

View of the Market

Volume XVI/Issue
7/July 2024

Strategy and Insight for the Commercial Real Estate Industry

A Publication of Paramount Capital Corporation

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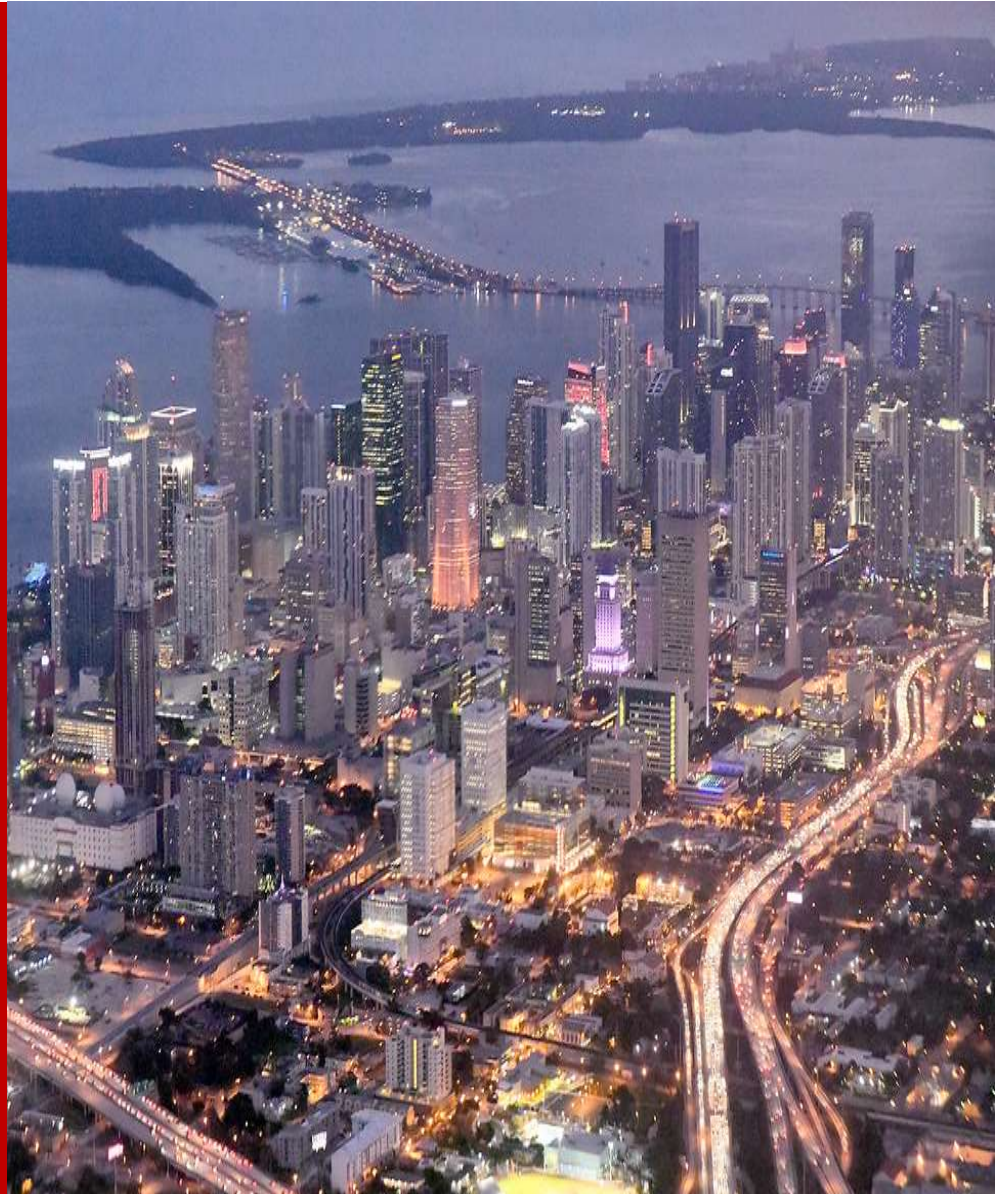
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REAL STATE FOCUS

The Misery of Buying High and Selling Low in CRE

Buying property at low cap rates is one of the worst strategies in CRE investment and finance. The editor of this newsletter, Joseph Ori, has published three books on CRE investment and two of them are titled, “The 50 Commandments of Commercial Real Estate Investment” editions I & II and the first commandment is “Acquiring commercial real estate at low capitalization rates significantly increases the odds that the equity investors will eventually lose their capital.” This is exactly what is occurring today in the twenty-eighth month of the Fed's higher interest rate crusade with the federal funds rate at an elevated 5.25% up from 0.0% in March 2022. Property deals in major markets that looked solid back in 2019 and trading at these sub-5% cap rates have now become an albatross and misery for the owners and lenders.

