616
Interest income	(16)	(16)	(66)	(140)	(163)	(4)
Depreciation and amortization	26,295	9,514	10,257	12,108	4,687	336
EBITDA	39,398	20,668	18,959	19,342	10,403	901
Funds from operations (FFO) (unaudited)[2]						
Net income (loss)	2,348	(2,946)	(5,560)	(7,684)	(1,982)	(47)
Depreciation and amortization	26,295	9,514	10,257	12,108	4,687	336
Funds from operations (FFO)	28,643	6,568	4,697	4,424	2,705	289
Adjusted funds from operations (AFFO) (unaudited)[2]						
FFO	28,643	6,568	4,697	4,424	2,705	289
Impairment charges				3,728		
Straight line rental revenue adjustment	(1,956)	(641)	(817)	(1,187)	(415)	(61)
Deferred financing cost amortization	367	118	466	522	160	30
Above/below market lease amortization	1,418	(34)	284	(563)	(7)	(15)
(Gain) loss on interest rate swaps	(100)	282	1,720	1,275		
Acquisition costs[3]						
Amortization of non-cash compensation	1,525					
Recurring capital expenditures	(293)	(279)	(164)	(118)		
Lease renewal commissions and tenant improvements	(156)	(156)	(20)			
Adjusted funds from operations (AFFO)	29,448	5,858	6,166	8,081	2,443	243

(1)
We have prepared the results of operations for the year ended December 31, 2007 by combining amounts for 2007 obtained by adding the audited operating results of each of the Antecedent for the period of January 1, 2007 to May 31, 2007 and STAG Predecessor Group for the period of June 1, 2007 to December 31, 2007 (since the difference in basis between Antecedent and STAG Predecessor Group were not materially different and the entities were under common management). Although this combined presentation does not comply with GAAP, we believe that it provides a meaningful method of comparison.

(2)
See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more detailed explanations of NOI, EBITDA, FFO and AFFO, and reconciliations of NOI, EBITDA, FFO and AFFO to net income computed in accordance with GAAP.

(3)
Represents the costs associated with acquisitions that are expensed under GAAP.

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the risks described in "Risk Factors" and elsewhere in this prospectus. You should read the following discussion with "Cautionary Note Regarding Forward-Looking Statements" and the combined financial statements and related notes included elsewhere in this prospectus.

The following discussion and analysis is based on, and should be read in conjunction with, the audited financial statements and notes thereto as of December 31, 2010 and 2009 (and for the years ended December 31, 2010, 2009 and 2008) of STAG Predecessor Group. We have not had any corporate activity since our formation, other than the issuance of 110 shares of our common stock in connection with our initial capitalization and activities in preparation for our formation transactions and this offering. Accordingly, we believe that a discussion of our results of operations would not be meaningful, and this discussion and analysis therefore only discusses the combined results of STAG Predecessor Group. For more information regarding these companies, see "Selected Financial Information." All significant intercompany balances and transactions have been eliminated in the financial statements.

Overview

We are a newly formed, self-administered and self-managed full-service real estate company focused on the acquisition, ownership and management of single-tenant industrial properties throughout the United States. We will continue and grow the single-tenant industrial business conducted by our predecessor business. Mr. Butcher, the Chairman of our board of directors and our Chief Executive Officer and President, together with an affiliate of NED, a real estate development and management company, formed our predecessor business, which commenced active operations in 2004. Since inception, we have deployed more than $1.3 billion of capital, representing the acquisition of 219 properties totaling approximately 35.2 million rentable square feet in 143 individual transactions.

Upon completion of our formation transactions and this offering, our portfolio will consist of 90 properties in 26 states with approximately 13.7 million rentable square feet. Our properties consist of 43 warehouse/distribution properties, 26 manufacturing properties and 21 flex/office properties. As of December 31, 2010, our properties were 89.6% leased to 69 tenants, with no single tenant accounting for more than 5.5% of our total annualized rent and no single industry accounting for more than 14.8% of our total annualized rent.

We intend to continue to target the acquisition of individual Class B, single-tenant industrial properties predominantly in secondary markets throughout the United States with purchase prices ranging from $5 million to $25 million. We believe that, due to observed market inefficiencies, our focus on these properties will allow us to generate returns for our shareholders that are attractive in light of the associated risks, when compared to other real estate portfolios.

We intend to elect and qualify to be taxed as a REIT under the Code for the year ending December 31, 2011, and generally will not be subject to U.S. federal taxes on our income to the extent we currently distribute our income to our shareholders and maintain our qualification as a REIT. We are structured as an UPREIT and will own substantially all of our assets and conduct substantially all of our business through our operating partnership.

As a result of our formation transactions, our future financial condition and results of operations will differ significantly from, and will not be comparable with, the historical financial position and results of operations of STAG Predecessor Group, which will be only a part of our company after the consummation of our formation transactions. Please refer to our unaudited pro forma consolidated financial statements and related notes included elsewhere in this prospectus, which present on a pro forma basis the condition and results of our company as if our formation transactions and this offering and the application of the net proceeds thereof had all occurred on December 31, 2010 for the pro forma consolidated balance sheet and on January 1, 2010 for the pro forma consolidated statement of operations. The pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date or for the periods indicated, nor does it propose to represent our future financial position or results of operations.

Formation Transactions

Concurrently with this offering, we will complete our formation transactions, pursuant to which we will acquire, through a series of contribution transactions, direct or indirect interests in the management company and certain of the industrial properties owned by Fund III, Fund IV and STAG GI.

As a result of our formation transactions, we will acquire our property portfolio together with the other assets and operations of the management company. In consideration for the contributions, we will issue an aggregate of 6,174,648 common units with an aggregate value of $ million, assuming an offering price at the mid-point of the range set forth on the cover page of this prospectus, to the contributors of the management company, Fund III, Fund IV and STAG GI. We will also repay with the proceeds of this offering approximately $231.6 million of debt and assume approximately $172.9 million in principal amount of mortgage debt secured by our properties, based on December 31, 2010 balances on a pro forma basis.

Our management has determined that common control does not exist among the entities constituting our predecessor business; accordingly, our formation transactions will be accounted for as a business combination. Any interests in the entities contributed by Fund III are presented in the combined financial statements of STAG Predecessor Group, which includes the entity that is considered our accounting acquirer, at historical cost. The contribution of all interests other than those directly owned by STAG Predecessor Group will be accounted for under the purchase method of accounting and recorded at the estimated fair value of acquired assets and assumed liabilities corresponding to their ownership interests. The fair values of tangible assets acquired are determined on an as-if-vacant basis. The as-if-vacant fair value will be allocated to land, building, tenant improvements and the value of in-place leases based on our own market knowledge and published market data, including current rental rates, expected downtime to lease up vacant space, tenant improvement construction costs, leasing commissions and recent sales on a per square foot basis for comparable properties in our sub-markets. The estimated fair value of acquired in-place leases are the costs we would have incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and legal costs that would be incurred to lease this property to this occupancy level. Additionally, we evaluate the time period over which such occupancy level would be achieved and include an estimate of the net operating costs (primarily real estate taxes, insurance and utilities) incurred during the lease-up period, which generally ranges up to eight to 15 months. Above-market and below-market in-place lease values are recorded as an asset or liability based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be paid pursuant to the in-place leases and our estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The fair value of the debt assumed was determined using current market interest rates for comparable debt financings.

Upon consummation of our formation transactions and this offering, our operations will be carried on through our operating partnership, STAG Industrial Operating Partnership, L.P., which we formed on December 21, 2009. Our formation transactions were designed to:

- consolidate the ownership of the property portfolio under our operating partnership and its subsidiaries;
- consolidate our acquisition and asset management businesses into a subsidiary of our operating partnership;
- enable us to qualify as a REIT for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2011;
- defer the recognition of taxable gain by certain continuing investors; and
- enable prior investors to obtain liquidity (common units) for their investments.

As a result, we expect to be a fully integrated, self-administered and self-managed real estate company with 26 employees providing substantial in-house expertise in asset management, property management, leasing, tenant improvement construction, acquisitions, repositioning, redevelopment, legal and financing.

Factors That May Influence Future Results of Operations

Business and Strategy

We expect to continue our predecessor business' investment strategy of acquiring individual, Class B single-tenant industrial properties predominantly in secondary markets throughout the United States through third-party purchases and structured sale-leasebacks featuring high initial yields and strong current cash-on-cash returns. We believe that the systematic aggregation of such properties results in a diversified portfolio that will produce sustainable returns which are attractive in light of the associated risks. Future results of operations may be affected, either positively or negatively, by our ability to execute this strategy.

Rental Revenue

We receive income primarily from rental revenue from our properties. The amount of rental revenue generated by the properties in our portfolio depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space and space available from lease terminations. As of December 31, 2010, properties owned by our predecessor business were approximately 89.6% leased. The amount of rental revenue generated by us also depends on our ability to maintain or increase rental rates at our properties. Future economic downturns or regional downturns affecting our submarkets that impair our ability to renew or re-lease space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties. Our pro forma rental income for the year ended December 31, 2010 was $52.5 million. Approximately $1.3 million of this rental income was attributable to leases that have terminated or expired where we have not yet re-leased the space. If the space had been vacant for the entire year then the rental income for the year ended December 31, 2010, would have been reduced by $1.3 million in the aggregate. Our predecessor business since inception has experienced insolvency of three tenants. The write-off related to the three tenants was $1.1 million in the aggregate. In the future, we may experience additional tenant insolvencies and may be required to recognize additional write-offs.

Table of Contents

Certain leases entered into by us contain tenant concessions. Any such rental concessions are accounted for on a straight line basis over the term of the lease.

Scheduled Lease Expirations

Our ability to re-lease space subject to expiring leases will impact our results of operations and is affected by economic and competitive conditions in our markets and by the desirability of our individual properties. As of December 31, 2010, in addition to approximately 1,434,217 rentable square feet of currently available space in our properties, leases representing approximately 4.8% of the rentable square footage of such portfolio are scheduled to expire prior to December 31, 2011. The leases scheduled to expire prior to December 31, 2011 represent approximately 6.7% of the total annualized rent for our portfolio.

Conditions in Our Markets

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

Rental Expenses

Our rental expenses generally consist of utilities, real estate taxes, management fees, insurance and site repair and maintenance costs. For the majority of our tenants, our rental expenses are controlled, in part, by the triple net provisions in tenant leases. In our triple net leases, the tenant is responsible for all aspects of and costs related to the property and its operation during the lease term, including utilities, taxes, insurance and maintenance costs. However, we also have modified gross leases and gross leases in our property portofolio. The terms of those leases vary and on some occasions we may absorb property related expenses of our tenants. In our modified gross leases, we are responsible for some property related expenses during the lease term, but the cost of most of the expenses is passed through to the tenant for reimbursement to us. In our gross leases, we are responsible for all aspects of and costs related to the property and its operation during the lease term. Our overall performance will be impacted by the extent to which we are able to pass-through rental expenses to our tenants.

General and Administrative Expenses

Following this offering, we also will incur increased general and administrative expenses, including legal, accounting and other expenses related to corporate governance, public reporting and compliance with various provisions of the Sarbanes-Oxley Act of 2002. We anticipate that our staffing levels will increase from 26 employees to between 27 and 30 employees during the next 12 to 24 months and, as a result, our general and administrative expenses will further increase.

Certain Items Included in Our Pro Forma Operating Results

While our unaudited pro forma rental income is $52,511,000 for the year ended December 31, 2010, our total annualized rent (as defined on page ii of this prospectus) is $49,967,000, as of December 31, 2010. Our total annualized rent excludes $157,300 of contractual revenue from space ground-leased to two tenants that is included in our unaudited pro forma results of operations for the year ended December 31, 2010. In addition, we note that our unaudited pro forma results of operations for the year ended December 31, 2010 included tenant recoveries in the amount of $6,137,000 and property expenses in the amount of $9,320,000. Our unaudited pro forma results of operations for the year ended December 31, 2010 included, among other items, the following revenues and expenses:

- approximately $144,500 of insurance reimbursements related to environmental remediation costs incurred in connection with our Daytona Beach, Florida property; and

- approximately $46,800 of net tenant recoveries in excess of property expenses associated with five tenants who terminated their leases during calendar year 2010, which space remained vacant as of December 31, 2010.

Critical Accounting Policies

Our discussion and analysis of the historical financial condition and results of operations of the STAG Predecessor Group are based upon its combined financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses in the reporting period. Actual amounts may differ from these estimates and assumptions. We have provided a summary of significant accounting policies in note 2 to the combined financial statements of the STAG Predecessor Group included elsewhere in this prospectus. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on financial condition and results of operations. Management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions that it believes are reasonable as of the date hereof. In addition, other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our or the STAG Predecessor Group's results of operations and financial condition to those of other companies.