Many investors did not read the 50 Commandments treatise during the last several years and went ahead and bought CRE assets at thin cap rates from 3.25% to 5.0%. These investors were hoping that interest rates would stay low, cap rates would follow, and they would be able to dump, we mean, sell the property to the next chump, we mean, buyer at the same compressed cap rate. The low cap rate regime became a game of musical lifeboats on the Titanic and the big question was, who would get stuck without a lifeboat as the mighty ship sank? And as we have witnessed in the last few years, many investors from the largest private equity firms to the local real estate developer have succumbed to cap rate misery.

If a CRE property was purchased in 2019 for \$50 million and at a 4% cap rate with 60% debt at an interest-only rate of 3.5%, held for five years with 2.5% net operating income (NOI) inflation and sold at the end of year five at a 6% cap rate, the equity investors would see a negative internal rate of return of (10%) and lose \$7 million of the \$20 million in equity. If the NOI declined during those five years like many urban office buildings, the negative IRR and loss of equity would be much greater. Below is a cap rate and valuation table which shows the large swings in value when cap rates go up and down.

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NOI	Capitalization Cap Rate	Property Value	Percentage Reduction in Value
\$1,000,000	3.0%	\$33,333,333	0%
\$1,000,000	4.0%	\$25,000,000	-25.0%
\$1,000,000	5.0%	\$20,000,000	-40.0%
\$1,000,000	6.0%	\$16,666,667	-50.0%
\$1,000,000	7.0%	\$14,285,714	-57.0%
\$1,000,000	8.0%	\$12,500,000	-63.0%

While buying at low cap rates and selling into a market with much higher cap rates is dreadful, the CRE market today is poised to offer the opposite scenario. Cap rates on average have risen from the sub-5% area to 6%-7%+ depending on the property type and location and this is an opportune time to buy CRE assets. The dirty little secret in Washington is that the Federal Reserve will at some point have to begin lowering interest rates. Many Fed watchers think that there will be only one .25% or .5% rate reduction this year, however, we here at VOM believe rates will be reduced by at least 1% to 1.5% this year and at least another 1.5% in 2025. Our prognostication is due to the election and the extreme pressure on the Federal Reserve to lower interest rates to benefit the current administration. Investors who buy today at a 6% or 7% cap rate will derive the benefit of lower rates and cap rates when the property is sold in a few years or buying low and selling high.

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A Review of the Retail Market

The retail market has been one of the best-performing sectors of the CRE market since the tumultuous years from 2014-2019 which were characterized by hundreds of retail company bankruptcies and tens of thousands of store closures. Many pundits during this period predicted that all 800 malls would close, and retail shopping centers would be dead. This was of course not true, and the shopping center business has flourished. Even regional malls are doing well with high traffic flows and increased sales per square foot. However, there are still dozens of Class C malls that are in the process of being repurposed into apartments, office space, industrial space, hotels, and other non-retail uses. According to Cushman & Wakefield's Shopping Center Marketbeat for Q1-24, average rents for Q1-24 have increased by 3.9% over the same period in 2023 and the current asking rent is \$ 23.98 per square foot. New construction for the same period averaged only 11.6 million square feet of space. Cap rates have expanded to 6.0%-8.0%+, and there is high demand for suburban shopping centers with food and drug store anchors. Many of these properties are trading at a sub-6.0% cap rates.

Key statistics and data on the retail market are discussed below.

I. Key Statistics

General statistics for the industrial market as of Q1-24 per broker, Cushman & Wakefield are as follows:

- Vacancy rate – 5.4%
- Net absorption – -1.2 million square feet
- Average monthly net rent - \$23.98 (up .3.9% YoY)
- Construction starts – 11.6 million square feet

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II. Pros and Cons of Retail Investment

The retail market has again become a favorite for various investor groups and the pros and cons of retail investment include the following:

- Pros
 - Fairly easy to understand and analyze
 - Fairly easy to finance with credit tenants
 - Solid demand for space
 - Investment type diversity with strip, neighborhood and community centers, power and lifestyle centers and outlet and regional malls
 - Range of values and cap rates available
 - Most leases are triple-net
 - The key metric is the sales volume per square foot for the anchor tenants
 - Not management intensive with single tenant net leases
 - Low tenant turnover
 - Some leases will have percentage rent in addition to base rent and expense reimbursements

- Cons
 - Location and market are key to a successful investment
 - Loss of anchor tenants can be detrimental to the entire retail center
 - Some tenant leases in malls will be percentage rent only to keep the tenant in place but shifts rental risk from the tenant to the landlord
 - Complicated lease structures
 - Many tenants will have a “Co-tenancy” provision in their lease agreement

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III. Retail Rental Rates and Rent Growth

Since the end of the crash of the retail sector in 2019, retail rental rates nationally have risen at low single-digit rates. The chart below shows the average rent and rent change for ten key markets per the Cushman & Wakefield report for Q1 2024.

City	Rent PSF	YoY Rent Change
San Francisco, CA	\$43.96	.8%
New York, NY	\$33.57	3.3%
Los Angeles, CA	\$34.20	.8%
Inland Empire	\$26.77	4.3%
Austin, TX	\$30.53	5.8%
Miami	\$41.72	7.3%
Las Vegas	\$26.87	4.9%
Phoenix	\$24.70	9.5%
Dallas	\$23.00	4.9%
Nashville	\$27.66	4.9%

The chart below per Cushman & Wakefield shows increasing rent growth and lower vacancies due to the low amount of new square feet being built in most major markets around the country.

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IV. New Retail Construction

The chart below shows new retail construction per the Cushman & Wakefield report. This period of new construction has been at historically low rates.

Period	Construction Completions (millions of square feet)
Q1-24	2.0
2023	8.8
2022	9.7
2021	10.5
2020	18.7

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V. Retail Returns

The yearly returns, including price change and dividends for the retail sector for both NAREIT and NCREIF are shown in the two charts below. The NCREIF returns are not leveraged and since retail properties are leveraged at 60%-65+% of value, the levered returns for retail would be more than twice the returns shown.

NAREIT	5/24	2023	2022	2021	2020
Annual Returns	-1.16	10.57	-13.29	51.91	-2518

Data per NAREIT

NCREIF	Q4-22	3 Years	5 Years	10 Years	15 Years
Period Returns	2.7%	-0.3%	.6%	5.7%	5.2%

Data per NCREIF

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Creating Value with CRE Property Management

Property management is often an overlooked and underfunded business within the commercial real estate sector. Most CRE investor groups, including private equity, institutional, sovereign wealth funds and others place a very low priority and value on the property management function. However, we here at VOM believe that the property management function is now more important than ever. Since transaction volume is down 70% due to higher interest rates and real estate fundamentals have deteriorated, especially in the office sector, extracting higher cash flow and value with a focus on strategic property management is critical. During the last few years, there have been many changes to the investment and ownership of CRE due to higher interest rates, high crime rates, advancements in technology, cultural and demographic shifts, and lifestyle changes. These changes and industry disruptions will only accelerate in the future. Adapting to these changes and the ability to earn a favorable net margin from an efficient and profitable property management function, is a key strategy for CRE investors.

The property management function is typically comprised of the following primary tasks:

- Preparation of accounting and financial reports
- Property building maintenance and repair
- Financial reporting and recordkeeping
- Maintaining various bank accounts
- Preparing reports and financial data for ownership
- Calculation and billing of CAM and operating expense tenant reimbursements
- Analysis and payment of property operating expenses
- Vendor and contract management
- Site inspections
- Tenant retention and leasing
- Tenant issues, complaints, and requirements
- Lease analysis and negotiation
- Market analysis
- Property due diligence

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- Capital repairs and renovation programs
- Rent collection and processing
- Preparation of property budgets

The typical property management fee varies by property type with apartments at 4% to 6%, office/industrial at 2% to 4% and retail at 3%-5% of effective gross income. The property management function should be structured as a separate entity owned by the CRE sponsor that contracts to manage each property in the sponsor's portfolio. As a separate entity, it can create value as a property management company within the sponsor's CRE portfolio. A commercial real estate portfolio that is valued at \$500 million may generate gross property management revenue of \$2.5 million annually. At a 20% net margin, the net income is \$500,000 per annum for the property management company. The valuation of the property management company could be around 10 times earnings or \$5 million (\$500,000 x 10), an attractive and many times overlooked value. This quick analysis does not include any leasing or brokerage fees or third-party management contracts, which could significantly add to the revenue and value of the property management business.

Get Your Copy of Three Great CRE Books by Our Editor, Joseph Ori

The editor of this newsletter, Joseph Ori, is pleased to offer his three CRE books for sale, "The Fifty Commandments of Commercial Real Estate Investment" Edition I and II and "Commercial Real Estate Investment for Pros (and Dummies Too!)." All books are available on Amazon and other book outlets in Kindle, and soft and hardcover from \$8.99 to \$24.99.

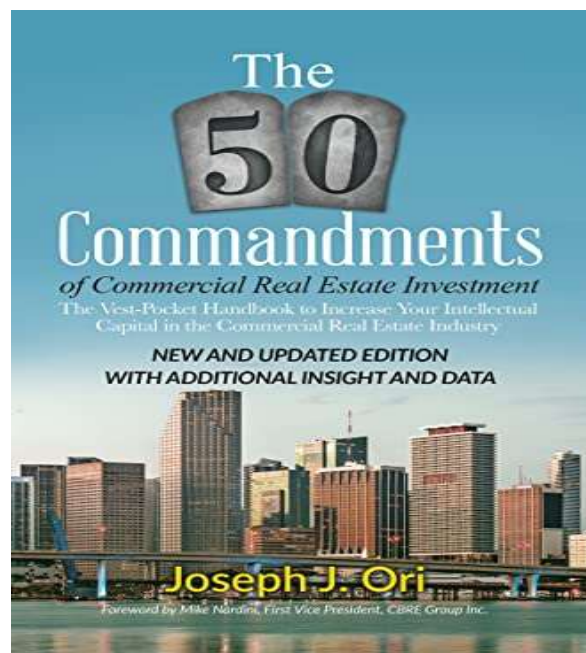
Both editions of The Fifty Commandments of Commercial Real Estate Investment compile the choice pieces of advice Mr. Ori has amassed over 40 years in the CRE industry. Mr. Ori lists essential dos and don'ts, mistakes, and successful strategies with a mixture of critical analysis and a keen sense of satirical humor, reinforced by his encyclopedic knowledge of the commercial real estate environment. Mr. Ori covers all areas of the industry. Commercial real estate investment,

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finance, development, capital markets, and management tactics are all given his full attention, as are leasing, financial analysis, and institutional investments. He applies his commandments to all property types, including apartments, office buildings, shopping centers, industrial warehouses, lodging properties, and senior housing.