The following discussion of critical accounting policies uses "we" and "STAG Predecessor Group" interchangeably. Except where specifically stated to the contrary, we expect the critical accounting policies of STAG Industrial, Inc. to be substantially similar to those of the STAG Predecessor Group.

Rental Property and Depreciation

Rental property is carried at cost. We review our properties on a periodic basis for impairment and provide a provision if impairments are identified. To determine if an impairment may exist, we review our properties and identify those that have had either an event of change or event of circumstances warranting further assessment of recoverability (such as a decrease in occupancy). If further assessment of recoverability is needed, we estimate the future net cash flows expected to result from the use of the property and its eventual disposition, on an individual property basis. If the sum of the expected future net cash flows (undiscounted and without interest charges) is less than the carrying amount of the property on an individual property basis, we will recognize an impairment loss based upon the estimated fair value of such property as compared to its current carrying value.

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

Buildings	40 years
Building and land improvements	5 - 20 years
Tenant improvements	Shorter of useful life or terms of related lease

Expenditures for tenant improvements, leasehold improvements and leasing commissions are capitalized and amortized or depreciated over the shorter of their useful lives or the terms of each specific lease. Repairs and maintenance are charged to expense when incurred. Expenditures for improvements are capitalized.

We account for all acquisitions in accordance with the guidance issued by the Financial Accounting Standards Board ("FASB") under FASB Accounting Standard Codification ("ASC"), ASC 805, *Business Combinations*, (formerly known as Statement of Financial Accounting Standards ("SFAS") No. 141(R)). The FASB issued ASC 805 to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. The statement is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We adopted ASC 805 on January 1, 2009 and the adoption did not have a material effect on the combined financial statements.

Upon acquisition of a property, we allocate the purchase price of the property based upon the fair value of the assets acquired, which generally consist of land, buildings, tenant improvements and intangible assets including in-place leases, above market and below market leases and tenant relationships. We allocate the purchase price to the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. Acquired above and below market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above market leases and the initial term plus the term of any below market fixed rate renewal options for below market leases that are considered bargain renewal options. The above market lease values are amortized as a reduction of rental income over the remaining term of the respective leases, and the below market lease values are amortized as an increase to base rental income over the remaining initial terms plus the terms of any below market fixed rate renewal options that are considered bargain renewal options of the respective leases.

Tenant Accounts Receivable, Net

We maintain an allowance for estimated losses that may result from the inability of tenants to make required payments. We regularly assess our ability to collect outstanding payments and in so doing must make estimates of the collectability of tenant accounts receivable. If a tenant fails to make contractual payments beyond any allowance, we may recognize bad debt expense in future periods equal to the amount of unpaid rent and deferred rent.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, tenant accounts receivable, interest rate swaps, accounts payable, other accrued expenses and mortgage notes payable. The fair values of the cash and cash equivalents, tenant accounts receivable, accounts payable and other accrued expenses approximate their carrying or contract values.

We calculate the fair value of mortgage notes payable 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 and similar loan-to-value ratios.

Derivative Instruments

We account for interest rate swaps in accordance with ASC 815, *Derivatives and Hedging*, (formerly known as SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities)*. On January 1, 2009, we adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133* (SFAS 161), which changes the disclosure requirements for derivative instruments and hedging activities. The adoption of SFAS 161 (now included in ASC 815) did not have a material impact on our results of operations or financial condition.

We designate interest rate swaps as non-hedge instruments. Accordingly, we recognize the fair value of the interest rate swap as asset or liability on the combined balance sheets with the changes in fair value recognized in the combined statements of operations.

We adopted the fair value measurement provisions as of January 1, 2008 for our interest rate swaps recorded at fair value. The new guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. As of December 31, 2010 and 2009, we applied the provisions of this standard to the valuation of our interest rate swaps, which are the only financial instruments measured at fair value on a recurring basis.

Revenue and Gain Recognition

Rental revenue is recognized on a straight-line basis over the term of the lease when collectability is reasonably assured. Differences between rental revenue earned and amounts due under the lease are charged or credited, as applicable, to accrued rental revenue. Additional rents from expense reimbursements for insurance, real estate taxes and certain other expenses are recognized in the period in which the related expenses are incurred.

Certain tenants are obligated to make payments for insurance, real estate taxes and certain other expenses and these costs, which have been assumed by the tenants under the terms of their respective leases, are not reflected in our combined financial statements. To the extent any tenant responsible for these costs under their respective lease defaults on their lease or it is deemed probable that they will fail to pay for such costs, we would record a liability for such obligation. Recovery revenue related to leases whereby the tenant has assumed the cost for insurance, real estate taxes, and certain other expenses is not recognized in the combined financial statements.

Rental revenue from month-to-month leases or leases with no scheduled rent increases or other adjustments is recognized on a monthly basis when earned.

Lease termination fees are recognized as termination revenue when the related leases are canceled and we have no continuing obligation to provide services to such former tenants. STAG Predecessor Group has no lease termination revenue for the years presented.

We recognize gains on sales of real estate pursuant to the provisions of ASC 360-20-15, *Accounting for Sales of Real Estate* (formerly known as SFAS No. 66). The specific timing of a sale is measured against various criteria in ASC 360-20-15 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the property. If the sales

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

criteria are not met, we defer gain recognition and accounts for the continued operations of the property by applying the finance, installment or cost recovery methods, as appropriate, until the sales criteria are met.

Historical Results of Operations of STAG Predecessor Group

The following table summarizes our historical results of operations for the years ended December 31, 2010, 2009, and 2008.

	Year Ended December 31, 2010	Year Ended December 31, 2009	% Change	Year Ended December 31, 2008	% Change
	(dollars in thousands)				
Revenue					
Rental income	$ 24,249	$ 25,658	(5)%	$ 27,319	(6)%
Tenant recoveries[(1)]	3,761	4,508	(17)%	3,951	14%
Total revenue	28,010	30,166	(7)%	31,270	(4)%
Expenses					
Property	3,254	5,342	(39)%	3,009	78%
General and administrative	337	478	(29)%	502	(5)%
Real estate taxes and insurance	2,869	3,067	(6)%	2,804	9%
Asset management fees	600	600	0%	610	(2)%
Depreciation and amortization	9,514	10,257	(7)%	12,108	(15)%
Loss on impairment of assets				3,728	(100)%
Total expenses	16,574	19,744	(16)%	22,761	(13)%
Other income (expense)					
Interest income	16	66	(76)%	140	(53)%
Interest expense	(14,116)	(14,328)	(1)%	(15,058)	(5)%
Gain (loss) on interest rate swaps	(282)	(1,720)	(84)%	(1,275)	35%
Total other income (expense)	(14,382)	(15,982)	(10)%	(16,193)	(1)%
Net loss	**$ (2,946)**	**$ (5,560)**	**(47)%**	**$ (7,684)**	**(28)%**

(1) Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the applicable expenses are incurred.

Comparison of year ended December 31, 2010 to year ended December 31, 2009

Revenue

Total revenue decreased by $2.2 million, or 7%, to $28.0 million for the year ended December 31, 2010 compared to $30.2 million for the year ended December 31, 2009. A detailed analysis of the increase follows.

Rent. Rental revenue decreased by $1.4 million, or 5%, to $24.2 million for the year ended December 31, 2010 compared to $25.7 million for the year ended December 31, 2009. The decrease is primarily attributable to terminated or expiring leases during the year ended December 31, 2010, offset by an increase in new leases and lease escalations.

Tenant recoveries. Tenant recoveries decreased by $747,600, or 17%, to $3.8 million for the year ended December 31, 2010, compared to $4.5 million for the year ended December 31, 2009. The decrease is primarily attributable to fewer property expenses being recovered due to lower occupancy resulting from terminated or expiring leases that occurred during the year ended December 31, 2010.

Expenses

Property. Property expense, which consists of property operation and maintenance expenses and bad debt expense decreased by $2 million, or 39%, to $3.3 million for the year ended December 31, 2010 compared to $5.3 million for the year ended December 31, 2009. The decrease was primarily attributable to $1.9 million in bad debt expense incurred during the year ended December 31, 2009. The bad debt expense resulted primarily from non-payment of rent and reimbursable expenses from three financially troubled tenants.

General and administrative. General and administrative expenses decreased $141,000, or 29%, to $337,000 for the year ended December 31, 2010 from $478,000 for the year ended December 31, 2009. The decrease was primarily attributable to a lower amount of legal and accounting fees incurred.

Real estate taxes and insurance. Real estate taxes and insurance decreased by $198,000, or 6%, to $2.9 million for the year ended December 31, 2010 compared to $3.1 million for the year ended December 31, 2009. The decrease was primarily attributable to lower insurance fees incurred.

Asset management fees. Asset management fees remained unchanged at $600,000 for the years ended December 31, 2010 and 2009, respectively.

Depreciation and amortization. Depreciation and amortization expense decreased $743,000, or 7%, to $9.5 million for the year ended December 31, 2010 compared to $10.3 million for the year ended December 31, 2009. The decrease was primarily attributable to accelerated amortization of lease intangibles recorded during the year ended December 31, 2009 in connection with certain lease terminations and early vacancies.

Other Income (Expense)

Interest income. Interest income decreased 76% to $16,000 for the year ended December 31, 2010 from $66,000 for the year ended December 31, 2009. The decrease was primarily attributable to lower cash balances.

Interest expense. Interest expense decreased $212,000, or 1%, to $14.1 million for the year ended December 31, 2010 compared to $14.3 million for the year ended December 31, 2009. The decrease was attributable to a reduction in loan balances due to amortized principal payments.

Gain (loss) on interest rate swaps. Our loss on interest rate swaps decreased $1.4 million to $282,000 for the year ended December 31, 2010 compared to $1.7 million for the year ended December 31, 2009. The decrease was primarily attributable to an increase in the forward rate of the underlying LIBOR-based floating rate debt.

Comparison of year ended December 31, 2009 to year ended December 31, 2008

Revenue

Total revenue decreased by $1.1 million, or 4%, to $30.2 million for the year ended December 31, 2009 compared to $31.3 million for the year ended December 31, 2008. A detailed analysis of the decrease follows.

Rent. Rent decreased by $1.7 million, or 6%, to $25.7 million for the year ended December 31, 2009 compared to $27.3 million for the year ended December 31, 2008. The two primary components of the decrease were lower occupancy levels and the write-off of above market lease intangible assets. Rental revenue decreased $923,000 due to lower occupancy during 2009. Rental revenue decreased $690,000 due to the write-off of above market lease intangible assets related to a lease termination.

Tenant recoveries. Tenant recoveries increased by $557,000, or 14%, to $4.5 million for the year ended December 31, 2009 compared to $4.0 million for the year ended December 31, 2008. The increase in tenant recoveries was primarily attributable to the amount of tenant specific billings related to real estate tax and insurance recoveries compared to the previous period. The increase was partially offset by a decrease in tenant recoveries attributable to lower occupancy rates.

Expenses

Property. Property expense, which consists of property operation and maintenance expenses and bad debt expense, increased by $2.3 million, or 78%, to $5.3 million for the year ended December 31, 2009 compared to $3.0 million for the year ended December 31, 2008. The increase was primarily attributable to an increase of $1.9 million in bad debt expense recorded in 2009. The increase in bad debt expense resulted from nonpayment of rent and reimbursable expenses from five financially troubled tenants. The increase in property expense was also attributable to approximately $250,000 of environmental remediation costs incurred in connection with our Daytona Beach, FL property.

General and administrative. General and administrative expenses decreased $24,327, or 5%, to $478,141 for the year ended December 31, 2009 from $502,468 for the year ended December 31, 2008. The decrease was primarily attributable to a reduction in legal fees incurred and a reduction in appraisal fees, partially offset by an increase in accounting fees.

Real estate taxes and insurance. Real estate taxes and insurance increased by $263,088, or 9%, to $3.1 million for the year ended December 31, 2009 compared to $2.8 million for the year ended December 31, 2008. The increase was primarily attributable to a payment made for real estate taxes on our St. Louis, MO property on behalf of a non-paying tenant. This increase was partially offset by lower real estate tax assessments at various other properties.

Asset management fees. Asset management fees decreased $9,883, or 2%, to $599,869 for the year ended December 31, 2009 from $609,752 for the year ended December 31, 2008.

Depreciation and amortization. Depreciation and amortization expense decreased $1.9 million, or 15%, to $10.3 million for the year ended December 31, 2009 compared to $12.1 million for the year ended December 31, 2008. The decrease was primarily attributable to accelerated amortization of lease intangibles related to lease terminations during the year ended December 31, 2008. The decrease was also attributable to a reduced asset base for depreciation purposes due to a 2008 asset impairment.