Commercial Real Estate Investment for Pros (and Dummies Too!) discusses the history, the various financial players, legal and financial structures, property types, modern portfolio theory and the financial metrics of commercial real estate investment and the commercial real estate industry. The book includes numerous charts and analyses of the industry and a step-by-step breakdown of the commercial real estate analysis and investment process. The book is perfect reading for the experienced real estate pro and also understandable to the real estate novice or someone new to the industry.

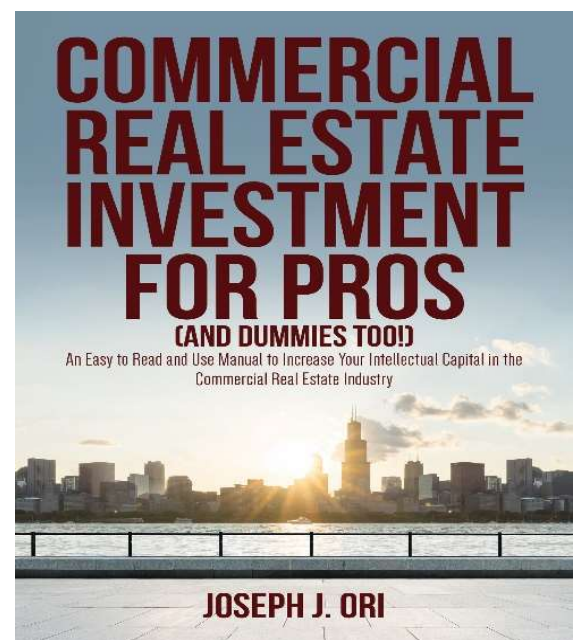
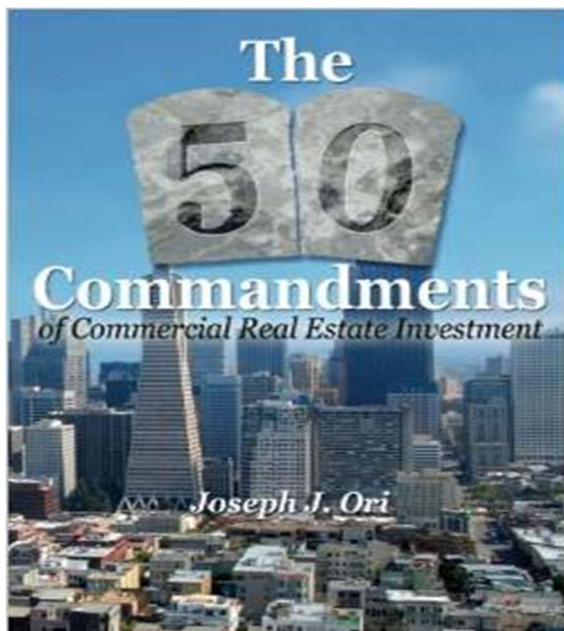


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CRE Financing Rates

Loan Type	Mortgage Rate	Maximum Amortization	Term (years)	Maximum LTV
Permanent Loans	5.87%-10.50%+	30	10	70%
Conduit-CMBS	5.88%-7.49%+	30	10	70%
Bridge Loans	6.50%-14.50%+	Interest Only	1-3	80%
Construction Loans	10.00%-15.00%+	Interest Only	1-4	70%
Insurance Co. Loans	5.38%-7.89%+	30	10	70%
Fannie Mae/Freddie Mac	4.98%-5.79%+	30	10	80%

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Commercial Loan Index Rates	
Prime Rate	8.50%
30-Day SOFR (secured overnight funding rate)	5.34%
1 Year Swap	4.84%
10 Year Swap	3.79%
5 Year Treasury	4.22%
10 Year Treasury	4.27%
Federal Funds Rate	5.25%



Short-term interest rates have remained stable with the 30-day SOFR rate at 5.34%, however, the ten-year treasury rate has declined to 4.27%. We still believe that the Fed will begin to lower rates in the second half of 2024, which will create a mini-boom in CRE. The above financing rates and data are courtesy of Paramount Capital Corporation and feel free to contact Joseph Ori, Founder and CEO, Paramount Capital Corporation, jjo@paramountcapitalcorp.com, for your real estate capital needs.

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CRE Deal Focus

CRE Deals of the Month

Purchaser/ Sponsor	Seller	Property/ Deal	Price	Description
KKR	Quarterra	Apartment Portfolio	\$2.1B	A portfolio of 18 Class A apartment properties located primarily in the Sunbelt.
Sovereign Partners	Nuveen Real Estate	780 Third Ave., New York, NY	\$178M	A 510,000-square foot office building built in 1983 and is 56% leased.
Pantzer Properties	AMLI Residential	AMLI Doral Apartments, Doral, FL	\$139M	A 352-unit apartment complex built in 2013.
Goldfarb Properties	Pantzer Properties	1201 So. Eads St. Apartments, Arlington, VA	\$113M	A 348-unit apartment complex.

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Daniel Negari	Federal Realty Investment Trust	Mixed-Use Buildings, Santa Monica, CA	\$103M	Eight buildings at the Third Street Promenade with 207,000 square feet.
EQT Exeter	McGarvey Development Co.	Centerlinks Business Park, Fort Myers, FL	\$92M	A 453,940 square foot industrial building.
Timberline Real Estate Ventures	Mapletree Investments	The Cottages of Boone, Boone, NC	\$91M	An 894-bed student housing property built in 2013.
Mesirow Financial	AMLI Residential	AMLI at Sawgrass Village, Sunrise, FL	\$89M	A 325-unit apartment complex built in 2015.
Apple Hospitality	Mortenson Development	Embassy Suites Hotel, Madison, WI	\$79M	A 262-room hotel built in 2014.

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Apollo Realty Income Solutions	H&M Company	Industrial Park, Memphis, TN	\$58M	A 707,317-square foot industrial property.
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CORPORATE FINANCE FOCUS

The Daily Drucker

One of the most popular corporate thinkers and management consultants in the last hundred years is Peter Drucker. He passed away in 2005 at 92 years old, but during his illustrious career, published over thirty-five books, and his corporate and management ideas have had a profound impact on shaping the modern corporation and management science. For the next twenty-four issues of VOM, we will highlight some of his insights and motivations in corporate management, personnel, and the knowledge worker from one of his last books, *The Daily Drucker*.

I. From Selling to Marketing

Despite the emphasis on marketing and the marketing approach, marketing is still rhetoric rather than reality in far too many businesses. “Consumerism” proves this. For what consumerism demands of business is that it actually market. There will always, one can assume, be a need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits her and sells itself.

II. Cost-Driven Pricing

Customers do not see it as their job to ensure that manufacturers make a profit. Most American and European companies set their prices by adding up the costs and then putting a profit margin on top. But the only sound way to price is to start out with what the market is willing to pay and design to that price specification. Investigate your pricing practices. Set prices according to customer realities and then form a team to help achieve a cost structure that will allow you to make the necessary profit at a preset price.

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III. Cost Control in a Stable Business

In cost control an ounce of prevention is worth a pound of cure. Hold increases in operating costs to a fixed percentage of increases in operating revenues. Make sure operating costs go down by the percentage decrease in operating revenues.

IV. Eliminating Cost Centers

No matter how well a business prevents cost inflation, it will still have to cut costs. To start cost cutting, management usually asks: “How can we make this operation more efficient?” It is the wrong question. The question should be : “Would the roof cave in if we stopped doing this work altogether?” And if the answer is “probably not,” one eliminates the operation. Set up a systematic process of reviewing all products, processes, and services. Abandon those that no longer contribute to customer value.



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The Miracle of Compounding

The famous physicist, Albert Einstein, said, “Compound interest is the eighth wonder of the world.” Compounding your money is the best way to create long-term wealth in investing. With the proper asset allocation among various stock, bond, REIT and commodity funds, compounding will increase your personal net worth tremendously over time. However, compounding takes time, decades, not years for its benefits to be financially rewarding.

Below is the annual return table from the Berkshire Hathaway, Inc., 2023, 10-K. Berkshire has been run by Warren Buffett for 58 years as largest shareholder and CEO and the table compares the annual increase in the Berkshire stock compared to the S&P 500 Index. As shown in the table, Berkshire’s stock has increased in value by 19.8% per annum from 1965 to 2023 or 58 years, while the S&P 500 Index has only grown by 10.2% per annum.

Let’s say your grandparents knew Buffet and invested \$5,000 in the stock of Berkshire in 1965. Back then \$5,000 was the price of a new top-of-the-line Cadillac automobile. If the stock was never sold and you inherited it from your grandparents, it would be worth \$177,609,000 today. If the \$5,000 was invested in the S&P 500 Index, it would only be worth \$1,397,000. In addition to the initial \$5,000, if the grandparents invested \$100 per year in the stock, today it would be worth in the billions.

This is the miracle of compounding. If you are in your twenties or thirties today and set up a diversified investment portfolio with the proper asset allocation and can let it compound until you are in your seventies, you will create tremendous wealth.