Loss on impairment. There were no impairment charges for the year ended December 31, 2009 compared to $3.7 million for the year ended December 31, 2008. The 2008 impairment charge was attributable to the impairment of our property located in Daytona Beach, Florida. The loss of occupancy, its continued vacancy and lower market rents indicated that the carrying amount of this property had been impaired.

Other Income (Expense)

Interest income. Interest income decreased $73,632, or 53%, to $66,852 for the year ended December 31, 2009 from $140,484 for the year ended December 31, 2008. The decrease was primarily attributable to declining bank deposit balances resulting from an increase in principal payments on debt during the year ended December 31, 2009.

Interest expense. Interest expense decreased $729,490, or 5%, to $14.3 million for the year ended December 31, 2009 compared to $15.1 million for the year ended December 31, 2008. The decrease was primarily attributable to a reduction in interest rates and loan balances due to amortized principal payments under amended loan agreements.

Gain (loss) on interest rate swaps. Our loss on interest rate swaps increased $445,720, or 35%, to $1.7 million for the year ended December 31, 2009 compared to $1.3 million for the year ended December 31, 2008. The increase was primarily attributable to larger underlying notional amounts under the swap agreements and an increase in the interest rate swap spread.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of funds to pay for operating expenses and other expenditures directly associated with our properties, including:

- interest expense and scheduled principal payments on outstanding indebtedness,
- general and administrative expenses, and
- capital expenditures for tenant improvements and leasing commissions.

In addition, we will require funds for future dividends expected to be paid to our common shareholders and unit holders in our operating partnership.

We intend to satisfy our short-term liquidity requirements through our existing cash and cash equivalents, cash flow from operating activities, the proceeds of this offering and borrowings available under our secured corporate revolving credit facility.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, non-recurring capital expenditures and scheduled debt maturities. We intend to satisfy our long-term liquidity needs through cash flow from operations, long-term secured and unsecured borrowings, issuance of equity securities, or, in connection with acquisitions of additional properties, the issuance of common units of the operating partnership property dispositions and joint venture transactions.

Following completion of this offering, our debt will be comprised of a $72.0 million loan maturing in 2012, a $92.4 million loan maturing in 2018 and an $8.5 million loan maturing in 2027. We have executed a commitment letter, subject to customary closing conditions, to extend the maturity date of our debt due in 2012 to October 2013.

We have executed a loan agreement with several financial institutions establishing a $100 million secured corporate revolving credit facility (subject to increase to $200 million under certain circumstances). The credit facility is being held in escrow and will be available upon the closing of this offering and satisfaction of other customary closing conditions. This facility will be used for property acquisitions, working capital requirements and other general corporate purposes. We currently do not intend to use this facility to repay our existing debt obligations upon maturity. The term of the credit facility is three years with a one year extension option, subject to the satisfaction of certain conditions. The credit facility contains customary terms, covenants and other conditions for credit facilities of this type. See "Secured Corporate Revolving Credit Facility" below.

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In addition, in connection with our formation transactions, we will be assuming an existing secured acquisition credit facility from STAG GI that currently has $33.6 million of borrowing capacity and a commitment letter for an additional $65 million secured acquisition credit facility. There is no assurance that we will be able to enter into a definitive agreement relating to the additional acquisition facility that we find acceptable, or at all.

Contractual Obligations

STAG Predecessor Group. The following table sets forth our principal obligations and commitments, including periodic interest payments related to the indebtedness, of STAG Predecessor Group as of December 31, 2010:

	Payments by Period				
	Total	Less than 1 year(2)	1-3 years(3)	3-5 years(4)	More than 5 years
			unaudited (dollars in thousands)		
Principal payments(1)	$ 207,550	$ 4,807	$ 202,743	$	
Interest payments fixed rate debt	8,830	8,151	679		
Interest payments variable rate debt	2,584	2,392	192		
Loan guaranty fee	3,314	3,062	252		
Total	$ 222,278	$ 18,412	$ 203,866	$	

(1) The terms of the Anglo Master Loan (Fund III) agreement also stipulate that a capital improvement escrow be funded monthly in an amount equal to the difference between the payments required under a 25-year amortizing loan and a 20-year amortizing loan.

(2) Period from January 1, 2011 to December 31, 2011.

(3) Period from January 1, 2012 to December 31, 2014.

(4) Period from January 1, 2015 to December 31, 2016.

On a Pro Forma Basis Before Paydowns. The following table sets forth our principal obligations and commitments, including periodic interest payments related to the indebtedness outstanding as of December 31, 2010, on a pro forma basis, other than pro forma paydowns from the proceeds of this offering:

	Payments by Period				
	Total(6)	Less than 1 year(3)	1-3 years(4)	3-5 years(5)	More than 5 years
			unaudited (dollars in thousands)		
Principal payments(1)(2)	$ 396,102	$ 93,580	$ 206,873	$ 3,163	$ 92,486
Interest payments fixed rate debt	73,908	16,541	33,874	12,212	11,281
Interest payments variable rate debt	2,801	2,425	376	0	0
Obligations under ground leases	5,281	0	558	0	4,723
Total	$ 478,092	$ 112,546	$ 241,681	$ 15,375	$ 108,490

(1) The terms of the Anglo Master Loan (Fund III) agreement also stipulate that a capital improvement escrow be funded monthly in an amount equal to the difference between the payments required under a 25-year amortizing loan and a 20-year amortizing loan.

(2) Management company debt of $3.0 million has no stated maturity date and is not included in this table.

(3) Period from January 1, 2011 to December 31, 2011.

(4) Period from January 1, 2012 to December 31, 2014.

(5) Period from January 1, 2015 to December 31, 2016.

(6) Does not include $5.4 million subordinate mortgage debt secured by certain of our properties and the option properties.

On a Pro Forma Basis After Paydowns. The following table sets forth our principal obligations and commitments, including periodic interest payments related to the indebtedness outstanding as of December 31, 2010, including pro forma paydowns from the proceeds of this offering:

	Payments by Period				
	Total	Less than 1 year(3)	1-3 years(4)	3-5 years(5)	More than 5 years
	unaudited (dollars in thousands)				
Principal payments(1)(2)	$ 172,904	$ 3,093	$ 74,162	$ 3,163	$ 92,486
Interest payments fixed rate debt	$ 58,912	$ 10,022	$ 25,397	$ 12,212	$ 11,281
Interest payments variable rate debt	$ 0	$ 0	$ 0	$ 0	$ 0
Obligations under ground leases	$ 5,281	$ 0	$ 558	$ 0	$ 4,723
Total	$ 237,097	$ 13,115	$ 100,117	$ 15,375	$ 108,490

(1) The terms of the Anglo Master Loan (Fund III) agreement also stipulate that a capital improvement escrow be funded monthly in an amount equal to the difference between the payments required under a 25-year amortizing loan and a 20-year amortizing loan.

(2) Principal payments in connection with the Anglo Master Loan (Fund III) agreement inherent in this table assume that those payments are pro-rated based on the amount of debt remaining after paydown.

(3) Period from January 1, 2011 to December 31, 2011.

(4) Period from January 1, 2012 to December 31, 2014.

(5) Period from January 1, 2015 to December 31, 2016.

In addition to the contractual obligations set forth in the table above, we expect to enter into employment agreements with certain of our executive officers. These employment agreements provide for salary, discretionary bonus, incentive compensation and other benefits, all as more fully described under "Management Employment Agreements."

Consolidated Indebtedness to be Outstanding After this Offering and Giving Effect to the Financing Transactions

As of December 31, 2010, we had, after pro forma paydowns, total outstanding debt of approximately $172.9 million. The weighted average annual interest rate on our consolidated indebtedness would have been 5.8% (after giving effect to our interest rate swaps). On a pro forma basis as of December 31, 2010, we had no long-term debt exposed to fluctuations in short-term interest rates.

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth certain information with respect to the indebtedness outstanding as of December 31, 2010 on a pro forma basis:

Loan	Principal (dollars in thousands)	Fixed/Floating	Rate	Maturity
Anglo Master Loan (Fund III)(1)	$ 71,974	LIBOR + 3.00%(2)	5.17%	1/31/2012(3)
CIGNA Investment, Inc. (STAG GI)	60,992	Fixed	6.50%	2/1/2018
CIGNA Investment, Inc. (STAG GI)(4)	31,423	Fixed	5.75%	2/1/2018
CIBC, Inc. (STAG GI)	8,515	Fixed	7.05%(5)	8/1/2027
Secured Corporate Revolving Credit Facility		(6)	(6)	(7)
Total/Weighted Average	$ 172,904		5.8%	

(1) Secured by certain properties of Fund III. It is anticipated that $85.8 million of the total loan balance of $157.8 million will be paid down with offering proceeds resulting in a pro forma balance of $72.0 million.

(2) Swapped for a fixed rate of 2.165% plus the 3.00% spread for an effective fixed rate of 5.165%. The swap expires at the stated maturity date of the loan.

(3) We have executed a commitment letter, subject to customary closing conditions, to extend the maturity date of the Anglo Master Loan (Fund III) to October 2013.

(4) We currently have $33.6 million of borrowing capacity under this secured acquisition credit facility.

(5) Interest rate increases to the greater of 9.05% and the treasury rate as of August 1, 2012 plus 2% beginning in August 2012 and continues through maturity.

(6) The credit facility bears interest at a rate per annum equal to LIBOR plus a margin determined in accordance with our leverage. See " Secured Corporate Revolving Credit Facility."

(7) The credit facility has a three-year term to maturity with an option to extend the maturity date for one additional year.

Certain of our loan agreements contain financial covenants. Our Anglo Master Loan (Fund III) described above contains a loan-to-value requirement with respect to the collateral properties that is measured annually, a minimum debt service coverage ratio that is measured semi-annually, a minimum debt yield requirement, and a minimum guarantor net worth and liquidity requirement. We are currently in compliance with the financial covenants in our loan agreements. We have executed a commitment letter, subject to customary closing conditions, to extend the maturity of our Anglo Master Loan (Fund III) due in 2012 to October 2013.

We have executed a loan agreement with several financial institutions establishing a $100 million secured corporate revolving credit facility (subject to increase to $200 million under certain circumstances). The credit facility is being held in escrow and will be available upon the closing of this offering and satisfaction of other customary closing conditions. This facility will be used for property acquisitions, working capital requirements and other general corporate purposes. The credit facility contains customary terms, covenants and other conditions for credit facilities of this type. In addition, in connection with our formation transactions, we will be assuming an existing secured acquisition credit facility from STAG GI that currently has $33.6 million of borrowing capacity and a commitment letter for an additional $65 million secured acquisition credit facility. There is no assurance that we will be able to enter into a definitive agreement relating to the additional acquisition facility that we find acceptable, or at all.

Table of Contents

Secured Corporate Revolving Credit Facility

In connection with this offering and the formation transactions, we have executed a loan agreement for a secured corporate revolving credit facility of up to $100 million with Bank of America, N.A. as administrative agent and Merrill Lynch, Pierce, Fenner & Smith Incorporated as lead arranger. The credit facility is being held in escrow and will be available upon the closing of this offering and satisfaction of other customary closing conditions. The credit facility is secured, among other things, by mortgages granted by various indirect subsidiaries of our operating partnership. It is anticipated that, at the initial closing of the credit facility, there will be approximately 41 properties mortgaged as security for the credit facility, with a total property value of approximately $193 million, although the actual number and value of properties initially securing the credit facility will be dependent in part on the extent of paydowns from proceeds of this offering. The properties, which will initially be available to be mortgaged under the credit facility, will first need to be released from other secured facilities based on full or partial repayments of such other facilities. Such repayments are anticipated to be derived from this offering and certain other sources. Proceeds from the credit facility will be used for property acquisitions, working capital requirements and other general corporate purposes. The credit facility has a stated three-year term to maturity with an option to extend the maturity date for one additional year. Additionally, the credit facility has an accordian feature that allows us to request an increase in the total commitments of up to $100 million to $200 million.

Availability under the credit facility shall be the lesser of (i) the aggregate commitment, (ii) prior to satisfaction of an appraisal condition with respect to the collateral pool, 40% of the value of the borrowing base properties, and following satisfaction of an appraisal condition with respect to the collateral pool, 55% of the value of the borrowing base properties, or (iii) prior to satisfaction of an appraisal condition with respect to the collateral pool, the amount that would result in a debt service coverage ratio for the borrowing base properties of not less than 2.0x based on a 30-year amortization period, and following satisfaction of an appraisal condition with respect to the collateral pool, the amount that would result in a debt service coverage ratio for the borrowing base properties of not less than 1.6x based on a 30-year amortization period, in each case calculated using an interest rate equal to the greatest of (i) the yield on a 10-year United States Treasury Note at such time as determined by the agent plus 3.00%, (ii) 7.50% and (iii) the weighted average interest rate(s) then in effect under the credit agreement. It is anticipated that approximately $ million of the credit facility will be available upon completion of this offering and our formation transactions.