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Berkshire's Performance vs. the S&P 500

Year	Annual Percentage Change	
	in Per-Share Market Value of Berkshire	in S&P 500 with Dividends Included
1965	49.5	10.0
1966	(3.4)	(11.7)
1967	13.3	30.9
1968	77.8	11.0
1969	19.4	(8.4)
1970	(4.6)	3.9
1971	80.5	14.6
1972	8.1	18.9
1973	(2.5)	(14.8)
1974	(48.7)	(26.4)
1975	2.5	37.2
1976	129.3	23.6
1977	46.8	(7.4)
1978	14.5	6.4
1979	102.5	18.2
1980	32.8	32.3
1981	31.8	(5.0)
1982	38.4	21.4
1983	69.0	22.4
1984	(2.7)	6.1
1985	93.7	31.6
1986	14.2	18.6
1987	4.6	5.1
1988	59.3	16.6
1989	84.6	31.7
1990	(23.1)	(3.1)
1991	35.6	30.5
1992	29.8	7.6
1993	38.9	10.1
1994	25.0	1.3
1995	57.4	37.6
1996	6.2	23.0
1997	34.9	33.4
1998	52.2	28.6
1999	(19.9)	21.0
2000	26.6	(9.1)
2001	6.5	(11.9)
2002	(3.8)	(22.1)
2003	15.8	28.7
2004	4.3	10.9
2005	0.8	4.9
2006	24.1	15.8
2007	28.7	5.5
2008	(31.8)	(37.0)
2009	2.7	26.5
2010	21.4	15.1
2011	(4.7)	2.1
2012	16.8	16.0
2013	32.7	32.4
2014	27.0	13.7
2015	(12.5)	1.4
2016	23.4	12.0
2017	21.9	21.8
2018	2.8	(4.4)
2019	11.0	31.5
2020	2.4	18.4
2021	29.6	28.7
2022	4.0	(18.1)
2023	15.8	26.3
Compounded Annual Gain – 1965-2023	19.8%	10.2%
Overall Gain – 1964-2023	4,384,748%	31,223%

Note: Data are for calendar years with these exceptions: 1965 and 1966, year ended 9/30; 1967, 15 months ended 12/31.

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REIT Statistics

Current REIT statistics for 5/31/24 per NAREIT are included in the table below. Please note that the all-equity REIT return over 20 years includes three CRE downturns, the Great Recession, the retail and store closure meltdown and the current higher interest rate regime.

<i>Period</i>	<i>All REITs</i>	<i>All Equity REITs</i>	<i>S&P 500</i>	<i>NASDAQ Composite</i>
<i>5/2024</i>	-4.28%	-4.31%	11.30%	11.82%
<i>1-Year</i>	9.37%	9.03%	28.19%	30.37%
<i>5-Year</i>	2.89%	3.23%	15.80%	18.54%
<i>10-Year</i>	5.75%	5.99%	12.69%	15.85%
<i>20-Year</i>	7.38%	7.91%	10.20%	11.24%
<i>Market Capitalization</i>	\$1.30T	\$1.24T	\$43.7T	\$19.0T
<i>Dividend Yield</i>	4.53%	4.19%	1.32%	1.46%

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REIT Review

Summary

This REIT valuation is for STAG Industrial, Inc., (“STAG”), a publicly-traded REIT that is engaged in the acquisition and operation of industrial properties throughout the U.S. STAGs properties are located in forty-one states with 113 million rentable square feet in 570 properties. STAGs occupancy rate is 97.8% and same-store net operating income growth for Q1-24 YoY was 8.0%.

Property Developments

As of Q1-24, STAG was developing two warehouses with a total of 300,000 rentable square feet.

Corporate Data

STAG is traded on the NYSE, is incorporated in Maryland, and is located in Boston, MA. STAG has 182 million common shares outstanding and a market capitalization of approximately \$6,870 billion. STAG owns and controls 97% of the interests in its UpReit partnership, STAG Industrial Operating Partnership, L.P. STAG is rated Baa3 by Moody’s Investors Services and BBB by Fitch Ratings.

Management

William R. Crooker, 44, CEO and Director

WILLIAM R. CROOKER

Mr. Crooker serves as our President, Chief Executive Officer, and Director. Mr. Crooker most recently served as our Chief Financial Officer, Executive Vice President, and Treasurer from January 2016 until May 2021. Mr. Crooker has also served as Chief Accounting Officer and Senior Vice President of Capital Markets. Prior to the formation of our Company, Mr. Crooker served as the Chief Accounting Officer for the Company’s predecessor, STAG Capital Partners, LLC, from 2010 to 2011, where he was responsible for the accounting, tax, and financial reporting for the company. From 2002 to 2010, Mr. Crooker worked for KPMG LLP, in its real estate practice focusing primarily on publicly traded real estate investment trusts. He has held various positions

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with KPMG LLP, including most recently as Senior Manager. Mr. Crooker is a certified public accountant and received his Bachelor of Science degree in accounting from Bentley University.

Ownership

Top Institutional Holders	Shares (000's)	%
The Vanguard Group, Inc.	26,250	14.41
Blackrock Inc.	22,030	12.1
State Street Corporation	9,210	5.06
Massachusetts Financial Services Co.	5,220	2.87
Alliance Bernstein L.P.	4,020	2.21

Ownership Breakdown	
% Of Shares Held by All Insiders and 5% Owners	.14
% Of Shares Held by Institutional & Mutual Fund Owners	92.11
Number of Institutions Holding Shares	682

All amounts above per Yahoo Finance

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Financial Analysis and Valuation

Select financial data for STAG per the 2024 Q1 10Q and supplemental information.