Interest and Fees: The credit facility bears interest at a rate per annum equal to LIBOR plus a margin as determined in accordance with the following leverage-based pricing: (i) if our ratio of consolidated debt to total asset value is less than or equal to 40%, then the interest rate will be LIBOR plus 1.75%, (ii) if our ratio of consolidated debt to total asset value is greater than 40%, but less than or equal to 50%, then the interest rate will be LIBOR plus 2.00%, (iii) if our ratio of consolidated debt to total asset value is greater than 50%, but less than or equal to 55%, then the interest rate will be LIBOR plus 2.25%, (iv) if our ratio of consolidated debt to total asset value is greater than 55%, then the interest rate will be LIBOR plus 2.75%. Under certain circumstances, which we do not expect to apply, interest rates under the credit facility may be based on Eurodollar rates with spreads higher than the LIBOR spreads described above. In addition, if there are borrowings under letters of credit, certain other spreads will apply. We will also pay certain customary fees and expense reimbursements.

Financial Covenants: The credit facility includes the following financial covenants: (i) maximum leverage ratio of total liabilities to total asset value not exceeding 55% (provided that such percentage may be increased above 55% but not greater than 60% for 2 consecutive quarters not more than once during the term of the credit facility), (ii) the ratio of consolidated EBITDA (as defined in the agreement) to consolidated fixed charges shall not be less than 2.0 to 1.0, provided that following satisfaction of the appraisal condition for the collateral pool such ratio shall be reduced to 1.75 to 1.0, (iii) maximum recourse indebtedness of no more than 15% of total assets, and (iv) tangible net worth of not less than 85% of tangible net worth at the closing of this offering plus 75% of future net equity proceeds along with other covenants which generally limit or restrict investments in unconsolidated joint ventures, mezzanine loans and mortgage receivables, unimproved land, and other investments which are not core to our operating partnership investment focus. In addition, the credit facility prohibits the direct and indirect subsidiaries of our operating partnership which own properties that are mortgaged to secure the credit facility from incurring indebtedness or guaranteeing debt, other than the credit facility itself.

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

Off Balance Sheet Arrangements

As of December 31, 2010, neither STAG Predecessor Group nor, on a pro forma basis, our company, had any off-balance sheet arrangements.

Interest Rate Risk

ASC 815, *Derivatives and Hedging* (formerly known as SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities)*, requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value and the changes in fair value must be reflected as income or expense. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income, which is a component of shareholders equity. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. Because our predecessor business did not previously prepare financial statements in accordance with GAAP, we did not designate the hedges at the time of inception and therefore, our existing investment in interest rate swaps does not qualify as an effective hedge, and as such, changes in the swaps' fair market value are being recorded in earnings.

As of December 31, 2010, on a pro forma basis, we had approximately $72.0 million of mortgage debt subject to interest rate swaps with such interest rate swaps having an approximate $(1.5) million net fair value. As these interest rate swaps were entered into prior to us reporting on a GAAP basis, they are designated as non-hedge instruments. As of December 31, 2010, Fund IV had hedged $76.0 million of its variable rate mortgage debt through floating to fixed rate swaps. Such debt will be repaid out of the proceeds of this offering. The related interest rate swaps, one with a notional amount of $45.0 million with terms to receive LIBOR and pay 1.98% and one with a notional amount of $31.0 million with terms to receive LIBOR and pay 1.67%, both with expiration dates of August 1, 2011, will be collateralized under our secured corporate revolving credit facility. Management intends to utilize such interest rate swaps to hedge future borrowings under its secured corporate revolving credit facility. As of December 31, 2010, these interest rate swaps have a fair value of approximately $(0.8) million.

Cash Flows of the STAG Predecessor Group

The following table summarizes the historical cash flows of STAG Predecessor Group for the years ended December 31, 2010, 2009, and 2008:

	Year Ended December 31,		
	2010	2009	2008
	(dollars in thousands)		
Cash provided by operating activities	$ 9,334	$ 8,365	$ 8,431
Cash used in investing activities	(2,088)	(2,040)	(411)
Cash (used in) provided by financing activities	(8,451)	(6,921)	(8,524)

Comparison of year ended December 31, 2010 to the year ended December 31, 2009

Net cash provided by operating activities. Net cash provided by operating activities increased $969,000 to $9.3 million for the year ended December 31, 2010 compared to $8.4 million for the year ended December 31, 2009. The increase in cash provided by operating activities was primarily attributable to the net changes in current assets and liabilities, most notably an increase due to related parties attributable to the unpaid guarantee fees.

Net cash used in investing activities. Net cash used in investing activities increased $48,000 to $(2.1) million for the year ended December 31, 2010 compared to $(2.0) million for the year ended December 31, 2009. The change is attributable to a increase in building improvements made during the year ended December 31, 2010.

Net cash used in financing activities. Net cash used in financing activities increased $1.5 million to $(8.5) million for the year ended December 31, 2010 compared to $(6.9) million for the year ended December 31, 2009. The increase was primarily attributable to an increase in principal payments on mortgage loans, partially offset by a decrease in deferred financing fees.

Comparison of year ended December 31, 2009 to year ended December 31, 2008

Net cash provided by operating activities. Net cash provided by operating activities decreased $66,000 to $8.4 million for the year ended December 31, 2009 compared to $8.4 million for the year ended December 31, 2008. The decrease in 2009 cash provided by operating activities was primarily attributable to net changes in current assets and liabilities.

Net cash used in investing activities. Net cash used in investing activities increased $1.6 million to $(2.0) million for the year ended December 31, 2009 compared to $(0.4) million for the year ended December 31, 2008. The change is attributable to an increase in building improvements made during 2008.

Net cash used in financing activities. Net cash used in financing activities decreased $1.6 million to $(6.9) million for the year ended December 31, 2009 compared to $(8.5) million for the year ended December 31, 2008. The decrease in cash used in financing activities was primarily attributable to a decrease in distributions of $4.8 million and an increase in proceeds from other notes payable of $4.4 million. The decrease was offset by an increase in deferred financing costs of $0.4 million and an increase in principal payments on mortgage loans of $7.2 million.

Non-GAAP Financial Measures

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

None of NOI, EBITDA, FFO or AFFO should be considered as an alternative to net income (determined in accordance with GAAP) as an indication of our performance, and we believe that to understand our performance further, NOI, EBITDA, FFO and AFFO should be compared with our reported net income or net loss and considered in addition to cash flows in accordance with GAAP, as presented in our consolidated financial statements.

Net Operating Income (NOI)

We consider NOI to be an appropriate supplemental measure to net income because it helps both investors and management to understand the core operations of our properties. We define NOI as operating revenue (including rental income, tenant recoveries and other income, and other operating revenue) less property-level operating expenses (which includes management fees and general and administrative expenses). NOI excludes depreciation and amortization, impairments, gain/loss on sale of real estate, interest expense and other non-operating items.

	Company Pro Forma Year Ended December 31, 2010 (unaudited) (dollars in thousands)
Rental income	$ 52,511
Tenant recoveries	6,137
Other operating income	1,252
Total revenue	59,900
Property expenses	(9,320)
Net operating income	$ 50,580

The following is a reconciliation from reported net income, the most direct comparable financial measure calculated and presented in accordance with GAAP, to NOI:

	Company Pro Forma Year Ended December 31, 2010 (unaudited) (dollars in thousands)
Net income	$ 2,348
Interest income	(16)
Gain on interest rate swaps	(100)
Depreciation and amortization	26,295
Interest expense	10,771
General and administrative expenses	11,282
Net operating income	$ 50,580

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

We believe that EBITDA is helpful to investors as a supplemental measure of the operating performance of a real estate company because it is a direct measure of the actual operating results of our industrial properties. We also use this measure in ratios to compare our performance to that of our

Table of Contents

industry peers. The following table sets forth a reconciliation of our pro forma EBITDA for the period presented to net income:

	Company Pro Forma Year Ended December 31, 2010 (unaudited) (dollars in thousands)
Net income	$ 2,348
Interest expense	10,771
Interest income	(16)
Depreciation and amortization	26,295
EBITDA	$ 39,398

Funds from Operations (FFO)

We calculate FFO before non-controlling interest in accordance with the standards established by the National Association of Real Estate Investment Trusts ("NAREIT"). FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

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

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth a reconciliation of our pro forma FFO before non-controlling interest for the period presented to net income, the nearest GAAP equivalent:

	Company Pro Forma Year Ended December 31, 2010 (unaudited) (dollars in thousands)
Net income	$ 2,348
Depreciation and amortization	26,295
Funds from operations (FFO)	$ 28,643

Adjusted Funds from Operations (AFFO)

In addition to presenting FFO in accordance with the NAREIT definition, we also disclose AFFO, which is FFO after a specific and defined supplemental adjustment to:

- exclude the impact of impairment charges and/or any extraordinary, non-recurring cash expenditures,
- exclude significant non-cash items that were included in net income, and
- include significant cash items that were excluded from net income.

Although our FFO as adjusted clearly differs from NAREIT's definition of FFO, we believe it provides a meaningful supplemental measure of our operating performance because we believe that, by excluding items noted above, management and investors are presented with an indicator of our operating performance that more closely achieves the objectives of the real estate industry in presenting FFO.

As with FFO, our reported AFFO may not be comparable to other REITs' AFFO, should not be used as a measure of our liquidity, and is not indicative of our funds available for our cash needs, including our ability to pay dividends.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth a reconciliation of our pro forma AFFO for the periods presented to FFO:

	Company Pro Forma Year Ended December 31, 2010 (unaudited) (dollars in thousands)
Funds from operations (FFO)	$ 28,643
Impairment charges	
Straight line rental revenue adjustment	(1,956)
Deferred financing cost amortization	367
Above/below market lease amortization	1,418
Gain on interest rate swaps	(100)
Acquisition costs	
Recurring capital expenditures	(293)
Amortization of non-cash compensation	1,525
Lease renewal commissions and tenant improvements	(156)
Adjusted funds from operations (AFFO)	$ 29,448

Inflation

The majority of our leases are either triple net or provide for tenant reimbursement for costs related to real estate taxes and operating expenses In addition, most of the leases provide for fixed rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and tenant payment of taxes and expenses described above. We do not believe that inflation has had a material impact on our historical financial position or results of operations.

Quantitative and Qualitative Disclosure About Market Risk

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

An interest rate swap is a contractual agreement entered into by two counterparties under which each agrees to make periodic payments to the other for an agreed period of time based on a notional amount of principal. Under the most common form of interest rate swap, known from our perspective as a floating-to-fixed interest rate swap, a series of floating, or variable, rate payments on a notional amount of principal is exchanged for a series of fixed interest rate payments on such notional amount.

As of December 31, 2010, we had total pro forma outstanding debt of approximately $172.9 million, and we expect that we will incur additional indebtedness in the future. Interest we pay reduces our cash available for distributions. Approximately $72.0 million of our pro forma outstanding debt as of December 31, 2010 bears interest at a variable rate, but this entire variable debt amount has been hedged through a floating-to-fixed interest rate swap whereby we swapped the variable rate interest on the hedged debt for a fixed rate of interest. The variable rate component of our pro forma

Table of Contents

mortgage debt is LIBOR based. If LIBOR were to increase by 100 basis points, we do not expect there would be any significant effect on the interest expense on our pro forma variable rate debt.

As of December 31, 2010, on a pro forma basis, approximately $172.9 million of our consolidated borrowings bore interest at fixed rates, as shown in the table below.

	2011	2012	2013	2014	2015	2016+	Total	Fair Value
				(dollars in thousands)				
Secured Mortgage Notes Payable								
Fixed Rate	$ 1,150	$ 1,353	$ 1,344	$ 1,434	$ 1,531	$ 94,118	$ 100,930	$ 100,930
Average Interest Rate	6.45%	6.42%	6.49%	6.50%	6.51%		6.47%	
Variable Rate(1)	$ 1,943	$ 1,988	$ 68,043				$ 71,974	$ 71,974
Total Debt	**$ 3,093**	**$ 3,341**	**$ 69,387**	**$ 1,434**	**$ 1,531**	**$ 94,118**	**$ 172,904**	**$ 172,904**

(1) The contractual annual interest rate on this indebtedness is LIBOR plus 3.00% and has been swapped for a fixed rate of 2.165% plus the 3.00% spread, for an effective fixed interest rate of 5.165%.

As of December 31, 2010, Fund IV had hedged $76.0 million of its variable rate mortgage debt through floating to fixed rate swaps. Such debt will be repaid out of the proceeds of this offering. The related interest rate swaps, one with a notional amount of $45.0 million with terms to receive LIBOR and pay 1.98% and one with a notional amount of $31.0 million with terms to receive LIBOR and pay 1.67%, both with expiration dates of August 1, 2011, will be collateralized under our secured corporate revolving credit facility. Management intends to utilize such interest rate swaps to hedge future borrowings under its secured corporate revolving credit facility.

As of December 31, 2010, on a pro forma basis, we were party to the interest rate swaps shown in the table below.

	Notional Amount	Fair Value at December 31, 2010	Fixed Pay Rate	Expiration Date
Interest Rate Swaps				
Anglo Master Loan Swap	$ 71,974	$ (1,495)	2.165%	January 31, 2012
RBS/Citizens/Bank of America	$ 45,000	$ (509)	1.98%	August 1, 2011
RBS/Citizens/Bank of America	$ 31,000	$ (286)	1.67%	August 1, 2011
Total/Weighted Average	**$ 147,974**	**$ (2,290)**	**2.01%**	

The market values of the swaps depend heavily on the current market fixed rate, the corresponding term structures of variable rates and the expectation of changes in future variable rates. As expectations of future variable rates increase, the market values of the swaps increase. We will treat the swaps as non-hedge instruments and, accordingly, recognize the fair value of the swaps as assets or liabilities on our balance sheet, with the change in fair value recognized in our statements of operations.

No assurance can be given that our predecessor business's hedging activities, or any future hedging activities by us, will have the desired beneficial effect on our results of operations or financial condition.

Interest risk amounts are our management's estimates and were determined by considering the effect of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

83

Table of Contents

MARKET OVERVIEW

Unless otherwise indicated, all information contained in this Market Overview section is derived from market materials prepared by CBRE-EA as of February 11, 2011, and the projections and beliefs of CBRE-EA stated herein are as of that date.

In this Market Overview section, we use technical phrases such as availability rate, capitalization rate, effective rent, net absorption and rent growth percentage. We define these phrases where they are first used. The phrases are industry terms, and we consider their definition and use in the disclosure below to be helpful and appropriate because of their prevalence in industry publications and frequent usage among those individuals and organizations that consider investing in real estate companies.

Market Opportunity

The single-tenant industrial sector offers investors the opportunity to receive stable income from leases to a variety of firms across a broad spectrum of industrial sub-property types. As compared to multi-tenant and other classes of commercial property, single-tenant industrial buildings are more likely to provide their owners with less volatile cash flows after expenses, as single-tenant industrial buildings generally do not require the same degree of tenant and capital improvement expenditures on an ongoing basis.

In recent years, the single-tenant industrial market has attracted a diverse set of buyers and sellers, from private funds, REITs and individual investors, similar to the multi-tenant industrial market. Despite a low level of investment sales recorded in 2009 and early 2010, over the past decade, single-tenant properties have consistently accounted for close to 20% of the total industrial investment sales volume tracked by Real Capital Analytics. As liquidity is gradually restored to the broader commercial real estate market, opportunities for conventional sale and sale-leaseback opportunities from owner-users are likely to increase.

Due to the recent capital market dislocation on commercial real estate values, the single-tenant industrial market currently offers a favorable investment opportunity, as recent transactions indicate average sales prices have declined and capitalization rates have increased in recent quarters compared with prior years, according to Real Capital Analytics. Capitalization rates represent the ratio of a property's annual net operating income to its purchase price. Recent sales transactions indicate that opportunities exist to acquire select single-tenant industrial assets at a favorable cost basis compared with pre-distortion periods.

Within the context of the broader real estate market, industrial property has exhibited a number of favorable investment characteristics. Based on the National Council of Real Estate Investment Fiduciaries ("NCREIF") Property Index, industrial property has generally outperformed commercial property as a whole on a total return basis over the long term by generating high and stable cash-flow yields. Furthermore, Class B industrial space and secondary markets offer a higher degree of stability in occupancies and rents, relative to Class A space and primary markets. At the same time, Class B property prices are regularly discounted significantly compared to Class A property prices, providing a compelling investment opportunity for Class B property.

While current industrial market occupancy and rent conditions remain challenging, statistics compiled by CBRE-EA indicate market rents and occupancies are likely to improve in 2011.

Size of the Industrial Sector

As of December 31, 2010, the overall U.S. industrial market consisted of approximately 257,000 buildings with 13.8 billion square feet of space. In terms of net rentable area ("NRA"), warehouse/distribution facilities constituted the majority (66.6%) of this space, followed by manufacturing (20.6%),

Table of Contents

and flex/office (which includes research and development) (10.5%). Unclassified buildings (industrial facilities such as sewage treatment centers and airport hangars that are not amenable to private real estate investment) represent the remaining 2.3%.

	NRA (square feet in millions)	Number of Properties
Warehouse/Distribution	9,179	171,227
Manufacturing	2,846	41,596
Flex/Office	1,443	36,496
Other	323	8,049
All Industrial	**13,791**	**257,368**

Source: CBRE-EA Industrial Peer Select, Spring 2011.

According to data compiled by CoStar Group, Inc. for the 20 largest industrial markets in the United States, single-tenant industrial buildings are estimated to account for approximately 49% of total industrial NRA and 51% of total industrial properties.

Performance of the Industrial Sector

According to the NCREIF Property Index, historically, the industrial sector has been among the top performing real estate sectors, exceeding the total returns for the NCREIF Property Index in aggregate by approximately one-third of a percentage point on a per-year average over the 20-year period ending with the fourth quarter of 2010. As with all other property types, total returns declined in the industrial sector between the fourth quarters of 2008 and 2009, as asset values retrenched sharply due to increased risk aversion, a lack of liquidity in the commercial real estate sector and overall economic conditions. Since that time period, asset values have begun to recover sharply, allowing the industrial sector to gain momentum by posting positive total returns during each quarter of 2010. Over the long run, the industrial market has a delivered risk-adjusted performance that exceeds the performance of the commercial real estate market as a whole.

Among the factors that help differentiate the performance of the industrial sector are its comparatively low cost of operation and high, stable cash flow yields. Over the past 20 years, average cash flow yield for the industrial sector has outperformed comparable yields for the NCREIF Property Index in aggregate. In addition, the industrial sector exhibited some of the most stable cash flow yields (measured in terms of standard deviation) of all property types over a 25-year period. Distinct factors that account for the industrial sector's overall cash flow stability relative to other property types include the nature of industrial leases, which tend to be longer term than many other types of commercial property leases and often require tenants to pay utilities, taxes, insurance and maintenance costs, and the low capital and tenant improvement expenditure requirements compared with other property types.

Table of Contents

MARKET OVERVIEW

Comparative Cash Flow Yields

Average Cash Flow Yield (%)[(1)]

(1) Cash flow yields represent income returns reported in the NCREIF Property Index and the NCREIF Industrial Property Sub-Index, as described in more detail below.

Source: NCREIF, CBRE-EA calculations 2010Q4

The industrial sector can be distinguished from other property sectors by more favorable volatility characteristics. A greater component of the return in the industrial sector comes from the income component of return rather than appreciation, where the majority of volatility is derived. CBRE-EA believes that the prospect for return in commercial real estate due to capital appreciation over the next few years will be somewhat limited by a stagnation in rent growth until 2012 and in occupancy, which will limit the near-term prospects for capital appreciation through growth in net operating income. Therefore, CBRE-EA believes that current investors are likely to be rewarded by targeting assets that provide a high cash flow component of the total return, such as those found in the industrial sector.

The foregoing analysis is based on information contained in the NCREIF Property Index. NCREIF is an institutional real estate investment industry association that collects, processes, validates and disseminates investment and operating information reporting on the risk/return behavior of real estate assets owned or controlled by tax-exempt institutional investors. The NCREIF Property Index is a composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All

Table of Contents

MARKET OVERVIEW

properties in the NCREIF Property Index have been acquired, at least in part, on behalf of tax-exempt institutional investors, mostly pension funds. The NCREIF Property Index generally measures the following three types of returns on a quarterly basis for each property that is included in the index:

- Income return, which measures percentage return attributable to the property's net operating income. Income return is measured as a percentage by, generally, dividing each property's net operating income for the quarter by the market value of the property at the beginning of the quarter, as adjusted to reflect the cost of capital improvements or partial sales occurring during the quarter and with simplifying assumptions made regarding the timing of the receipt of net operating income and any capital improvements or partial sales.

- Capital value return, which measures percentage return attributable to any increase or decrease in the market value of the property during the quarter. The capital value return also takes into account any capital improvements or partial sales during the quarter and makes simplifying assumptions made regarding the timing any capital improvements or partial sales and the receipt of net operating income.

- Total return, which combines income return and capital value return.

The NCREIF Property Index is based on data that is submitted by NCREIF's members that are investment managers or institutional investors. The market value that is utilized in the index for each property is the market value for that property as reported by the applicable NCREIF member using standard commercial real estate appraisal methodology, and each property must be independently appraised a minimum of once every three years. In determining the NCREIF Property Index, each property's return is weighted by its market value. Within the NCREIF Property Index, the properties are categorized into four property types, Apartment, Industrial, Office and Retail, and data is available for each separate property type. The industrial sector returns described above were obtained from the NCREIF Industrial Property Sub-Index. The principal components of the NCREIF Industrial Property Sub-Index include single and multi-tenant warehouse, manufacturing and flex/office (which includes research and development) properties.

Industrial Property Fundamentals

Below is a brief summary of availability, demand and supply conditions in the overall U.S. industrial market. Because the information presented is for primary and secondary markets in the United States, and not for secondary markets exclusively, the information may not reflect prevailing conditions in the markets on which we focus.

- *Availability:* As of December 31, 2010, the average industrial space availability rate, or the percentage supply of space available for lease, across the 58 largest industrial markets where CBRE-EA compiles data was 14.3%. As of the fourth quarter of 2010, this rate marked the first quarterly decline in availability since the availability rate started increasing beginning in the fourth quarter of 2007. Between the third and fourth quarters of 2010, the industrial availability rate decreased by three-tenths of a percentage point. This rate is still the second highest availability rate since CBRE-EA began tracking data on the industrial market in 1989.

- *Demand, net absorption:* Industrial net absorption, or the change over a period of time in the total amount of space occupied after taking into account changes in the supply of space, hit a record low in 2009 as almost 253 million square feet of space was vacated on a net basis. Early in 2010, the rate of decline slowed substantially, and by the third quarter of 2010, net absorption turned positive. For the entire year of 2010, a net 12.8 million square feet was absorbed.

Table of Contents

MARKET OVERVIEW

According to CBRE-EA's outlook, growth in demand is expected to improve steadily in 2011, as a net 138 million square feet is expected to be absorbed.

Supply: Construction of industrial facilities plummeted in 2010 as a result of weak demand fundamentals and tightened lending conditions that made it very difficult to obtain financing. During the third quarter of 2010, a mere 1.7 million square feet of space was completed, the lowest quarterly completion rate on record. For the entire year of 2010, only 17.3 million square feet was completed, roughly one-tenth of the annual average completions registered during the preceding decade. Industrial construction was constrained as the most recent recession began, compared to construction before the 1990-1 and 2001 recessions. CBRE-EA believes that the low construction trend will help support rent growth as industrial market demand recovers. Industrial construction is expected to remain quite low in 2011 due to the amount of existing industrial space that was vacated during the recent recession.

Rent: With the sharp rise in availability, CBRE-EA's measure of gross effective industrial warehouse rent fell by an estimated 6.7% in 2010. This decline followed a 10.3% decline in 2009, which was the steepest annual decrease on record. CBRE-EA's warehouse rent index measures changes in effective rents on signed leases (net of free rent concessions) at the metropolitan area level. With high levels of availability and tepid demand, rents are expected to continue to drop slightly during the first half of 2011. However, a rebound in demand, combined with a dramatic decline in new supply, is expected to result in conditions favorable for rent appreciation by 2012.

Availability and Construction Trends

Completions and Net Absorption (millions of square feet) **Availability Rate**

Source: CBRE-EA Industrial Outlook, Spring 2011.