(In millions where applicable)

Financial Data	Amounts
Real Estate Assets, Gross	\$7,331
Total Assets	\$6,294
Property Debt (at weighted average interest rates of approximately 3.79%)	\$2,654
Stockholders' Equity	\$3,423
Revenue	\$187
Net Income (Loss)	\$36
Cash Flow from Operations	\$105
Unsecured Credit Facility (\$1B with \$438M used)	\$562
Market Capitalization	\$6,870
Property Debt to:	
Gross Real Estate Assets	36%
Market Capitalization	38%
Enterprise Value	27%
Dividend and Yield (\$1.48/sh.)	4.08%
Shares Sold Short (in millions per Yahoo Finance)	5,910

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Valuation Methodology	
Q1-24 Real Estate Revenue	\$187
Q1-24 Real Estate Operating Expenses (excluding depreciation, amortization, interest expense, impairment charges plus G&A expenses)	<u>\$51</u>
Q1-24 Net Operating Income	\$136
Proforma Annualized Net Operating Income at 103%	\$560
Projected Average Cap Rate	<u>6.0%</u>
Projected Value of Real Estate Assets	\$9,333
Add: Net Operating Working Capital (at book value)	<u>\$97</u>
Total Projected Value of the Assets of the Company	\$9,430
Less: Total Debt per Above	<u>(\$2,654)</u>
Projected Net Asset Value of the Company	<u>\$6,776</u>
Common Shares Outstanding, 182M	
Projected NAV Per Share	\$37
Market Price Per Share on 7/15/24	\$36
Premium (Discount) to NAV	(2%)

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Financial Metrics

The gross real estate assets, property debt, revenue, net income, funds from operations, return on invested capital, dividend coverage, and dividends per share for STAG for the years 2019 through Q1-24 are shown in the table below.

(Millions except dividend and per share amounts)	2019	2020	2021	2022	2023	Q1-24
Gross Real Estate Assets	\$4,626	\$5,278	\$6,513	\$6,953	\$7,253	\$7,331
Property Debt	\$1,643	\$1,702	\$2,216	\$2,497	\$2,622	\$2,654
Revenue	\$405	\$483	\$562	\$657	\$707	\$187
Net Income (Loss)	\$43	\$202	\$192	\$178	\$192	\$36
Funds from Operations (FFO)	\$232	\$285	\$332	\$401	\$421	\$108
Return on Invested Capital (1)	7.1%	6.8%	7.1%	9.4%	8.0%	NA
Dividend Coverage (2)	1.22	1.27	1.35	1.50	1.57	1.59
Dividends Paid Per Share	\$1.43	\$1.44	\$1.4496	\$1.46	\$1.47	\$1.48

- (1) This ratio is cash provided by operations plus interest expense divided by stockholder's equity plus property debt and measures the return the REIT is earning on its invested capital.
- (2) This ratio is funds from operations divided by common and preferred stock dividends and distributions to noncontrolling interests.
- (3) The dividend in 2024 is \$.1233 per month.

The total return of STAG year to date and through five years are shown in the chart below per NAREIT:

STAG Total Return	5/2024	1-Yr	3-yr	5-Yr
	-9.18%	4.94%	3.48%	8.31%

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As shown above, our net asset value per share for STAG is \$37/sh., compared to a market price of \$36/sh. Current average cap rates for industrial properties per our industry experience and CBRE's Cap Rate Survey are in the 5.0% to 8.0% range, depending on the location, age, and tenancy of the property. We have used an average cap rate of 6.0% due to STAGs diversified portfolio of industrial properties.

Strengths:

- A low debt-to-enterprise value of 28%.
- A high-quality portfolio of industrial properties.
- An attractive dividend yield of 4.08%
- The stock is trading at a 2% discount to our NAV per share.

Concerns:

- REIT prices will decline if interest rates increase.
- The dividend has only increased by 3% since 2019.

Recommendation:

STAG is trading at a slight discount to our NAV per share, however, we are not recommending the purchase of the stock.