Table of Contents

MARKET OVERVIEW

Annual Warehouse/Distribution Rent Growth

Warehouse/Distribution Rent Growth (%)[(1)]

(1) The warehouse/distribution rent growth percentage reflects the annual (year-over-year) percentage change in the CBRE-EA Warehouse Rent Index. This index measures gross effective warehouse rent (contract rent in dollars per square foot, net of free rent concessions) based on signed warehouse leases. The index is computed at the market level, then aggregated across the 57 primary industrial markets that CBRE-EA covers to form a summary national index.

Source: CBRE-EA Industrial Outlook, Spring 2011.

Historical Occupancy and Valuation Characteristics of Class B Warehouse/Distribution Market

Over the recent past, the Class B warehouse/distribution market has demonstrated a relatively higher degree of stability in occupancy and rent levels compared with the market for newer, larger Class A space. Despite these stronger market fundamentals, Class B space is relatively consistently priced at a discount to Class A space.

The Class A warehouse/distribution market was approximated by buildings that were constructed after 1997 and have a net rentable area of 350,000 square feet or greater. The Class B warehouse/distribution market was approximated by buildings that were constructed in 1997 or earlier or had a net rentable area of less than 350,000 square feet. The Class B market has witnessed lower average availability rates over the past 10 years and a much smaller increase in availability during the recent downturn.

Table of Contents

MARKET OVERVIEW

Availability Rates for Warehouse/Distribution Centers by Class

Warehouse/Distribution Availability Rate (%)

Source: CBRE-EA Industrial Peer Select, Spring 2011.

Meanwhile, average capitalization rates on Class B warehouse/distribution space have been higher than those in the Class A segment. CBRE-EA compiled average quarterly capitalization rates on closed transactions from Real Capital Analytics, using the same definitions as above for the Class A and Class B warehouse/distribution markets. Since 2003, the average capitalization rate for Class B warehouse/distribution properties has been approximately three-tenths of a percentage point higher than the average capitalization rate for Class A warehouse/distribution properties, which means that, on average, the purchase price for Class B warehouse/distribution properties generating a certain amount of annual net operating income has been lower than the purchase price for Class A warehouse/distribution properties generating the same amount of annual net operating income.

Table of Contents

MARKET OVERVIEW

Class A and Class B Warehouse/Distribution Capitalization Rate Trends

Average Capitalization Rate %

Sources: Real Capital Analytics, CBRE-EA calculations

Performance and Liquidity of Secondary Industrial Markets

Despite their relatively small size, secondary industrial markets have, on average, a remarkable amount of fundamental stability in rents and occupancies. Large industrial and distribution markets may offer a substantial amount of depth, which allows owners more options to re-tenant vacant space, a feature that has been attractive to a variety of investors. However, this favorable attribute of larger markets appears to be offset by a higher degree of volatility in occupancy and rent due to a higher tenant dependence on external trade and distribution flows, which tend to be more volatile than locally-generated demand, and a higher propensity for speculative construction in larger markets.

To examine the fundamental performance of primary and secondary industrial markets, CBRE-EA examined historical annual changes in economic rent, which represents the product of the average market net asking rents and the occupancy rates. CBRE-EA created a "Primary" market aggregate economic rent index for the 29 largest industrial metropolitan areas, which each have a minimum market total of 193.3 million in net rentable square footage. This was compared to a "Secondary" market aggregate economic rent index, consisting of the remaining 29 of the 58 metropolitan markets (23.3 million to 193.2 million square feet). Over the period from 1990 through 2010, annual economic rent growth averaged a 1.13% increase per year in the Secondary markets, more than one-half of a percentage point higher than in the Primary markets. In addition, the standard deviation of Secondary market economic rent growth, a measure of volatility, was approximately 17% lower than the comparable measure for Primary markets. Over time, industrial properties in the Secondary markets, on average, have generated superior economic rent growth with slightly lower volatility than their Primary market counterparts.

Table of Contents

MARKET OVERVIEW

Industrial Economic Rent Trends in Primary and Secondary Markets

Average Economic Rent (dollars per square foot)[(1)]

(1) Economic rent represents the product of the average market net asking rents and the occupancy rates.

Source: CBRE-EA Industrial Outlook and calculations, Spring 2011

Market Liquidity and Transaction Volumes

Recent historical sales trends indicate that Secondary markets also offer a comparable amount of sales transaction liquidity to Primary markets. Active sales markets are important to investors who may wish to attract multiple bids when they attempt to exit or recapitalize their investments at different points in time.

Indeed, during the recent active period of industrial property transactions, Primary and Secondary markets on average witnessed similar activity levels. CBRE-EA examined industrial property sales measured in square footage provided at the metropolitan area level by Real Capital Analytics over the 2004-2008 period. Over this period, the proportion of market inventory square footage that sold averaged close to 3.3% per annum, a figure that was nearly identical for Primary and Secondary market aggregations. Although the proportion of inventory that sold varied across metropolitan area markets, there appeared to be no distinction in transaction liquidity between Primary and Secondary markets as a whole.

Current Market for Investment Opportunities

CBRE-EA believes that recent financial crisis and the dislocation in the capital markets has created a favorable environment for new investment, as industrial property prices are being discounted significantly on an absolute and relative basis.

92

Table of Contents

MARKET OVERVIEW

According to NCREIF, appraisal-based industrial property asset values fell by more than 30.5% by the first quarter of 2010 from their late 2007 peak, before stabilizing with a 4.7% increase between the first and fourth quarters of 2010, reflecting a growing demand from investors for well-leased, high quality properties. The Moody's/REAL Commercial Property Price Index (CPPI), which measures price changes based on an index of repeat sales transactions, indicated that industrial property values declined by more than 37.4% from the fourth quarter of 2007 to the third quarter of 2009. During recent quarters, the downward trend in industrial property values has stabilized, according to the CPPI, as the most recent third quarter 2010 industrial index remained close to year-earlier levels. Nonetheless, the overall decline in capital values over the past two years, combined with previously aggressive lending practices, has resulted in an expanding pool of distressed industrial property, where owners are unable to fully re-finance their mortgage loan balances at maturity. Real Capital Analytics identified 1,334 industrial deals representing an estimated value of $9.5 billion that were listed "troubled" as of the fourth quarter of 2010, implying that the current owner faced financial difficulty or bankruptcy, or a loan refinance/default issue.

Corresponding with the change in property values, average capitalization rates on all commercial property transactions, including those in the industrial sector, also rose sharply between late 2007 and late 2009, before falling over the course of 2010. The average capitalization rate on closed single-tenant industrial property sales during the third quarter of 2010, however, was more than one and one-half percentage points higher than the 2007 average lows, according to data compiled by Real Capital Analytics. Furthermore, the spreads between capitalization rates for single-tenant industrial properties and the 10-year U.S. Treasury rate were at some of their widest levels since early 2003.

Capitalization Rate Trends

Capitalization Rate and Yield (%)[1]

(1) Capitalization rates represent the ratio of a property's annual net operating income to its purchase price.

Source: Real Capital Analytics and CBRE-EA calculations, 2010Q3

Table of Contents

MARKET OVERVIEW

While a further decline in real estate rents and operating fundamentals over the short-term is likely to continue to keep capitalization rates at high levels, CBRE-EA believes that most of the capitalization rate re-setting has already taken place, in part due to a constrained debt market, and a much higher than usual risk premium that investors associate with investing in commercial real estate relative to other asset classes. CBRE-EA also believes that opportunities for acquiring high quality assets through foreclosure or directly from distressed sponsors will increase over the next several years, as a growing pipeline of maturing mortgage loans fail to fully refinance under an environment of stringent lender mortgage refinance guidelines and reduced industrial property values. CBRE-EA estimates that some $5.6 billion in industrial loans will mature through 2012 in the CMBS sector alone. As a result, the current market environment will continue to provide an opportunity for well-capitalized investors to acquire assets with strong cash flows at significantly discounted prices compared to levels witnessed just two years ago.

Table of Contents

BUSINESS

Overview

STAG Industrial, Inc. is a newly formed, self-administered and self-managed full-service real estate company focused on the acquisition, ownership and management of single-tenant industrial properties throughout the United States. We will continue and grow the single-tenant industrial business conducted by our predecessor business. Mr. Butcher, the Chairman of our board of directors and our Chief Executive Officer and President, together with an affiliate of NED, a real estate development and management company, formed our predecessor business, which commenced active operations in 2004. Since inception, we have deployed more than $1.3 billion of capital, representing the acquisition of 219 properties totaling approximately 35.2 million rentable square feet in 143 individual transactions.

Upon completion of our formation transactions and this offering, our portfolio will consist of 90 properties in 26 states with approximately 13.7 million rentable square feet. Our 90 properties are 43 warehouse/distribution properties, 26 manufacturing properties and 21 flex/office properties. As of December 31, 2010, our properties were 89.6% leased to 69 tenants, with no single tenant accounting for more than 5.5% of our total annualized rent and no single industry accounting for more than 14.8% of our total annualized rent.

We intend to continue to target the acquisition of individual Class B, single-tenant industrial properties predominantly in secondary markets throughout the United States with purchase prices ranging from $5 million to $25 million. We believe, due to observed market inefficiencies, our focus on owning and expanding a portfolio of such properties will, when compared to other real estate portfolios, generate returns for our shareholders that are attractive in light of the risks associated with these returns because:

- Industrial properties generally require less capital expenditure than other commercial property types and single-tenant properties generally require less expenditure for leasing, operating and capital costs per property than multi-tenant properties.
- In our view, investment yields on single-tenant individual property acquisitions are typically greater than investments yields on portfolio acquisitions. With appropriate asset diversification, individual asset risk can be mitigated across an aggregated portfolio.
- Class B industrial properties tend to have higher current returns and lower volatility than Class A industrial properties.
- Secondary markets generally have less occupancy and rental rate volatility than primary markets.
- In our view, we typically do not face significant competition from other institutional industrial real estate buyers for acquisitions, as these buyers tend to focus on larger properties in select primary markets. Our typical competitors are local investors who often do not have ready access to debt or equity capital.
- Tenants in our target properties tend to manage their properties directly, which allows us to grow our portfolio without substantially increasing the size of our asset management infrastructure.

For a description of what we consider to be Class A and Class B properties, see " Our Properties" below.

Reflecting the market inefficiencies we have observed, our target properties are generally leased to:

- investment grade credit tenants on shorter term leases (less than four to six years);

- sub-investment grade credit tenants on longer term leases (greater than four to six years); or
- a variable combination of the above.

We believe the market inefficiently prices our target properties because investors underestimate the probability of tenant retention beyond the primary lease term or overestimate the expected cost of tenant default. Further, we believe our relationships with a national network of commercial real estate brokers and our underwriting processes, utilizing our proprietary model, allow us to acquire properties at a discount to their intrinsic values, where intrinsic values are determined by the properties' future cash flows. Through the evaluation of more than 3,800 qualified transactions (that is, transactions that pass our initial screening) since 2004, we believe we have developed a unique approach to melding real estate and tenant-credit underwriting analyses, which allows us to identify assets that we believe are undervalued by the market. The significant volume of acquisition opportunities presented to us each year provides us with market intelligence that further supports our underwriting and due diligence processes.

We were incorporated on July 21, 2010 under the laws of the State of Maryland. We intend to elect and qualify to be taxed as a REIT under the Code for the year ending December 31, 2011, and generally will not be subject to U.S. federal taxes on our income to the extent we currently distribute our income to our shareholders and maintain our qualification as a REIT. We are structured as an UPREIT and will own substantially all of our assets and conduct substantially all of our business through our operating partnership.

Competitive Strengths

We believe that our investment strategy and operating model distinguish us from other owners, operators and acquirers of industrial real estate in a number of ways, including:

- ***Proven Growth Profile:*** Since 2004, we have deployed more than $1.3 billion of capital, representing the acquisition of 219 properties totaling approximately 35.2 million rentable square feet in 143 individual transactions. Our systems and personnel have enabled us to acquire as many as seven properties in five transactions totaling $58.1 million in cost in a single month. Moreover, our pursuit of many small acquisitions helps produce a smooth and predictable growth rate.

- ***Established Intermediary Relationships:*** Approximately 32.6% of the acquisitions we sourced, based on total purchase price have been in "limited marketing" transactions where there has been no formal sales process. We believe we have developed a reputation as a credible and active buyer of single-tenant industrial real estate, which provides us access to significant acquisition opportunities that may not be available to our competitors.

- ***Recent Acquisition Activity:*** Our affiliate, STAG GI, LLC, formed STAG GI, a joint venture with GI Partners. Since formation in July 2010, STAG GI has acquired 14 industrial properties, representing 3.9 million rentable square feet located in nine states. In addition, STAG GI has entered into a purchase and sale agreement for the purchase of one 152,000-square foot industrial property and it also has executed two non-binding letters of intent for the purchase of two industrial properties with a combined 537,000 square feet, which represents an aggregate purchase price for all three properties of $30.5 million.

- ***Scalable Platform:*** We intend to grow our portfolio through acquisitions of single-tenant industrial properties in secondary markets throughout the United States. We own properties in a variety of different markets within 26 states. We believe we have developed the experience and systems infrastructure necessary to acquire, own and manage properties throughout the

BUSINESS

United States, which will allow us to efficiently grow our portfolio in those markets and others. In addition, our focus on net lease properties ensures that our current staff of 26 employees (with incremental additions) will be sufficient to support our growth. As of February 10, 2011, we were pursuing approximately $450 million of specific additional potential acquisitions that we have identified as warranting further investment consideration after an initial review.

Expertise in Underwriting Single-Tenant Properties: Our expertise and market knowledge have been derived from our significant acquisition activity, our relationships with a national network of commercial real estate brokers and our presence in numerous markets. Since 2004, we have acquired 219 properties in 143 individual transactions. Through this experience, we developed a proprietary underwriting process. We integrate real estate and corporate credit analysis to project the future cash flows of potential acquisitions. Central to our underwriting is assessing the probability of tenant retention during the lease term and beyond. We evaluate the tenant's use of the subject property, the tenant's cost to relocate, the supply/demand dynamic in the relevant submarket and the tenant's financial condition. We then analyze the costs associated with a vacancy event by estimating market rent, potential downtime and re-tenanting costs for the subject property. We believe that our senior management team has proven expertise and procedures in assessing tenant retention and vacancy costs, and therefore an advantage in identifying, underwriting and closing on attractive acquisition opportunities.

Selectivity: We are selective when deploying capital. The 143 transactions effected by our predecessor business, its affiliates and STAG GI since 2004 represent only 3.7% of more than 3,800 qualified transactions (that is, transactions that pass our initial screening) evaluated during that time.

Stable and Predictable Cash Flows: Our portfolio is diversified by tenant, industry and geography, which tends to reduce risk and earnings volatility. As of December 31, 2010, no single tenant accounted for more than 5.5% of our total annualized rent; no single industry represented more than 14.8% of our total annualized rent; and no single state was the site for properties generating more than 17.3% of our total annualized rent. Cash flow consistency across our portfolio is enhanced by our weighted average in-place remaining lease term of approximately 5.8 years as of December 31, 2010, low costs for tenant improvements and leasing commissions and low capital expenditures (which, for the properties we owned in 2010, averaged 1% and 4% of net operating income during 2010, respectively). It is further enhanced by our expected high tenant retention rate. The management company has achieved an average tenant retention rate (with respect to 97 leases) of 71.9% since its first property acquisition in 2004. Our relatively high tenant retention ratio serves to minimize downtime and costs. We lease our properties primarily on a triple-net lease basis, which mitigates cash flow volatility arising from fluctuations in property operating expenses and capital expenditure requirements. We have no current plans to pursue development or "value add" lease up strategies; however, we may pursue tenant-driven redevelopment opportunities for the properties we own from time to time. We believe our consistent cash flows will provide an attractive and stable current risk adjusted return to our shareholders through an expected dividend of $ per share on an annualized basis, or an annual dividend rate of approximately % based on the midpoint of the range set forth on the front cover of this prospectus. See "Distribution Policy."

Conservative Balance Sheet and Liquidity Position: Upon consummation of our formation transactions, and after giving effect to debt paydowns at the closing of this offering, we will have a debt-to-EBITDA ratio of approximately 4.5x, based on our pro forma EBITDA for the 12 months ended December 31, 2010. We intend to target a debt-to-EBITDA ratio of between

5.0x and 6.0x, although we may exceed these levels from time to time as we complete acquisitions. Following completion of this offering, our debt will be comprised of a $72.0 million loan maturing in 2012, an $92.4 million loan maturing in 2018 and an $8.5 million loan maturing in 2027. All of this debt will bear interest at a fixed rate through its initial term as a result of interest rate swaps. We have executed a commitment letter, subject to customary closing conditions, to extend the maturity date of our debt due in 2012 to October 2013. The pro forma debt yield on this instrument is %. We have executed a loan agreement establishing a $100 million secured corporate revolving credit facility (subject to increase to $200 million under certain circumstances). The credit facility is being held in escrow and will be available upon the closing of this offering and satisfaction of other customary closing conditions. In addition, in connection with our formation transactions, we will be assuming an existing secured acquisition credit facility from STAG GI that currently has $33.6 million of borrowing capacity and a commitment letter for an additional $65 million secured acquisition credit facility. There is no assurance that we will be able to enter into a definitive agreement relating to the additional acquisition facility that we find acceptable, or at all. Our transparent capital structure does not include development financings, joint venture investments or other off balance sheet indebtedness. We believe that this leverage and liquidity profile, as well as the transparency and flexibility of our balance sheet and our UPREIT structure, facilitates future refinancings of our indebtedness and positions us to capitalize on external growth opportunities in the near term.

Experienced Management Team: The five senior members of our management team have significant real estate industry experience, including: Mr. Butcher with 28 years of experience; Mr. Sullivan with 29 years of experience; Mr. Mecke with 26 years of experience; Ms. Arnone with 23 years of experience; and Mr. King with 15 years of experience. All five have had an active role with our predecessor business for at least the past four years. Four have previous public REIT or public real estate company experience. In addition, GI Partners, a representative of which will be a member of our board of directors, has significant experience sponsoring real estate companies, including a public REIT, Digital Realty Trust, Inc.

Our Strategies

Our primary business objectives are to own and operate a balanced and diversified portfolio of single-tenant industrial properties that maximizes cash flows available for distribution to our shareholders, and to enhance shareholder value over time by achieving sustainable long-term growth in FFO per share through the following strategies.

Investment Strategy

Our primary investment strategy is to acquire individual Class B, single-tenant industrial properties predominantly in secondary markets throughout the United States through third-party purchases and structured sale-leasebacks featuring high initial yields and strong ongoing cash-on-cash returns.

We believe secondary markets tend to have less occupancy and rental rate volatility and less buyer competition compared with primary markets. As of December 31, 2010, our properties had an average annualized rent of $4.07 per rentable square foot of leased space.

The performance of single-tenant properties tends to be binary in nature either a tenant is paying rent or the owner is paying the entire carrying cost of the property. We believe that this binary nature frequently causes the market to inefficiently price our target assets. In an attempt to avoid this binary risk and paying the entire carrying cost of a vacant property, potential investors in single-tenant properties may turn to the application of rigid decision rules that would induce buyers of single-tenant properties to avoid acquisitions where the tenant does not have an investment grade rating or where the remaining primary lease term is less than an arbitrary number such as 12 years. By adhering to such inflexible decision rules, other investors may miss attractive opportunities that we can identify and acquire.

We further believe that our method of using and applying the results of our due diligence and our ability to understand and underwrite risk allows us to exploit this market inefficiency. Lastly, we believe that the systematic aggregation of individual properties will result in a diversified portfolio that mitigates the risk of any single property and will produce sustainable returns which are attractive in light of the associated risks. A diversified portfolio with low correlated risk essentially a "virtual industrial park" facilitates debt financing and mitigates individual property ownership risk.

We will not employ a "top-down" market selection approach to identifying acquisitions but rather will evaluate potential acquisitions within the context of the market in which they are located. Each submarket has its own unique market characteristics that determine the timing and amount of cash flow that can reasonably be expected to be derived from the ownership of real estate asset in that market.

Growth Strategy

External Growth through Acquisitions: Our target acquisitions will be, predominantly in secondary markets across the United States, in the $5 million to $25 million range. Where appropriate potential returns present themselves, we also may acquire assets in primary markets. Other institutional industrial real estate buyers tend to concentrate their efforts on larger deal sizes in select primary markets. Therefore, the competition for our target assets is primarily local investors who are not likely to have ready access to debt or equity capital. In addition, our UPREIT structure may enable us to acquire industrial properties on a non-cash basis in a tax efficient manner. We will also continue to develop our large existing network of relationships with real estate and financial intermediaries. These individuals and companies give us access to significant deal flow both those broadly marketed and those exposed through only limited marketing. These properties will be acquired primarily from third party owners of existing leased buildings and secondarily from owner-occupiers through sale-leaseback transactions. The market for third-party investment sales transactions is less competitive than the sale-leaseback market and therefore presents an opportunity to earn returns that we believe are attractive in light of the associated risks. We will continue to focus our acquisition activities on our core property types: warehouse/distribution facilities, manufacturing facilities, and flex/office facilities (light assembly and research and development). Because we believe flex/office properties typically have higher tenant improvement and re-leasing costs and less likelihood of tenant retention compared to our other core property types, we intend to focus more on warehouse/distribution facilities and manufacturing facilities and less on flex/office facilities. From time to time, if an attractive opportunity presents itself, we may consider portfolio acquisitions. As of February 10, 2011, we were evaluating approximately $450 million of specific potential acquisitions that we have identified as warranting further investment consideration after an initial review. We believe that a significant portion of the 13.8 billion square feet of industrial space in the United States falls within our target investment criteria and that there will be ample supply of suitable acquisition opportunities.

Consistent with our growth strategy, STAG GI, LLC and GI Partners formed STAG GI, which has assembled a portfolio of 14 single-tenant industrial properties that will be contributed to our operating partnership upon completion of our formation transactions and this offering. Upon completion of our formation transactions and this offering, STAG GI will not pursue further acquisitions.

As part of our formation transactions, upon approval of our independent directors, we will have the right to acquire any of the Option Properties individually for a period of up to three months after notification that the property has stabilized, defined as 85% or greater occupancy pursuant to leases at least two years in remaining duration. See "Structure and Formation of Our Company Services Agreements and Option Properties."

Internal Growth through Asset Management: Our asset management team will seek to maximize cash flows by maintaining high retention rates and leasing vacant space, managing operating expenses and maintaining our properties. We seek to accomplish these objectives by improving the overall performance and positioning of our assets by utilizing our tenant relationships and leasing expertise to maintain occupancy and increase rental rates. Our asset management team collaborates with our internal credit function to actively monitor the credit profile of each of our tenants on an ongoing basis. Additionally, we work with national and local brokerage companies to market and lease available properties on advantageous terms. During the period from March 3, 2004 to December 31, 2010, the management company achieved a lease renewal rate of 71.9%. As of December 31, 2010, our portfolio had approximately 1,434,217 square feet, or 10.4% of our total rentable square feet, available for lease.

The principal "value-added" component of our asset management process is cost effective tenant retention. Our asset management team maintains an active dialogue with all tenants to identify lease extension opportunities, both at lease expiration dates and during the term of the lease in response to changing tenant requirements. In addition, our asset management team monitors its assets on an ongoing basis through engagement and supervision of local property managers and regular site visits and keeps current on local market conditions through discussions with brokers and principals and by tracking sales via various reporting services.

Our asset management functions with respect to our properties include strategic planning and decision making, centralized leasing activities and management of third party leasing and property management companies. Our asset management/credit team oversees property management activities relating to our properties, which include controlling capital expenditures and expenses that are not reimbursable by tenants, making regular property inspections, overseeing rent collections and cost control and planning and budgeting activities. Tenant relations matters, including monitoring of tenant compliance with their property maintenance obligations and other lease provisions, are handled by in-house personnel for most of our properties and by third-party building managers for other properties under our management.

Critical to our operating strategy is our active monitoring of each tenant's credit profile. On a continuing basis, our asset management/credit team monitors the financial data provided by our tenants, including quarterly, semi-annual, or annual financial information. We also have access to executive management teams to discuss historical performance and future expectations of our tenants. The credit monitoring process involves the review of key news developments, financial statement analysis, management discussions, and the exchange of information with the other asset management specialists.

We also seek to maximize rental income by working to retain existing tenants and by actively marketing space for which tenant renewals are not obtained. We will take an active approach to managing our lease portfolio, typically preparing our renewal or releasing strategy 12 months prior to scheduled lease expiration dates and entering into discussions with tenants well in advance of such expiration dates. Further, we will seek to stagger lease termination dates so as to minimize the possibility of significant portions of the portfolio becoming vacant at the same time. We aim to increase the cash flow generated by our current properties in the portfolio and from the properties that we acquire in the future through rent increase provisions in our leases. In addition, we intend to work actively to maintain or improve occupancy levels by retaining existing tenants, thereby minimizing "down time" and releasing costs, and improving the occupancy levels through the leasing of any vacant space.