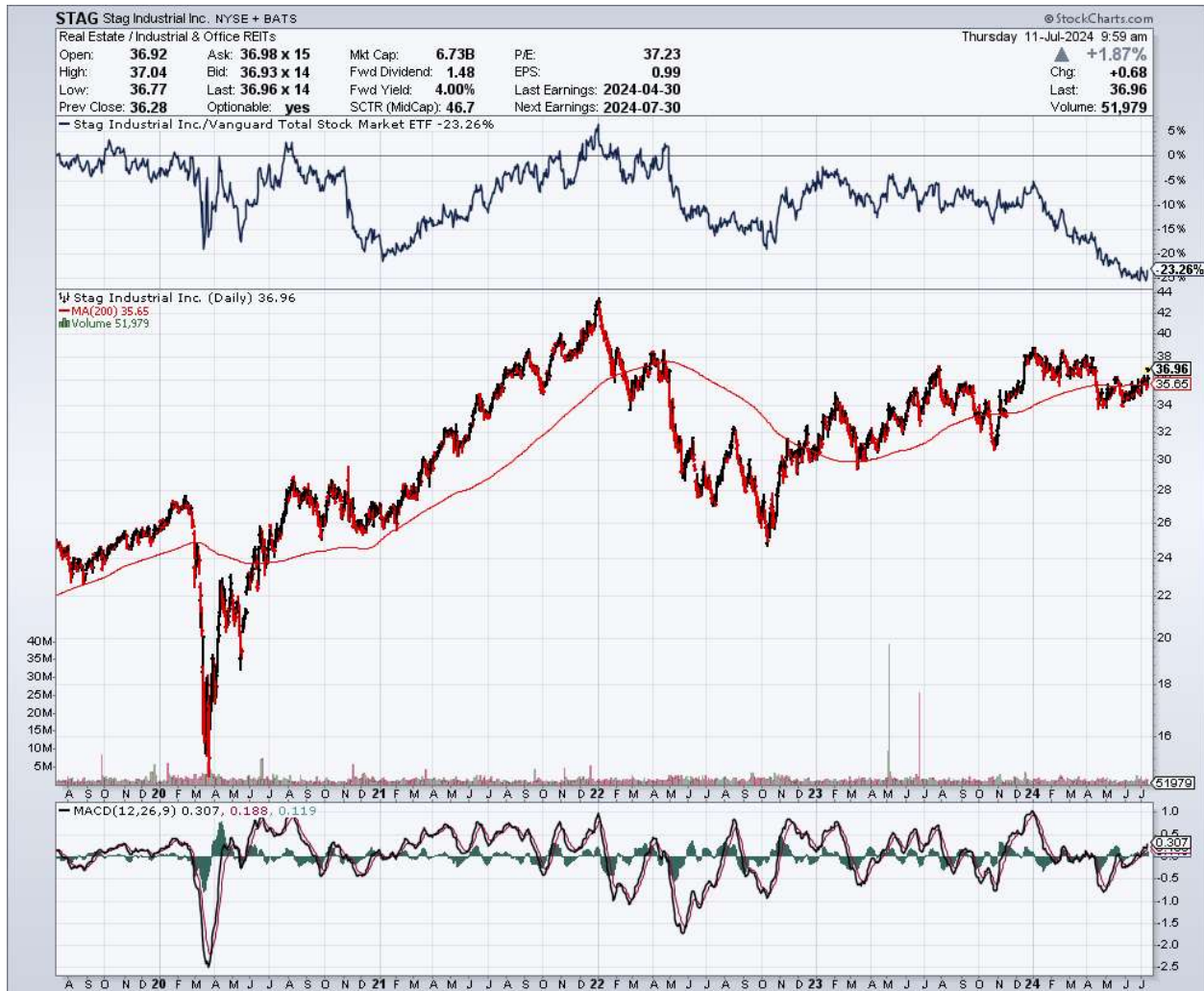
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A five-year price chart for STAG is shown below:



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REIT FOCUS REVIEWS IN PRIOR ISSSTAGS OF VOM ARE AS FOLLOWS:



1. Hudson Pacific Properties, Inc., August 2022
2. Kilroy Realty Corporation, September 2022
3. Realty Income Corporation, October 2022
4. Federal Realty Trust, November 2022
5. Equity Residential, December 2022
6. STAG Industrial, January 2023
7. Brixmor Property Group, Inc., February 2023
8. Mid-America Apartment Communities, March 2023
9. Office Properties, Trust, April 2023
10. Spirit Realty Capital, Inc., May 2023
11. Cousins Properties, Inc., June 2023
12. Tanger Factory Outlet Centers, Inc., July 2023
13. Paramount Group, Inc., August 2023
14. Broadstone Net Lease, Inc., September 2023
15. Apartment Income REIT Corp., October 2023

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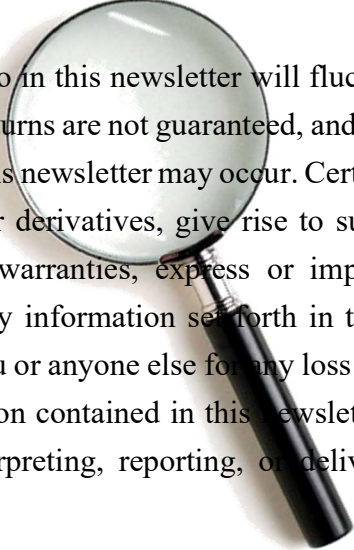
16. Kite Realty Group Trust, November 2023
17. Alexandria Real Estate Equities, Inc., December 2023
18. Agree Realty Corporation, January 2024
19. WP Carey, February 2024
20. Essex Property Trust, March 2024
21. Brandywine Realty Trust, April 2024
22. Urban Edge Properties, May 2024

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