Underwriting Strategy

We believe that our market knowledge, systems and processes allow us to analyze efficiently the risks in an asset's ability to produce cash flow going forward. We blend fundamental real estate analysis with corporate credit analysis in our proprietary model to make a probabilistic assessment of cash flows that will be realized in future periods. For each asset, our analysis focuses on:

- **Real Estate.** We evaluate the physical real estate within the context of the market (and submarket) in which it is located and the prospect for re-tenanting the property if it becomes vacant by estimating the following:
  - market rent for this building in this location;
  - downtime to re-lease and related carrying costs;
  - cost (tenant improvements, leasing commissions and required capital expenditures) to achieve the projected market rent within the projected downtime; and
  - single-tenant or multi-tenant reuse.
- **Deal Parameters.** We evaluate the tenant and landlord obligations contained within the existing or proposed lease and other transaction documents.
- **Tenant Credit.** We apply fundamental credit analysis to evaluate the tenant's credit profile by focusing on the tenant's current and historical financial status, general business plan, operating risks, capital sources and earnings expectations. We also analyze SEC filings, press releases, management calls, rating agency reports and other public information. In the case of a private, non-rated firm, we will obtain financial information from the tenant and calculate common measures of credit strength such as debt-to-EBITDA and coverage ratios. For publicly rated firms, we use the credit information issued by Moody's Investor Services, Standard & Poor's, and Fitch Ratings. Using this data and publicly available bond default studies of comparable tenant credits, we estimate the probability of future rent loss due to tenant default.
- **Tenant Retention.** We assess the tenant's use of its property and the degree to which the property is central to the tenant's ongoing operations, the tenant's potential cost to relocate, the supply/demand dynamic in the relevant submarket and the availability of suitable alternative properties. We believe tenant retention tends to be greater for properties that are critical to the tenants' businesses. Examples of properties which we believe are critical to the tenant's business include the following:
  - Our 148,298 square foot property located in Tavares, Florida is the tenant's corporate headquarters and is the only site where the tenant designs and manufactures its sophisticated baggage handling systems. In addition, the building is outfitted with state of the art, high-tech equipment that enables the tenant to produce precision systems.

Our 187,200 square foot property located in Newton, North Carolina is the sole site for the assembly of advanced satellite antennae and communications equipment used by the U.S. Department of Defense and certain foreign countries to meet critical command, control, communications, computing and intelligence surveillance requirements. This property is operated on a 24 hour a day basis and has convenient access to interstate highways and rail service to three major ports for the distribution of its products.

Our 366,000 square foot property located in Goshen, Indiana is the tenant's sole U.S. manufacturing facility and its key industrial customers are located nearby. The tenant recently improved the building, consolidated its operations from two other U.S. facilities to this location and hired an additional 30 employees.

Financing Strategy

We intend to preserve a flexible capital structure and to utilize primarily debt secured by pools of properties, structured such that in the case of default, the lender's remedies are generally limited to recovery on the collateral. Although we are not required to maintain any particular leverage ratio under our charter or bylaws, we intend to target a long-term average debt-to-EBITDA ratio of between 5.0x and 6.0x, although we may exceed these levels from time to time as we complete acquisitions.

We have executed a loan agreement with several financial institutions establishing a $100 million secured corporate revolving credit facility (subject to increase to $200 million under certain circumstances). The credit facility is being held in escrow and will be available upon the closing of this offering and satisfaction of other customary closing conditions. In addition, in connection with our formation transactions, we will be assuming an existing secured acquisition credit facility from STAG GI that currently has $33.6 million of borrowing capacity and a commitment letter for an additional $65 million secured acquisition credit facility. There is no assurance that we will be able to enter into a definitive agreement relating to the additional acquisition facility that we find acceptable, or at all. We expect to fund property acquisitions initially through a combination of cash available from offering proceeds, our credit facilities and traditional mortgage financing. Where possible, we also anticipate using common units issued by our operating partnership to acquire properties from existing owners seeking a tax-deferred transaction. We intend to meet our long-term liquidity needs through cash provided by operations and use of other financing methods as available from time to time including, but not limited to, secured and unsecured debt, perpetual and non-perpetual preferred stock, additional common equity issuances, letters of credit and other arrangements. In addition, we may invest in properties subject to existing mortgages or similar liens.

STAG GI Investments, LLC

STAG GI, LLC and GI Partners formed STAG GI, which has assembled a portfolio of 14 single-tenant industrial properties that it will contribute to our operating partnership as part of our formation transactions. Upon completion of our formation transactions and this offering, STAG GI will contribute its 14 properties to our operating partnership in exchange for common units and will not pursue any further acquisitions. In addition, STAG GI has entered into a purchase and sale agreement for the purchase of one 152,000-square foot industrial property and it also has executed two non-binding letters of intent for the purchase of two industrial properties with a combined 537,000 square feet, which represents an aggregate purchase price for all three properties of $30.5 million. STAG GI will assign the purchase and sale agreement and letters of intent to us at closing. We are in various stages of due diligence and underwriting as part of our evaluations of these three potential acquisitions, and each is subject to significant outstanding conditions. We can give no assurance that we will acquire any of the properties or, if we do, what the terms or timing of any such acquisition will be. Further, STAG GI will agree to a 12-month lock-up period on its common units. Upon expiration of the 12-month lock-up period, STAG GI will distribute such common units to the members of STAG GI and liquidate the venture. Under certain circumstances, GI Partners will have the right to nominate two members of our board of directors. See "Management Board of Directors."

Table of Contents

Our Properties

In connection with our formation transactions and this offering, in exchange for an estimated total of 6,088,861 common units, we will acquire entities that own our 90 properties. Our target properties fit into three general categories:

Warehouse/Distribution properties generally 200,000 to 1,000,000 square feet in size with ceiling heights between 22 feet and 36 feet and used to store and ship various materials and products.

Manufacturing properties generally 75,000 to 250,000 square feet in size with ceiling heights between 16 feet and 22 feet and used to manufacture all types of goods and products.

Flex/Office properties generally 50,000 square feet to 200,000 square feet in size and used for office space, light manufacturing, research and development and warehousing.

We target Class B properties, as compared to Class A properties. The distinction between Class A industrial and Class B industrial properties is subjective. However, we consider Class A and Class B industrial properties to be as follows:

Class A industrial properties typically possess most of the following characteristics: concrete tilt-up construction, clear height in excess of 26 feet, a ratio of dock doors to floor area that is more than one door per 10,000 square feet, truck courts sized to accommodate easy maneuvering of long-haul tractor trailer trucks, energy efficient design characteristics, less than 15 years old and square footage generally in excess of 200,000 square feet.

Class B industrial properties typically vary from Class A industrial properties in that they have some but not all of the features of the Class A industrial properties. These properties remain functional but are less attractive to high volume distribution users.

Our definition of Class A and Class B may be different from those used by other companies.

The following table provides information about the properties we will own upon consummation of our formation transactions. Except as otherwise noted in the footnotes, we will own fee simple interests in all of the properties.

Property Address	City	Number of Properties	Asset Type	Year Built/Year Renovated[1]	Total Rentable Square Feet
Delaware					
111 Pencader Drive	Newark	1	Flex/Office	1991	28,653
113 Pencader Drive	Newark	1	Flex/Office	1991	24,012
Florida					
530 Fentress Boulevard	Daytona Beach	1	Manufacturing	1982/1985	142,857
1301 North Palafox Street	Pensacola	1	Flex/Office	1921/2005	30,620
3100 West Fairfield Drive	Pensacola	1	Flex/Office	1969/1994	7,409
476 Southridge Industrial Drive	Tavares	1	Manufacturing	1989/2003	148,298
Georgia					
1707 Shorewood Drive	LaGrange	1	Warehouse/Distribution	1980/1989	249,716(4)
Idaho					
805 North Main Street	Pocatello	1	Flex/Office	1960/1999	43,353

Table of Contents

BUSINESS

Property Address	City	Number of Properties	Asset Type	Year Built/Year Renovated[1]	Total Rentable Square Feet
Indiana					
1515 East State Road 8	Albion	8	Manufacturing	1966/1994	319,513
2350 County Road 6	Elkhart	1	Warehouse/Distribution	1977	150,715(5)
53105 Marina Drive	Elkhart	1	Warehouse/Distribution	1978/1983	18,000
2600 College Avenue	Goshen	1	Warehouse/Distribution	1978/2002	366,000
Iowa					
102 Sergeant Square Drive	Sergeant Bluff	1	Flex/Office	1980/1987	148,131
Kansas					
One Fuller Way	Great Bend	2	Warehouse/Distribution	1972/2002	572,114
Kentucky					
300 Spencer Mattingly Lane	Bardstown	1	Warehouse/Distribution	1996/1999	102,318
1355 Lebanon Road	Danville	1	Warehouse/Distribution	1971/1997	766,185
Maine					
One Hatley Road	Belfast	5	Flex/Office	1997/2000	318,979(6)
19 Mollison Way	Lewiston	1	Flex/Office	1995	60,000
Maryland					
15 Loveton Circle	Sparks	2	Flex/Office	1980/2003	34,800
Massachusetts					
37 Hunt Road	Amesbury	1	Flex/Office	2000	78,040
219 Medford Street	Malden	1	Manufacturing	1974/1980	46,129
243 Medford Street	Malden	1	Manufacturing	1975/1980	63,814
Michigan					
50900 E. Russell Schmidt	Chesterfield	1	Warehouse/Distribution	1969/2009	311,042
50501 E. Russell Schmidt	Chesterfield	1	Warehouse/Distribution	1971/2007	68,300
50371 E. Russell Schmidt	Chesterfield	1	Warehouse/Distribution	1972	49,612
50271 E. Russell Schmidt	Chesterfield	1	Warehouse/Distribution	1971	49,849
2640 Northridge	Grand Rapids	1	Warehouse/Distribution	1995	210,000
900 Brooks Avenue	Holland	1	Warehouse/Distribution	1969/2007	307,576(7)
414 E. 40th Street	Holland	1	Manufacturing	1970/1985	198,822
Minnesota					
4750 County Road 13 NE	Alexandria	1	Manufacturing	1991/2007	172,170
19850 Diamond Lake Road	Rogers	1	Warehouse/Distribution	2001	386,724
Mississippi					
4795 I-55 North	Jackson	1	Flex/Office	1968/2002	39,909
1102 Chastain Drive	Jackson	1	Flex/Office	1975/2007	11,600
Missouri					
8950 & 8970 Pershall Road	Hazelwood	1	Warehouse/Distribution	1966/1996	249,441
3801 Lloyd King Drive	O'Fallon	1	Warehouse/Distribution	1995/2009	77,000
New Jersey					
251 Circle Drive North	Piscataway	1	Warehouse/Distribution	1977/1982	228,000
190 Strykers Road	Lopatcong	1	Manufacturing	1984	87,500
New York					
60 Industrial Parkway	Cheektowaga	1	Warehouse/Distribution	1968/2004	121,760
5786 Collett Road[2]	Farmington	1	Warehouse/Distribution	1995	149,657

Table of Contents

BUSINESS

Property Address	City	Number of Properties	Asset Type	Year Built/Year Renovated[(1)]	Total Rentable Square Feet
North Carolina					
1187 Telcom Drive	Creedmor	1	Warehouse/Distribution	1975/2001	243,048
165 American Way	Jefferson	2	Manufacturing	1998/2005	103,577
200 Woodside Drive	Lexington	1	Warehouse/Distribution	1999/2002	201,800
300 Forum Parkway	Rural Hall	1	Warehouse/Distribution	1993	250,000
3700 Display Drive	Charlotte	1	Warehouse/Distribution	2001	465,323
10701 Nations Ford Road	Charlotte	1	Warehouse/Distribution	1975/1999	491,025
1500 Prodelin Drive	Newton	1	Warehouse/Distribution	2001	187,200
313 Mooresville Blvd.	Mooresville	1	Warehouse/Distribution	2009	300,000
Ohio					
4401 Southern Blvd	Boardman	1	Manufacturing	1958	95,000
365 McClurg Road	Boardman	1	Warehouse/Distribution	1958/1998	175,900
1011 Glendale Milford Road	Cincinnati	1	Flex/Office	1957/2003	114,532(8)
818 Mulberry Street	Canton	1	Warehouse/Distribution	1871/2005	448,000
4646 Needmore Road	Dayton	1	Flex/Office	1974/1998	113,000
800 Pennsylvania Avenue	Salem	1	Manufacturing	1968/1987	251,000
5160 Greenwich Road	Seville	1	Warehouse/Distribution	1962/2003	75,000(9)
5180 Greenwich Road	Seville	1	Warehouse/Distribution	1962/2003	270,000(9)
9777 Mopar Drive	Streetsboro	1	Warehouse/Distribution	1996	343,416
7990 Bavaria Road	Twinsburg	1			